COMMONWEALTH PORTS AUTHORITY

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS IN ACCORDANCE WITH OMB CIRCULAR A-133

YEAR ENDED SEPTEMBER 30, 2002

COMMONWEALTH PORTS AUTHORITY

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2002 AND 2001

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Commonwealth Ports Authority:

We have audited the accompanying statements of net assets of the Commonwealth Ports Authority (CPA), a component unit of the Commonwealth of the Northern Mariana Islands, as of September 30, 2002 and 2001, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of CPA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of CPA as of September 30, 2002 and 2001, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in note 2 to the accompanying financial statements, CPA adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, and GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

The Management's Discussion and Analysis on pages 20 through 37 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The combining divisional information presented on pages 3 through 5, which is also the responsibility of CPA's management, is presented for purposes of additional analysis and is not a required part of the financial statements of CPA. Such information has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2003, on our consideration of CPA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Deloitte & Touche

January 10, 2003, except for note 14, as to which the date is February 4, 2003

COMMONWEALTH PORTS AUTHORITY

Statements of Net Assets
September 30, 2002 and 2001
(With Combining Divisional Information as of September 30, 2002)

ASSETS	Airport Division	Seaport Division	2002	2001
Current assets:				
Cash and cash equivalents	$ 1,888,706	$ 915,075	$ 2,803,781	$ 3,504,982
Investments (note 4)	3,502,270	130,031	3,632,301	4,773,348
Receivables:				
Grantor agencies (note 3)	3,218,329	-	3,218,329	1,234,760
Operations, net (note 5)	1,851,234	495,940	2,347,174	2,558,265
Due from Seaport Division	97,209	-	97,209	241,881
Officers and employees	28,563	3,029	31,592	35,522
Prepaid expenses	43,451	-	43,451	90,750
Deferred bond issue cost, current portion	27,170	37,284	64,454	63,509
Total current assets	10,656,932	1,581,359	12,238,291	12,503,017
Other assets:				
Investments restricted for construction and debt service purposes (note 4)	3,294,311	7,576,944	10,871,255	10,628,673
Non-current assets:				
Deferred bond issue cost	641,215	880,526	1,521,741	1,562,079
Receivable from related parties (note 10)	3,239,780	-	3,239,780	3,194,823
Property, plant and equipment, net (note 6)	86,772,666	52,165,358	138,938,024	130,678,670
Total non-current assets	90,653,661	53,045,884	143,699,545	135,435,572
	$ 104,604,904	$ 62,204,187	$ 166,809,091	$ 158,567,262
LIABILITIES AND NET ASSETS				
Current liabilities:				
Revenue bonds payable, current portion (note 7)	$ 310,000	$ 510,000	$ 820,000	$ 770,000
Notes payable to related party, current portion (notes 8 and 14)	-	1,051,305	1,051,305	737,251
Contractors payable	2,996,334	31,089	3,027,423	1,661,972
Trade and other payable	216,513	21,405	237,918	127,223
Due to related parties (note 10)	681,616	73,129	754,745	625,028
Due to Airport Division	-	97,209	97,209	241,881
Accrued expenses	1,169,334	379,339	1,548,673	1,324,690
Deferred income	21,658	-	21,658	47,443
Total current liabilities	5,395,455	2,163,476	7,558,931	5,535,488
Revenue bonds payable (note 7)	18,445,054	30,275,095	48,720,149	49,442,904
Notes payable to related party (note 8)	-	8,015,343	8,015,343	8,621,905
Total liabilities	23,840,509	40,453,914	64,294,423	63,600,297
Net assets:				
Investment in capital assets,net of related debt	68,685,997	13,231,425	81,917,422	72,732,198
Restricted	3,294,311	7,576,944	10,871,255	10,628,673
Unrestricted	8,784,087	941,904	9,725,991	11,606,094
Total net assets	80,764,395	21,750,273	102,514,668	94,966,965
Commitment and contingencies (note 12)				
	$ 104,604,904	$ 62,204,187	$ 166,809,091	$ 158,567,262

See accompanying notes to financial statements.

COMMONWEALTH PORTS AUTHORITY

Statements of Revenues, Expenses and Changes in Net Assets
Years Ended September 30, 2002 and 2001
(With Combining Divisional Information for the year ended September 30, 2002)

	Airport Division	Seaport Division	2002	2001
Operating revenues (note 13):				
Aviation fees	$ 5,795,044	$ -	$ 5,795,044	$ 6,244,040
Seaport fees	-	4,160,611	4,160,611	4,060,209
Concession and lease income (note 12)	3,266,786	736,374	4,003,160	4,837,117
Other	1,096,422	122,551	1,218,973	1,217,213
Total operating revenues	10,158,252	5,019,536	15,177,788	16,358,579
Operating expenses:				
Depreciation and amortization	5,391,991	2,380,368	7,772,359	7,680,825
Salaries and wages	5,891,040	706,708	6,597,748	6,057,903
Employee benefits	1,749,375	205,868	1,955,243	1,724,679
Insurance	841,684	390,000	1,231,684	774,087
Professional fees	537,479	117,870	655,349	584,432
Supplies	400,072	19,748	419,820	432,170
Utilities	311,874	39,115	350,989	311,267
Bad debts	-	294,656	294,656	378,262
Repairs and maintenance	225,343	40,941	266,284	288,795
Travel	195,540	54,730	250,270	476,864
Contractual services	182,005	33,032	215,037	179,270
Promotion and advertising	64,559	3,854	68,413	116,636
Training	11,644	-	11,644	13,748
Other	305,105	58,940	364,045	218,860
Total operating expenses	16,107,711	4,345,830	20,453,541	19,237,798
Operating (loss) income	(5,949,459)	673,706	(5,275,753)	(2,879,219)
Non-operating revenues (expenses):				
Interest income	147,712	125,547	273,259	952,228
Other (expense) income, net (note 12)	(14,214)	-	(14,214)	(591,389)
Interest expense	(816,543)	(2,355,993)	(3,172,536)	(3,216,859)
Amortization of bond issue cost	(24,459)	(32,934)	(57,393)	(57,393)
Total non-operating revenues (expenses), net	(707,504)	(2,263,380)	(2,970,884)	(2,913,413)
Loss before capital contributions and transfers	(6,656,963)	(1,589,674)	(8,246,637)	(5,792,632)
Capital contributions (note 11)	15,794,340	-	15,794,340	9,287,658
Change in net assets	9,137,377	(1,589,674)	7,547,703	3,495,026
Net assets - beginning (note 11)	71,627,018	23,339,947	94,966,965	91,471,939
Net assets - ending	$ 80,764,395	$ 21,750,273	$ 102,514,668	$ 94,966,965

See accompanying notes to financial statements.

COMMONWEALTH PORTS AUTHORITY

Statements of Cash Flows
Years Ended September 30, 2002 and 2001
(With Combining Divisional Information for the year ended September 30, 2002)

	Airport Division	Seaport Division	2002	2001
Cash flows from operating activities:				
Cash received from customers	$ 9,844,031	$ 5,328,052	$ 15,172,083	$ 15,221,370
Cash payments to suppliers for goods and services	(2,737,191)	(679,966)	(3,417,157)	(3,125,739)
Cash payments to employees for services	(7,689,771)	(912,576)	(8,602,347)	(7,782,582)
Net cash provided by (used for) operating activities	(582,931)	3,735,510	3,152,579	4,313,049
Cash flows from capital and related financing activities:				
Acquisition of property, plant and equipment	(14,004,041)	(172,613)	(14,176,654)	(10,857,879)
Capital contributions, net	13,810,771	-	13,810,771	8,842,902
Principal paid on revenue bond maturities	(221,581)	(451,174)	(672,755)	(632,844)
Additional bond issue costs	(8,000)	(10,000)	(18,000)	(28,000)
Payments on note payable to related party	-	(292,508)	(292,508)	(403,377)
Interest paid on revenue bonds and note payable to related party	(1,264,149)	(2,397,995)	(3,662,144)	(3,731,407)
Net cash used for capital and related financing activities	(1,687,000)	(3,324,290)	(5,011,290)	(6,810,605)
Cash flows from investing activities:				
Net investment liquidations, unrestricted	639,730	501,317	1,141,047	12,098
Net investment liquidation (purchases), restricted	371,462	(614,044)	(242,582)	784,639
Interest income	147,712	125,547	273,259	952,228
Other expense, net	(14,214)	-	(14,214)	(591,389)
Net cash provided by investing activities	1,144,690	12,820	1,157,510	1,157,576
Net (decrease) increase in cash and cash equivalents	(1,125,241)	424,040	(701,201)	(1,339,980)
Cash and cash equivalents at beginning of year	3,013,947	491,035	3,504,982	4,844,962
Cash and cash equivalents at end of year	$ 1,888,706	$ 915,075	$ 2,803,781	$ 3,504,982
Reconciliation of operating (loss) income to net cash provided by (used for) operating activities:				
Operating (loss) income	$ (5,949,459)	$ 673,706	$ (5,275,753)	$ (2,879,219)
Adjustments to reconcile operating (loss) income to net cash provided by (used for) operating activities:				
Depreciation and amortization	5,391,991	2,380,368	7,772,359	7,680,825
Bad debts	-	294,656	294,656	378,262
(Increase) decrease in assets:				
Receivables - operations	(392,909)	309,344	(83,565)	(463,092)
Interdivisional accounts	144,672	(144,672)	-	-
Receivables - officers and employees	4,758	(828)	3,930	9,157
Prepaid expenses	47,299	-	47,299	(90,750)
Related parties	(44,957)	-	(44,957)	(536,066)
Increase (decrease) in liabilities:				
Accounts payable - trade and other	104,281	6,414	110,695	(57,028)
Related parties	112,929	16,788	129,717	116,793
Accrued expenses	24,249	199,734	223,983	154,559
Deferred income	(25,785)	-	(25,785)	(392)
Total adjustments	$ (582,931)	$ 3,735,510	$ 3,152,579	$ 4,313,049

See accompanying notes to financial statements.

(1) Organization

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.

(2) Summary of Significant Accounting Policies

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. Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, requires that proprietary activities apply all applicable GASB pronouncements as well as Statements and Interpretations issued by the Financial Accounting Standards Board (FASB), Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989. CPA has implemented GASB 20 and elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

Basis of Accounting

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of this fund are included on the statements of net assets. Proprietary fund operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in net assets. 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.

Cash and Cash Equivalents

For the purposes of the statements of net assets and the statements of cash flows, cash and cash equivalents is defined as cash held in demand deposits, savings and time certificates of deposit with a maturity date within three months of the date acquired. As of September 30, 2002 and 2001, total cash and cash equivalents were $2,803,781 and $3,504,982, respectively, and the corresponding bank balance was $2,989,220 and $3,549,935, respectively. Of the bank balance amount, $2,989,220 and $3,549,935, respectively, is maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. Bank deposits in the amount of $100,000 were FDIC insured as of September 30, 2002 and 2001. CNMI law does not require component unit funds to be collateralized and thus CPA's funds, in excess of FDIC insurance, are uncollateralized.

(2) Summary of Significant Accounting Policies, Continued

Capitalization of Interest

CPA capitalizes interest in order to recognize all costs associated with the airport and seaport construction projects based on CPA's weighted average borrowing rate. During the years ended September 30, 2002 and 2001, $488,266 and $514,548, respectively, of eligible interest expense was capitalized.

Investments

CPA values its investments based on fair values in accordance with GASB Statement No. 31. CNMI Public Law 2-48, Section 31, requires that all CPA's 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.

Due From/To Airport/Seaport Divisions

Due from/to balances between the Airport and Seaport Divisions, which result from transactions made during the course of operations, are normally liquidated within thirty days and are considered to be current receivables and liabilities.

Allowance for Doubtful Accounts

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

Property, Plant and Equipment

Property, plant and equipment and construction-in-progress, set forth in note 6, are recorded at cost. Depreciation is provided by using the straight-line method over the estimated useful lives of the assets.

Deferred Bond Issue Cost

Bond issue costs are treated as a deferred asset and are amortized over the life of the related bond issue.

Retirement Plan

CPA contributes to the Northern Mariana Islands Retirement Fund (the Fund), a cost-sharing multiple employer defined benefit pension plan administered by the CNMI. The Fund provides retirement, security and other benefits to employees, and their spouses and dependents, of the CNMI Government and CNMI agencies, instrumentalities, and public corporations. CNMI Public Law 6-17, the Northern Mariana Retirement Fund Act of 1988 assigns the authority to establish and amend benefit provisions to the Fund's Board of Trustees. The Fund issues a publicly available financial report that includes financial statements and required supplementary information for the Fund. That report may be obtained by writing to the Northern Mariana Islands Retirement Fund, P.O. Box 501247, Saipan, MP, 96950-1247.

(2) Summary of Significant Accounting Policies, Continued

Retirement Plan, Continued

Plan members are required to contribute 6.5% and 9.0% of their annual covered salary for Class I and Class II members, respectively, and CPA is required to contribute at an actuarially determined rate. The current rate is 26.4% of annual covered payroll. The contribution requirements of plan members and CPA are established and may be amended by the Fund's Board of Trustees. CPA's contributions to the Fund for the years ended September 30, 2002, 2001 and 1999 were $1,613,952, $1,447,263, and $1,335,091, respectively, equal to the required contributions for each year.

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. The accumulated vacation leave liability as of September 30, 2002 and 2001, is $745,110 and $670,673, respectively, and is included in accrued expenses in the accompanying 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.

Reclassification

Certain 2001 balances in the accompanying financial statements have been reclassified to conform to the 2002 presentation.

New Accounting Standards

GASB has issued Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*, as amended by GASB Statement No. 36. The provisions of this statement require capital grants and contributions to be recognized as non-operating revenue on the Statements of Revenues, Expenses and Changes in Net Assets. In prior periods, capital grants and contributions had been recorded as a direct increase to contributions in aid in the equity section of the statement of net assets. As a result, contributed capital and retained earnings as of October 1, 2001 have been restated from the amounts previously reported.

GASB has also issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, which was subsequently amended by Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and modified by Statement No. 38, *Certain Financial Statement Disclosures*. These statements establish financial reporting standards for governmental entities which require that management's discussion and analysis of the financial activities be included with the basic financial statements and notes and modifies certain other financial statement disclosure requirements. CPA is required to adopt GASB Statement No. 34, as amended by GASB Statement No. 37, and certain provisions of GASB Statement No. 38 in fiscal year 2002.

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

To conform to the requirements of GASB 34, the following changes have been made to CPA's financial statements:

- Retained earnings have been reclassified into the following net assets categories:
  - Investment in capital assets net of related debt; capital assets, net of accumulated depreciation, plus deferred bond issuance cost, less outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
  - Restricted:
    Nonexpendable - Net assets subject to externally imposed stipulations that CPA maintain them permanently. For the years ended September 30, 2002 and 2001, CPA does not have nonexpendable net assets.
    Expendable - Net assets 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 assets that are not subject to externally imposed stipulations. Unrestricted net assets 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.
- The statement of cash flow has been presented using the direct method.

(3) Receivables From Federal Grantor Agencies

Receivables from the U.S. Federal Aviation Administration and the U.S. Department of the Interior as of September 30, 2002 and 2001, are as follows:

	2002	2001
U.S. Department of Transportation		
Federal Aviation Administration		
Saipan International Airport, AIP Project No. 3-69-0002-19/29	$ 186,230	$ -
Saipan International Airport, AIP Project No. 3-69-0002-24	39,171	39,171
Saipan International Airport, AIP Project No. 3-69-0002-28	356,041	-
Saipan International Airport, AIP Project No. 3-69-0002-30	236,680	-
Saipan International Airport, AIP Project No. 3-69-0002-31	19,998	-
Saipan International Airport, AIP Project No. 3-69-0002-32	29,999	-
Saipan International Airport, AIP Project No. 3-69-0002-33	153,606	-
Saipan International Airport, AIP Project No. 3-69-0002-40	113,785	-
Rota International Airport, AIP Project No. 3-69-0003-11	-	133,708
Rota International Airport, AIP Project No. 3-69-0003-12	40,527	-
Tinian International Airport, AIP Project No. 3-69-0011-06	1,178,472	192,517
Tinian International Airport, AIP Project No. 3-69-0011-07	-	316,552
Tinian International Airport, AIP Project No. 3-69-0011-08	-	451,827
Tinian International Airport, AIP Project No. 3-69-0011-09	-	100,985
Tinian International Airport, AIP Project No. 3-69-0011-10	773,170	-
Transportation Security Administration		
Security reimbursement	90,650	-
	$ 3,218,329	$ 1,234,760

(3) Receivables From Federal Grantor Agencies, Continued

Amounts due from the above agencies represent reimbursements due under grants for costs incurred for improvements of the CNMI airports. Generally, under the grant agreements, the grantor agency funds a portion of the allowable costs incurred, ranging from 80% to 100%, with the remainder of project costs, if any, funded by CPA or other sources.

(4) Investments

Unrestricted investments are carried at fair value. These investments are held in fixed income securities funds, U.S. Government securities, U.S. Government money market funds, time certificates of deposit and cash management funds as of September 30, 2002 and 2001.

Investments restricted for construction and debt service purposes represent the unused proceeds of the Airport Revenue Bonds and the Seaport Revenue Bonds both issued on March 26, 1998, deposited with the Trustee. The Trustee is a commercial lending institution, and the securities are held in the name of CPA.

	2002	2001
Airport Investments		
Bond Reserve Fund	$ 1,608,297	$ 1,574,523
Construction Fund	1,495,097	1,677,917
Bond Fund	158,538	399,795
Maintenance and Operation	32,379	13,538
	$ 3,294,311	$ 3,665,773
Seaport Investments		
Bond Reserve Fund	$ 2,657,549	$ 2,684,104
Supplemental Reserve Fund	4,854,939	4,241,067
Reimbursement Fund	5,068	4,994
Bond Fund	13,804	27,374
Maintenance and Operation	45,584	5,361
	$ 7,576,944	$ 6,962,900

At September 30, 2002 and 2001, investments held in these funds consist of U.S. Government securities and U.S. Government money market funds. These investments are presented at fair value. Total investments of CPA are insured to $100,000 with the remaining balance being uninsured as of September 30, 2002 and 2001.

CPA's investments at fair value, as of September 30, 2002 and 2001, are summarized below:

	2002	2001
Airport Division		
Short-term investments, unrestricted:		
Cash management fund	$ 1,022,744	$ 734,743
U.S. Government money market fund	2,479,526	2,902,959
U.S. Government securities	-	504,298
	3,502,270	4,142,000

(4) Investments, Continued

	2002	2001
Airport Division, Continued		
Investments, restricted:		
U.S. Government money market fund	1,686,968	2,092,048
U.S. Government securities	1,607,343	1,573,725
	3,294,311	3,665,773
Total Airport Division	$ 6,796,581	$ 7,807,773
Seaport Division		
Short-term investments, unrestricted:		
Cash management fund	$ 130,031	$ 631,348
	130,031	631,348
Investments, restricted:		
U.S. Government securities	2,639,855	2,683,136
U.S. Government money market fund	4,937,089	4,279,764
	7,576,944	6,962,900
Total Seaport Division	$ 7,706,975	$ 7,594,248

CPA's investments are categorized as either (1) insured or registered for which the securities are held by CPA or its agent in CPA's name, (2) uninsured and unregistered for which the securities are held by the broker's or dealer's trust department or agent in CPA's name, or (3) uninsured and unregistered for which the securities are held by the broker or dealer, or by its trust department or agent but not in CPA's name. All of CPA's investments are classified in category (2).

(5) Accounts Receivable from Operations

CPA extends credit to organizations and individuals, substantially all of whom are located in the CNMI, Japan, the United States and Korea. CPA's accounts receivable from operations as of September 30, 2002 and 2001, are summarized below (with combining information as of September 30, 2002):

	Airport Division	Seaport Division	Totals 2002	Totals 2001
Accounts receivable	$ 2,015,831	$ 1,642,859	$ 3,658,690	$ 3,624,216
Less allowance for doubtful accounts	(164,597)	(1,146,919)	(1,311,516)	(1,065,951)
	$ 1,851,234	$ 495,940	$ 2,347,174	$ 2,558,265

(6) Property, Plant and Equipment

Property, plant and equipment and construction-in-progress balances consist of the following detailed balances as of September 30, 2002 and 2001:

	2002			2001		
	Airport	Seaport	Total	Airport	Seaport	Total
Runway and improvements	$ 38,345,832	$ -	$ 38,345,832	$ 38,300,415	$ -	$ 38,300,415
Other improvements	5,614,910	2,072,854	7,687,764	4,837,640	2,014,625	6,852,265
Terminal facilities	61,642,303	-	61,642,303	56,960,771	-	56,960,771
Terminal equipment	8,638,083	-	8,638,083	8,494,996	-	8,494,996
Harbor facilities	-	61,810,458	61,810,458	-	61,764,732	61,764,732
Grounds maintenance and shop equipment	436,625	62,729	499,354	416,770	62,729	479,499
Fire and rescue equipment	2,433,319	-	2,433,319	1,803,729	-	1,803,729
Office furniture and fixtures	651,934	109,644	761,578	631,669	102,404	734,073
General transportation	768,107	59,871	827,978	728,367	59,871	788,238
Other	-	572,725	572,725	-	572,725	572,725
	118,531,113	64,688,281	183,219,394	112,174,357	64,577,086	176,751,443
Less accumulated depreciation	(58,402,891)	(13,638,895)	(72,041,786)	(53,010,906)	(11,258,526)	(64,269,432)
	60,128,222	51,049,386	111,177,608	59,163,451	53,318,560	112,482,011
Land	-	464,429	464,429	-	464,429	464,429
Construction-in-progress	26,644,444	651,543	27,295,987	17,110,997	621,233	17,732,230
Property, plant and equipment, net	$ 86,772,666	$ 52,165,358	$ 138,938,024	$ 76,274,448	$ 54,404,222	$ 130,678,670

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. No value for this land has been recorded on CPA's books as an appraisal has not been performed.

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.

(7) Revenue Bonds Payable

Airport

On March 26, 1998, CPA issued $20,050,000 of tax-exempt airport revenue bonds which in part was 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. This amount was netted against the new 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 $688,620 and an increase of $7,616,151 in future debt service payments.

(7) Revenue Bonds Payable, Continued

Airport, Continued

Interest on the bonds is payable semi-annually, at 6.25%, on March 15 and September 15 of each year, commencing on September 15, 1998, at the various rates noted below. Revenue bonds payable as of September 30, 2002 and 2001, consist of the following:

	2002	2001
Special Revenue Bonds, tax exempt, 1998 Senior Series A: interest and annual installments payable to the Bond Trustee between 2002 and 2028 are listed below.	$ 18,985,000	$ 19,275,000
Deferred costs of debt refunding	(229,946)	(298,365)
	18,755,054	18,976,635
Current portion	310,000	290,000
Long-term portion	$ 18,445,054	$ 18,686,635

Installments payable by CPA to the Bond Trustee, and applicable interest, through the life of the 1998 Series A, Airport Revenue Bonds, are due on March 15 as follows:

Year	Principal Amount	Interest	Year	Principal Amount	Interest
2003	$ 310,000	$ 1,176,875	2016	$ 680,000	$ 794,375
2004	$ 330,000	$ 1,156,875	2017	$ 720,000	$ 750,625
2005	$ 350,000	$ 1,135,625	2018	$ 770,000	$ 704,063
2006	$ 370,000	$ 1,113,125	2019	$ 815,000	$ 654,531
2007	$ 395,000	$ 1,089,219	2020	$ 865,000	$ 602,031
2008	$ 420,000	$ 1,063,750	2021	$ 920,000	$ 546,250
2009	$ 445,000	$ 1,036,719	2022	$ 980,000	$ 486,875
2010	$ 475,000	$ 1,007,969	2023	$ 1,040,000	$ 423,750
2011	$ 500,000	$ 977,500	2024	$ 1,105,000	$ 356,719
2012	$ 535,000	$ 945,156	2025	$ 1,175,000	$ 285,469
2013	$ 565,000	$ 910,781	2026	$ 1,245,000	$ 209,844
2014	$ 600,000	$ 874,375	2027	$ 1,325,000	$ 129,531
2015	$ 640,000	$ 835,625	2028	$ 1,410,000	$ 44,063

The 1998 Senior Series A bonds are limited obligations of CPA and, except to the extent payable from Bond proceeds, are payable solely out of CPA's revenues, assets and funds pledged under the Indenture.

The 1998 Senior Series A bonds 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:

(7) Revenue Bonds Payable, Continued

Airport, Continued

Redemption Dates	Redemption Prices
March 15, 2013 through March 14, 2014	102%
March 15, 2014 through March 14, 2015	101%
March 15, 2015 and thereafter	100%

Seaport

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 was netted against the new 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.

Interest on the bonds is payable semi-annually, at 6.85% and at 6.6% subsequent to March 15, 2000, on March 15 and September 15 of each year, commencing on September 15, 1998. Revenue bonds payable as of September 30, 2002 and 2001, consist of the following:

	2002	2001
Special Revenue Bonds, tax exempt, 1998 Senior Series A: interest and annual installments payable to the Bond Trustee between 2002 and 2028 are listed below.	$ 32,020,000	$ 32,500,000
Deferred costs of debt refunding	(1,234,905)	(1,263,731)
	30,785,095	31,236,269
Current portion	510,000	480,000
Long-term portion	$ 30,275,095	$ 30,756,269

During the year ended September 30, 2001, the Bond Trustee revised the debt service schedule. The net effect of the change was an increase to the annual debt service of $15,000.

Installments payable by CPA to the Bond Trustee, and applicable interest, through the life of the 1998 Senior Series A, Special Revenue Bonds, are due on March 15 as follows:

(7) Revenue Bonds Payable, Continued

Seaport, Continued

Year	Principal Amount	Interest	Year	Principal Amount	Interest
2003	$ 510,000	$ 2,096,480	2016	$ 1,140,000	$ 1,423,290
2004	$ 545,000	$ 2,061,675	2017	$ 1,215,000	$ 1,345,575
2005	$ 575,000	$ 2,024,715	2018	$ 1,295,000	$ 1,262,745
2006	$ 615,000	$ 1,985,445	2019	$ 1,375,000	$ 1,174,635
2007	$ 655,000	$ 1,943,535	2020	$ 1,465,000	$ 1,080,915
2008	$ 695,000	$ 1,898,985	2021	$ 1,560,000	$ 981,090
2009	$ 740,000	$ 1,851,630	2022	$ 1,660,000	$ 874,830
2010	$ 785,000	$ 1,801,305	2023	$ 1,765,000	$ 761,805
2011	$ 840,000	$ 1,747,680	2024	$ 1,875,000	$ 641,685
2012	$ 890,000	$ 1,690,590	2025	$ 1,995,000	$ 513,975
2013	$ 950,000	$ 1,629,870	2026	$ 2,125,000	$ 378,015
2014	$ 1,010,000	$ 1,565,190	2027	$ 2,260,000	$ 233,310
2015	$ 1,075,000	$ 1,496,385	2028	$ 2,405,000	$ 79,365

Additionally, CPA has resolved to deposit $700,000 annually into the Seaport supplemental reserve fund (beginning in 2001 and ending in 2005) until $8,000,000 is deposited into such fund.

The 1998 Senior Series A bonds are limited obligations of CPA and, except to the extent payable from Bond proceeds, are payable solely out of CPA's revenues and funds pledged under the Indenture.

The 1998 Senior bonds are subject to redemption prior to their stated maturity, at the option of CPA, as a whole or in part by lot, on any date from the proceeds of available funds, the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium.

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, 2002, except for the collection of gross revenues requirement related to the Airport and Seaport bond indentures. Section 6.11 of the Airport and Seaport Bond Indenture Agreements (Indenture) state that CPA shall impose, levy, enforce and collect such fees/dockage, entry and wharfage fees, tariffs, lease rentals, licensing fees and other fees and charges in aggregate amount with respect to each fiscal year to produce gross revenues to comply with subsections (A)(1), (A)(2), (A)(3) and (A)(4) of Section 6.11.

Section 6.11(B) of the Indenture states that if the financial statements prepared pursuant to Section 6.06(B) of the Indenture reflect that at the end of a fiscal year, net revenues are less than the amount required by Section 6.11(A) for such fiscal year or if the revenues are less than the aggregate amount of all transfers required by Section 5.02(a) through (e) for such fiscal year, CPA shall not be in default under Section 7.01 if within sixty days after the date of such financial statements or the end of the fiscal year, CPA shall employ an independent consultant to make recommendations as to a revision of the rates, fees and charges or the methods of operation of the airports. If such recommendations fail to meet the requirements of Section 6.11(a), such deficiency will constitute an event of default under Section 7.01. CPA is in the process of hiring a consultant to comply with the provision of Section 6.11(B).

(8) Notes Payable to Related Party

CPA's note payable is as follows:

	2002	2001
Promissory note due to the Commonwealth Development Authority (CDA) (a component unit of the CNMI), interest at 2.5% per annum, with maturity date of November 16, 2014. Principal and interest payments in the amount of $204,113 are due quarterly (see note 14).	$ 9,066,648	$ 9,359,156
Less amounts due within one year	(1,051,305)	(737,251)
Long-term debt	$ 8,015,343	$ 8,621,905

At September 30, 2002 and subsequent to that date, CPA was in default of repayment terms on its note payable to CDA. During the year ended September 30, 2002, CPA made one of four required quarterly payments of $204,113. The CDA obligation is subordinate to CPA's obligation for the Seaport bonds (see note 14).

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

Year ending September 30,	Principal Amount	Interest
2003	$ 1,051,305	$ 377,127
2004	621,869	194,584
2005	637,562	178,891
2006	653,652	162,802
2007	670,146	146,306
Subsequent years	5,432,114	527,477
	$ 9,066,648	$ 1,587,187

(9) 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 facilities to which it is exposed. CPA has also elected to purchase partial commercial insurance from independent third parties for risk of losses at its Seaport facilities to which it is exposed. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

(10) Related Party Transactions

Total related party transactions for the years ended September 30, 2002 and 2001, and the related receivable and payable balances, are as follows:

	2002		
	Expenses	Receivables	Payables
Commonwealth Development Authority	$ 283,315	$ -	$ -
Commonwealth Utilities Corporation	350,989	3,239,780	20,654
CNMI Government	125,334	-	734,091
Northern Mariana Islands Retirement Fund	1,613,952	-	-
	$ 2,373,590	$ 3,239,780	$ 754,745

	2001		
	Expenses	Receivables	Payables
Commonwealth Development Authority	$ 238,670	$ -	$ -
Commonwealth Utilities Corporation	311,267	3,194,823	16,272
CNMI Government	115,111	-	608,756
Northern Mariana Islands Retirement Fund	1,447,263	-	-
	$ 2,112,311	$ 3,194,823	$ 625,028

A note payable to CDA amounted to $9,066,648 and $9,359,156 at September 30, 2002 and 2001, respectively. Interest expense on this note for the years ended September 30, 2002 and 2001 amounted to $283,315 and $238,670, respectively (see note 14).

On November 9, 1998, a Memorandum of Agreement (MOA) was executed between CPA and the Commonwealth Utilities Corporation (CUC) specifying terms and conditions of a Sewerline Project. It has been determined that 29.4% of the total cost of the project ($4,887,808) is attributable to CPA, with the remaining 70.6% attributable to CUC. Based on the MOA, CPA, as signatory party to the project contract, will pay for all progress payments, subject to reimbursement by CUC, for the portion of the project costs that CUC has agreed to be responsible for. An amended MOA, dated April 14, 1999, states that the project will be transferred to CUC upon completion and at that time a note receivable will evidence CUC's share of the project cost. The total cost of the project incurred amounted to $5,046,939 and $4,454,854 as of September 30, 2002 and 2001, respectively.

The total cost of the project includes liquidated damages of $125,000 at September 30, 2002 and 2001, respectively, representing CUC's share. In addition, it also includes $44,034 already billed to CUC. During the year ended September 30, 2002, CPA allocated capitalized interest of $528,407 to the project. The MOA does not address whether 70.6% of the total interest capitalized should be charged to CUC's overall share of the project cost. Accordingly, the amount receivable from CUC does not include capitalized interest. The project is in progress and, accordingly, 29.4% is recorded as construction in progress and 70.6% is recorded as receivable from related party, noncurrent, at September 30, 2002 and 2001.

(11) Restatement/Reclassification of Fund Equity

	Airport	Seaport	Total
Net assets - October 1, 2001, as previously stated	$ 27,294,757	$ 13,714,806	$ 41,009,563
Implementation of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, for grants and contributions that are required to be recognized as non-operating revenue	44,332,261	9,625,141	53,957,402
Net assets - October 1, 2001, as restated	$ 71,627,018	$ 23,339,947	$ 94,966,965
Contributed capital - October 1, 2001, as previously stated	$ 44,332,261	$ 9,625,141	$ 53,957,402
Implementation of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, for grants and contributions that are required to be recognized as non-operating revenue	(44,332,261)	(9,625,141)	(53,957,402)
Contributed capital - October 1, 2001, as restated	$ -	$ -	$ -

As a result of the implementation of GASB Statement No. 33, the following restatement has been made:

	As Previously Reported	As Restated
Capital contributions	$ -	$ 5,790,588
Transfer in from CNMI	$ -	$ 3,497,070

(12) Commitment and Contingencies

Commitment

CPA's Airport Division leases rental car concession booths, office space, other ground space, and an electronic scanning device. The Seaport Division leases land and warehouse space. Lease terms range from one to fifteen years and in most instances contain provisions for percentage rent. Concession and lease income for the years ended September 30, 2002 and 2001, amounted to $4,003,160 and $4,837,117, respectively. Minimum future lease income is as follows:

Year ending September 30,	Minimum Lease Income Due
2003	$ 1,343,550
2004	1,173,472
2005	1,040,071
2006	927,469
2007	784,665
Thereafter	12,044,443
	$ 17,313,670

(12) Commitment and Contingencies, Continued

Contingencies

CPA incurred a combined loss before capital contributions and transfers from its two divisions of $8,246,637 during the year ended September 30, 2002. Management's plans to increase revenues and/or decrease costs are as follows:

a) Implement cost cutting measures - The Board of Directors approved and initiated the implementation of certain austerity measures in an attempt to reduce operating costs.

b) Explore non-aviation revenue generating options.

Management believes that these efforts will be successful in reducing future losses of CPA.

During the year ended September 30, 2001, CPA incurred expenditures in the amount of $587,706 related to cleanup efforts as a result of a jet fuel leakage on its property. The property is currently being leased by a tenant responsible for the leakage. Although CPA has paid for the cleanup efforts, management believes the tenant should be responsible for fifty percent (50%) of the total cost incurred if not all. Management is currently negotiating the terms with the tenant. As of September 30, 2002, a decision from the tenant was still pending. Accordingly, the total expenses incurred are included in other expense in the accompanying financial statements.

(13) Major Customers

Aviation fees received by CPA are comprised of facility service charges and landing fees from air carriers providing scheduled flight service to Saipan, substantially all of which are located in the CNMI, Japan, United States 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 which is located in the CNMI.

(14) Subsequent Events

On December 8, 2002, the Rota International Airport and Seaport incurred severe damages as a result of Typhoon Pongsona. Preliminary reports estimate damages sustained of $299,540 and $690,000 at the airport and seaport, respectively, attributed to the typhoon.

On February 4, 2003, the Commonwealth Development Authority's (CDA) Board of Directors authorized the following deferment program for CPA's loans to CDA (see note 8):

- CPA will make an immediate payment of fifty percent of the current outstanding amounts due.
- For the remainder of the year, CPA will reduce its quarterly payments by fifty percent.
- The term of the loan will be extended to accommodate the above payment deferral.

An amendment to the loan agreement has not been signed by both CPA and CDA.

Commonwealth Ports Authority
FY2002 Audited Financial Statement

Management's Discussion and Analysis (MD&A)

Introduction

This report entitled the "Management's Discussion and Analysis (MD&A)" provides an overview of the audited financial activities of the Commonwealth Ports Authority for the FY2002 fiscal year covering the period from October 1, 2001 to September 30, 2002. This MD&A analysis is to be used in conjunction with the financial statements shown in the following section.

The nationally recognized accounting firm of Deloitte & Touche issued a clean unqualified audit opinion and certified that the Authority's audited FY2002 financial statements were prepared in accordance with generally accepted accounting principles governed by the Governmental Accounting Standards Board (GASB).

The Commonwealth Ports Authority is a component unit of the Commonwealth of Northern Marianas 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 who are appointed by the Governor to serve four-year terms governs the Commonwealth Ports Authority. The Commonwealth Ports Authority was given responsibility for the operation, maintenance, and improvement of all airports and seaports within the CNMI. Airport and seaport facilities currently exist in the islands of Saipan, Tinian, and Rota. The Commonwealth Ports Authority has 167 employees on Saipan, 33 employees on Rota, and 23 employees on Tinian.

FY2002 Adoption of new GASB accounting standards

For the fiscal year ending on September 30, 2002, the Commonwealth Ports Authority is required to adopt GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions,* and GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Government.*

The objective of GASB Statement Numbers 33 and 34 is to "to enhance the understandability and usefulness of the general purpose external financial reports of state and local governments to the citizenry, legislative and oversight bodies and investors and creditors." These new GASB standards require that the "Management's Discussion and Analysis" be included with the basic financial statements.

The implementation of GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions,* now requires that non-exchange transactions, such as federal and state capital grants and contributions, to be recognized as non-operating revenue on the Statement of Revenues, Expenses and Changes in Net Assets. In prior fiscal years, capital grants and contributions were recorded as a direct increase to contributions in the equity section of the statement of net assets. Because of GASB 33, contributed capital and retained earnings as of October 1, 2001 have been restated from the amounts previously reported.

GASB implemented GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Government,* which was subsequently amended by Statement No. 37, Basic *Financial Statements and Management's Discussion and Analysis for State and Local Governments* and modified by Statement No. 38, *Certain Financial Statement Disclosures.*

The Commonwealth Ports Authority is required to adopt GASB Statement No. 34, as amended by GASB Statement No. 37, and certain provisions of GASB Statement No. 38 in fiscal year 2002. These GASB statements establish financial reporting standards for governmental entities, which require that management's discussion and analysis be included with the basic financial statements and notes and brought about major changes in the format of the financial reports.

Changes in the Format of the Financial Statements

Due to the adoption of new GASB standards, the audited FY2002 financial statements for the Commonwealth Ports Authority now consists of three new financial statement formats: 1) the Statement of Net Assets; 2) the Statement of Revenues, Expenses and Changes in Net Assets; and 3) the Statement of Cash Flows.

The Statement of Net Assets replaces the Balance Sheet statement format previously used in previous financial reports.

The Statement of Net Assets presents information on all the Authority's assets and liabilities, with the difference between the two reported as net assets. The entire equity section is combined to report total net assets. Net assets consist of restricted and unrestricted capital assets, net of accumulated depreciation and reduced by any related debt. Contributed capital earlier reported as a separate category is eliminated. Retained earnings have been reclassified into unrestricted net assets.

The Authority operates on an accrual basis wherein revenues are recognized when earned, not when received and expenses are recorded when incurred, not when paid. Capital assets are capitalized and, except for land, are depreciated over the useful life of these capital assets. Further information is provided in the footnotes accompanying the audited financial statements of the Authority.

The Statement of Revenues, Expenses, and Changes in Net Assets replaces the Statement of Revenues, Expenses and Changes in Fund Equity format used in previous reports.

The Statement of Revenues, Expenses, and Changes in Net Assets presents information showing how the Authority's net assets changed during FY2002 and FY2001. All changes in net assets are reported as soon as the underlying event giving raise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods.

The Statement of Cash Flows relates to the flows of cash and cash equivalents. Consequentially, only transactions that affect the authorities cash account are recorded in this statement period.

Financial Highlights

- Total assets, for airport and seaport operations combined, in FY2002 increased by 5 % or ($ 8.3 million), from $ 158.5 million in FY2001 to $166.8 million, mainly due to substantial progress made in projects undergoing construction.

- Net assets, for the airport and seaport operations combined, in FY2002 increased by 8 % or ($ 7.6 million), from $ 94.9 million in the prior year up to $ 102.5 million. Net assets represent the amount that total assets exceed total liabilities.

- Enplanement (or air passenger departures) declined by 14 % and deplanement (or air passenger arrivals) declined by 13% during FY2002 from the prior year due to the impact caused by the September 11, 2001 tragedy.

- Seaport inbound cargoes dropped by 7% and outbound cargoes dropped by 8% in FY2002 from the prior year due to the aftereffects of the economic slowdown caused by the September 11, 2001 tragedy and depressed economic conditions.

- Operating revenues, for airport and seaport operations combined, in FY2002 decreased by 7% (or $ 1.2 million), from $ 16.3 million in the prior year down to $ 15.1 million, due to declining revenue attributable to the worldwide impact caused by the September 11th tragedy and continued depressed economic conditions in the Asia/Pacific region.

- Operating expenses (excluding depreciation and amortization), for the airport and seaport operations combined, in FY2002 increased by 11% or ($ 1.3 million), from $ 11.5 million in the prior year up to $ 12.8 million, caused by higher personnel and related costs necessary to implement security measures and facility improvements mandated by the Federal Aviation Administration and increased insurance premium rates.

- Revenue shortfalls of $2.3 million for the airport and $ 81,816 for the seaport at September 30, 2002 caused the Commonwealth Ports Authority to be in non-compliance with its 1998 Bond Indenture Agreement. To come back into compliance, the Commonwealth Ports Authority will hire an Independent Financial Consultant to assess and recommend necessary changes in its revenue generating and cost savings opportunities.

- Declining seaport revenues caused the Commonwealth Ports Authority to make only one out of four FY2002 quarterly loan payments to the Commonwealth Development Authority. The Commonwealth Development Authority subsequently approved a 50% deferment proposal in response to a request for debt relief submitted by the Commonwealth Ports Authority.

Statement of Net Assets

	FY2002	FY2001	change	%
Assets				
Current Assets	**$12,238,291**	**$12,503,017**	**($264,726)**	**-2%**
Restricted Investments	**$10,871,255**	**$10,628,673**	**$242,582**	**2%**
Non-Current Assets				
Deferred Bond Costs	$1,521,741	$1,562,079	($40,338)	-3%
Other Rcbl (Com Utilities Corp)	$3,239,780	$3,194,823	$44,957	1%
Property, Plant & Equipment	$138,938,024	$130,678,670	$8,259,354	6%
Non Current Assets	**$143,699,545**	**$135,435,572**	**$8,263,973**	**6%**
Total Assets	**$166,809,091**	**$158,567,262**	**$8,241,829**	**5%**

Liabilities				
Current Liabilities				
Revenue Bonds Payable	$820,000	$770,000	$50,000	6%
Notes - Com Development Auth	$1,051,305	$737,251	$314,054	43%
Contractors Payable	$3,027,423	$1,661,972	$1,365,451	82%
Trade Payables	$237,918	$127,223	$110,695	87%
Due To RelatedParties	$754,745	$625,028	$129,717	21%
Due to Airport Division	$97,209	$241,881	($144,672)	-60%
Accrued Expenses	$1,548,673	$1,324,690	$223,983	17%
Deferred Income	$21,658	$47,443	($25,785)	-54%
Current Liabilities	**$7,558,931**	**$5,535,488**	**$2,023,443**	**37%**
Long-Term Liabilities				
Revenue Bonds Payable	$48,720,149	$49,442,904	($722,755)	-1%
Notes - Com Development Auth	$8,015,343	$8,621,905	($606,562)	-7%
Long-Term Liabilities	**$56,735,492**	**$58,064,809**	**($1,329,317)**	**-2%**
Total Liabilities	**$64,294,423**	**$63,600,297**	**$694,126**	**1%**

Net Assets	**$102,514,668**	**$94,966,965**	**$7,547,703**	**8%**
Total Liabilities & Net Assets	**$166,809,091**	**$158,567,262**	**$8,241,829**	**5%**

Statement of Revenues, Expenses and Changes In Net Assets

	FY2002	FY2001	change	%
Operating Revenues	$15,177,788	$16,358,579	($1,180,791)	-7%
Maintenance & Oper (M&O) Exp	($12,868,592)	($11,556,973)	($1,311,619)	11%
Income before Depreciation	**$2,309,196**	**$4,801,606**	**($2,492,410)**	**-52%**
Depreciation	($7,772,359)	($7,680,825)	($91,534)	1%
Loss after Depreciation	**($5,463,163)**	**($2,879,219)**	**($2,583,944)**	**90%**
Non-Oper Revenues & Expense	($2,970,884)	($2,913,413)	($57,471)	2%
Loss before Cap Contrib & Transf	**($8,434,047)**	**($5,792,632)**	**($2,641,415)**	**46%**
Capital Contributions	$14,587,956	$5,790,588	$8,797,368	152%
Transfers In from CNMI Govt	$1,393,794	$3,497,070	($2,103,276)	-60%
Change in Net Assets	**$7,547,703**	**$3,495,026**	**$4,052,677**	**116%**

Beginning Net Assets	$94,966,965	$91,471,939	$3,495,026	4%
Change In Net Assets	$7,547,703	$3,495,026	$4,052,677	116%
Ending Net Assets	**$102,514,668**	**$94,966,965**	**$7,547,703**	**8%**

Operating revenues in FY2002 dropped 7% or 1,180,791, compared to FY2001 levels, mainly due to the decrease in airline passenger revenue and concession revenues during the six months period immediately following the September incident. Seaport revenues held steady in FY2002. In the latter half of FY2002, each month saw a gradual increase mainly due to increased airline traffic due to stringent security measures imposed in the CNMI and the nation to insure passenger safety.

$ 20,050,000 1998 Senior Series A Tax-Exempt Airport Revenue Bonds Payable

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

Annual airport bond payments are $1.4 million.

The balance as of September 30, 2002 is $18,755,054.

Airport bond payments are current.

This 1998 bond was partly used for a $8,250,000 refunding of a 1987 Series B tax-exempt bonds. The bond refunding consolidated existing bonds with new bonds to finance 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 that was netted out against the new debt and 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 debt service payments in the future.

Airport Restricted Investments:

Restricted investments for airport construction and debt service purposes represent the unused proceeds of the 1998 Airport Revenue Bonds deposited with the Trustee. The balances as of September 30, 2002 are:

Airport Bond Reserve Fund	$ 1,608,297
Airport Construction Fund	1,495,097
Airport Bond Fund	158,538
Airport Maintenance & Operations	32,379
Total Restricted Investments	$ 3,294,311

$ 33,775,000 1998 Senior Series A Tax-Exempt Seaport Revenue Bonds Payable

The Commonwealth Ports Authority issued on March 26, 1998, a 1998 Series A $ 33,775,000 tax-exempt revenue bond. Interest on the bond is payable at 6.85% and 6.6% subsequent to March 15, 2000, on March 15 and September 15 of each year. Payments commence on September 1998 and end in the year 2028.

Annual seaport bond payments are $2.6 million.

The balance as of September 30, 2002 is $ 30,275,095.

Seaport bond payments are current.

The seaport bond proceeds were partly used for a current refunding of $22,470,000 of 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 that was netted out against the new debt and 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 debt service payments in the future.

$8,000,000 Seaport Supplemental Reserve Fund

The Commonwealth Ports Authority has resolved to deposit $700,000 annually into the Seaport Supplemental Reserve Fund (beginning in 2001 and ending in 2005) until $8,000,000 is deposited into such fund.

The balance in the Supplemental Reserve Fund as of September 30, 2002 is $ 4,854,939 and deposits are current.

Seaport Restricted Investments:

Restricted investments for seaport construction and debt service purposes represent the unused proceeds of the 1998 Airport Revenue Bonds deposited with the Trustee. The balances as of September 30, 2002 are:

Seaport Bond Reserve Fund	$ 2,657,549
Seaport Supplemental Reserve Fund	4,854,939
Seaport Reimbursement Fund	5,068
Seaport Bond Fund	13,804
Seaport Maintenance & Operations	45,584
Total Restricted Investments	$ 7,576,944

FY202 Bond/Debt Ratio Non Compliance		
	Airport	**Seaport**
Required Revenues for Bond Compliance	$12,572,753	$5,226,899
Actuals Revenues Collected	$10,305,964	$5,145,083
Variance (Non-Compliance)	**($2,266,789)**	**($81,816)**
% Bond Non-Compliance	**-19%**	**-2%**

However, the drop in revenue in FY2002 caused the Commonwealth Ports Authority to be in non-compliance with the revenue requirements imposed by the Airport and Seaport Bond Indenture provisions. The Commonwealth Ports Authority was cited by our auditors for failure to collect adequate FY2002 revenues required by the bond covenants.

In accordance with bond covenant provisions, the Commonwealth Ports Authority will retain, in FY2003, the services of a nationally recognized Independent Financial Consultant to review all revenue collection measures needed to be in compliance with the revenue requirements for the airport and seaport.

Notes Payable to Commonwealth Development Authority

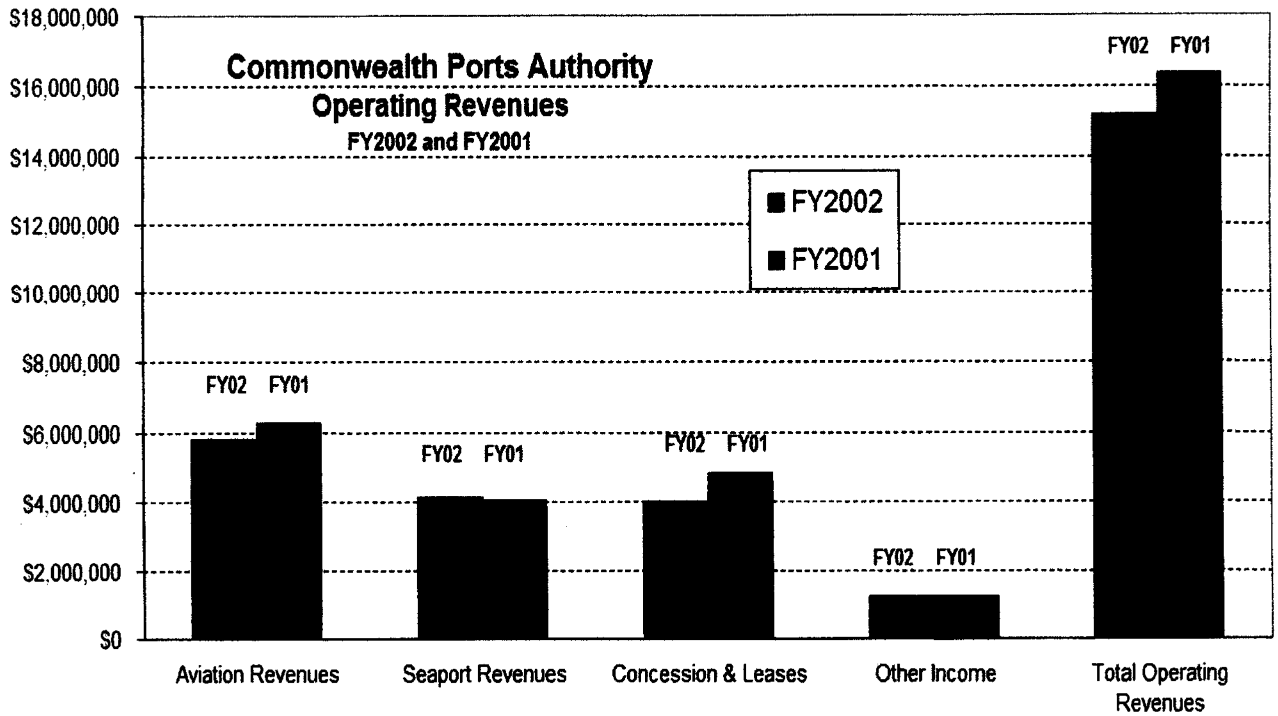
The Commonwealth Ports Authority signed a promissory note with the Commonwealth Development Authority with interest at 2.5% per annum. Payments are due quarterly and the note matures on November 16, 2014. The balance is $ 9,066,640 as of September 30, 2002. The CDA promissory note is subordinate to the Commonwealth Ports Authority's Seaport bond obligations.

The Commonwealth Ports Authority is in default, as of September 30,2002, with the CDA note by only paying only one of four required quarterly payments due in FY2002. Payments were not made due to difficulties due to the economic impact caused by the September 11, 2001 tragedy and the continued depressed economic conditions in the Pacific and the region.

In response to the Commonwealth Ports Authority's request for debt relief, the Commonwealth Development approved a deferred payment plan. The deferred payment plan requires the immediate payment of 50% of the amounts due in FY2002. During FY2003, the quarterly payments would be reduced by 50%. The loan term would be extended to accommodate the deferment of the 50% unpaid portion remaining in FY2002 and FY2003.

To cure its default, the Commonwealth Ports Authority fully intends to honor CDA's approved payment deferment plan by remitting the required 50% deferred payments and signing an amendment to the Loan Agreement with CDA.

Operating Revenues	FY2002	FY2001	Change	%
Aviation Revenues	$5,795,044	$6,244,040	($448,996)	-7%
Seaport Revenues	$4,160,611	$4,060,209	$100,402	2%
Concession & Leases	$4,003,160	$4,837,117	($833,957)	-17%
Other Income	$1,218,973	$1,217,213	$1,760	0%
Total Operating Revenues	**$15,177,788**	**$16,358,579**	**($1,180,791)**	**-7%**



Airport revenues declined by 7% (or 448,996) overall, when compared to FY2001, mainly due to drastic drop in air passenger during the first half of FY2002.

Concession revenues dropped by 17% (or 833,957) over FY2001 due to the impact caused by the lack of passengers during the first half of FY2002 immediately following the September 11, 2001 tragedy. Seaport revenues gained a slight 2% due to the influx of cargo that could not be sent via airfreight due to stringent security measures.

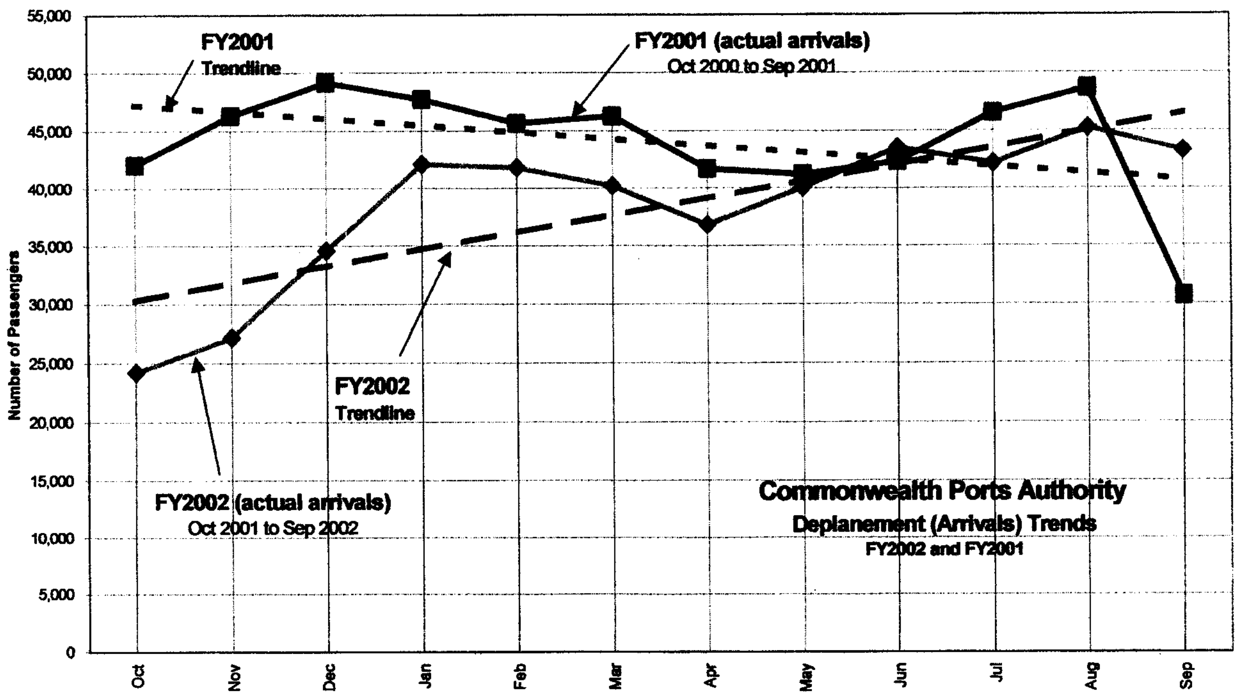
In the latter half of FY2002, air passenger and concession revenues gradually increased on a gradual monthly basis, in part, due to the strict security measures that alleviated passenger concerns about the safety of air travel.

Airport Deplanement or Arrivals (Number of Passengers)

First 6 months	FY2002	FY2001	Change	%
Oct	24,208	42,056	(17,848)	-42%
Nov	27,172	46,296	(19,124)	-41%
Dec	34,588	49,176	(14,588)	-30%
Jan	42,135	47,743	(5,608)	-12%
Feb	41,839	45,661	(3,822)	-8%
Mar	40,219	46,254	(6,035)	-13%
sub-total	210,161	277,186	(67,025)	-24%
Avg Month	35,027	46,198	(11,171)	-24%

Second 6 months	FY2002	FY2001	Change	%
Apr	36,787	41,696	(4,909)	-12%
May	40,041	41,191	(1,150)	-3%
Jun	43,510	42,318	1,192	3%
Jul	42,177	46,541	(4,364)	-9%
Aug	45,219	48,670	(3,451)	-7%
Sep	43,260	30,616	12,644	41%
sub-total	250,994	251,032	(38)	0%
Avg Month	41,832	41,839	(6)	0%

	FY2002	FY2001	Change	%
Yearly Tota	461,155	528,218	(67,063)	-13%
Monthly Av	38,430	44,018	(5,589)	-13%



Deplanement (or passenger arrival) figures dropped overall by 13%, or 67,063 passengers, in FY2002 as compared to FY2001. However, when compared on a month-by-month basis, monthly passenger levels continue to climb steadily and consistently in the latter half of FY2002.

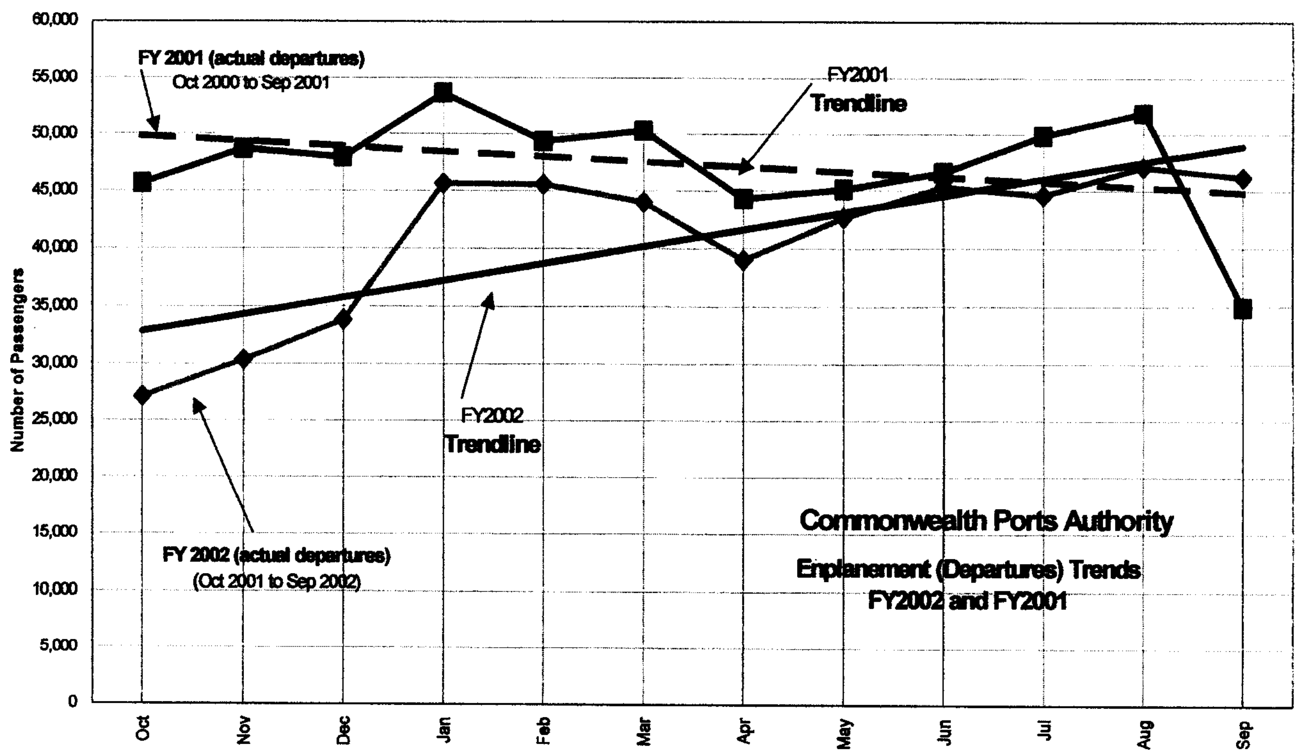
As shown in the Deplanement chart, the FY2002 Deplanement Trendline is on a positive slope due to steadily increasing monthly passenger figures in the latter half of FY2002. These positive trends in FY2002 point to the traveler's increasing confidence in travel due to stringent security measures in effect in the CNMI and throughout the nation.

Airport Enplanement or Departures (Number of Passengers)

First 6 months	FY2002	FY2001	Change	%
Oct	27,109	45,635	(18,526)	-41%
Nov	30,357	48,675	(18,318)	-38%
Dec	33,823	47,902	(14,079)	-29%
Jan	45,625	53,653	(8,028)	-15%
Feb	45,524	49,347	(3,823)	-8%
Mar	43,955	50,258	(6,303)	-13%
sub-total	226,393	295,470	(69,077)	-23%
Avg Month	37,732	49,245	(11,513)	-23%

Second 6 months	FY2002	FY2001	Change	%
Apr	38,978	44,235	(5,257)	-12%
May	42,613	45,051	(2,438)	-5%
Jun	45,277	46,562	(1,285)	-3%
Jul	44,519	49,817	(5,298)	-11%
Aug	47,007	51,838	(4,831)	-9%
Sep	46,086	34,875	11,211	32%
sub-total	264,480	272,378	(7,898)	-3%
Avg Month	44,080	45,396	(1,316)	-3%

	FY2002	FY2001	Change	%
Yearly Tota	**490,873**	**567,848**	**(76,975)**	**-14%**
Monthly Av	**40,906**	**47,321**	**(6,415)**	**-14%**



Enplanement (or passenger departures) figures dropped overall by 14%, or 76,975 passengers, in FY2002, as compared to FY2001. However, when compared on a month-by-month basis, monthly passenger levels continue to climb steadily and consistently in the latter half of FY2002. In the first half of FY2002, enplanement fell by –23%. However, in the second half of FY2002, enplanement fell only by –3%.

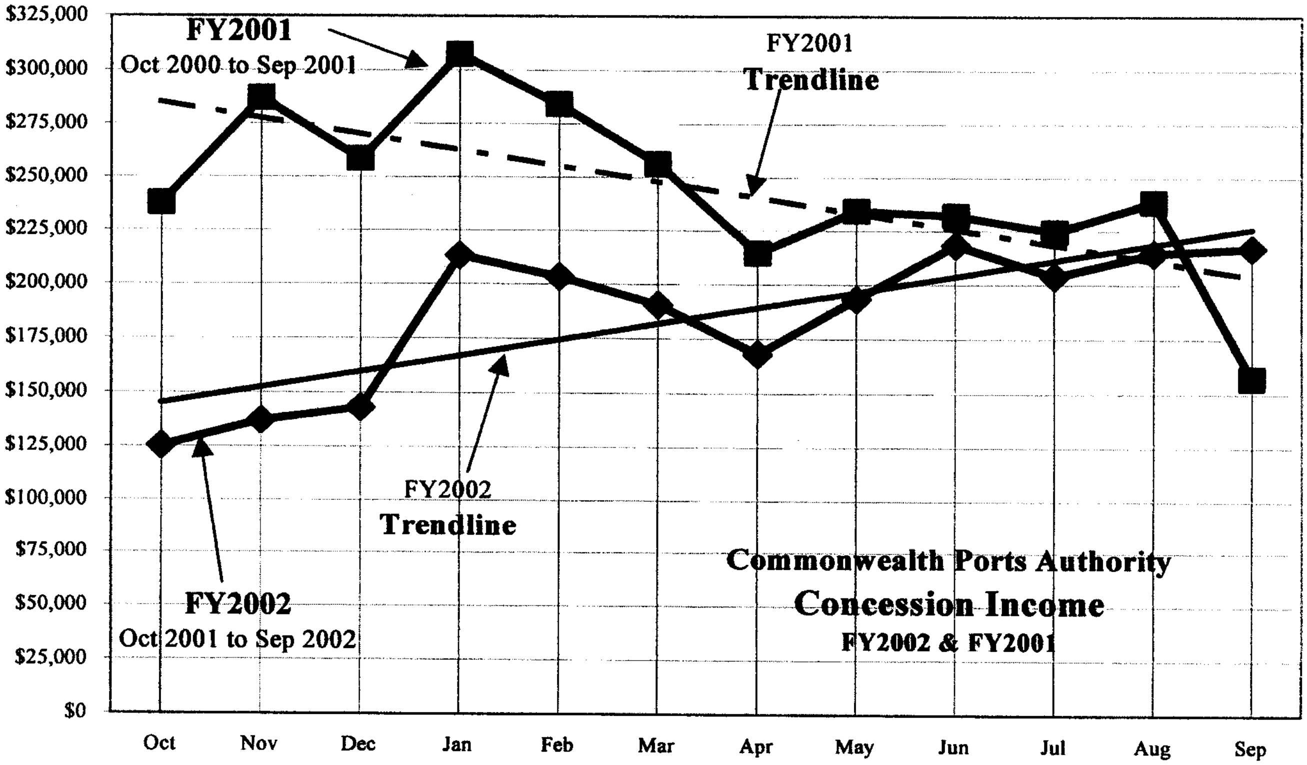
As shown in the Deplanement chart, the FY2002 Deplanement Trendline is on a positive slope due to steadily increasing monthly passenger figures in the latter half of FY2002. These positive trends in FY2002 point to the traveler's increasing confidence in travel due to stringent security measures in effect in the CNMI and throughout the nation.

Concession Income (Combined)

First Six Months	FY2002	FY2001	Change	%
October	$27,109	$45,635	($18,526)	-41%
November	$30,357	$48,675	($18,318)	-38%
December	$33,823	$47,902	($14,079)	-29%
January	$45,625	$53,653	($8,028)	-15%
February	$45,524	$49,347	($3,823)	-8%
March	$43,955	$50,258	($6,303)	-13%
sub-total	$226,393	$295,470	($69,077)	-23%
Avg Month	$37,732	$49,245	($11,513)	-23%

Second Six Months	FY2002	FY2001	Change	%
April	$38,978	$44,235	($5,257)	-12%
May	$42,613	$45,051	($2,438)	-5%
June	$45,277	$46,562	($1,285)	-3%
July	$44,519	$49,817	($5,298)	-11%
August	$47,007	$51,838	($4,831)	-9%
September	$46,086	$34,875	$11,211	32%
sub-total	$264,480	$272,378	($7,898)	-3%
Avg Month	$44,080	$45,396	($1,316)	-3%

	FY2002	FY2001	Change	%
Yearly Total	$490,873	$567,848	($76,975)	-14%
Monthly Avg	$40,906	$47,321	($6,415)	-14%



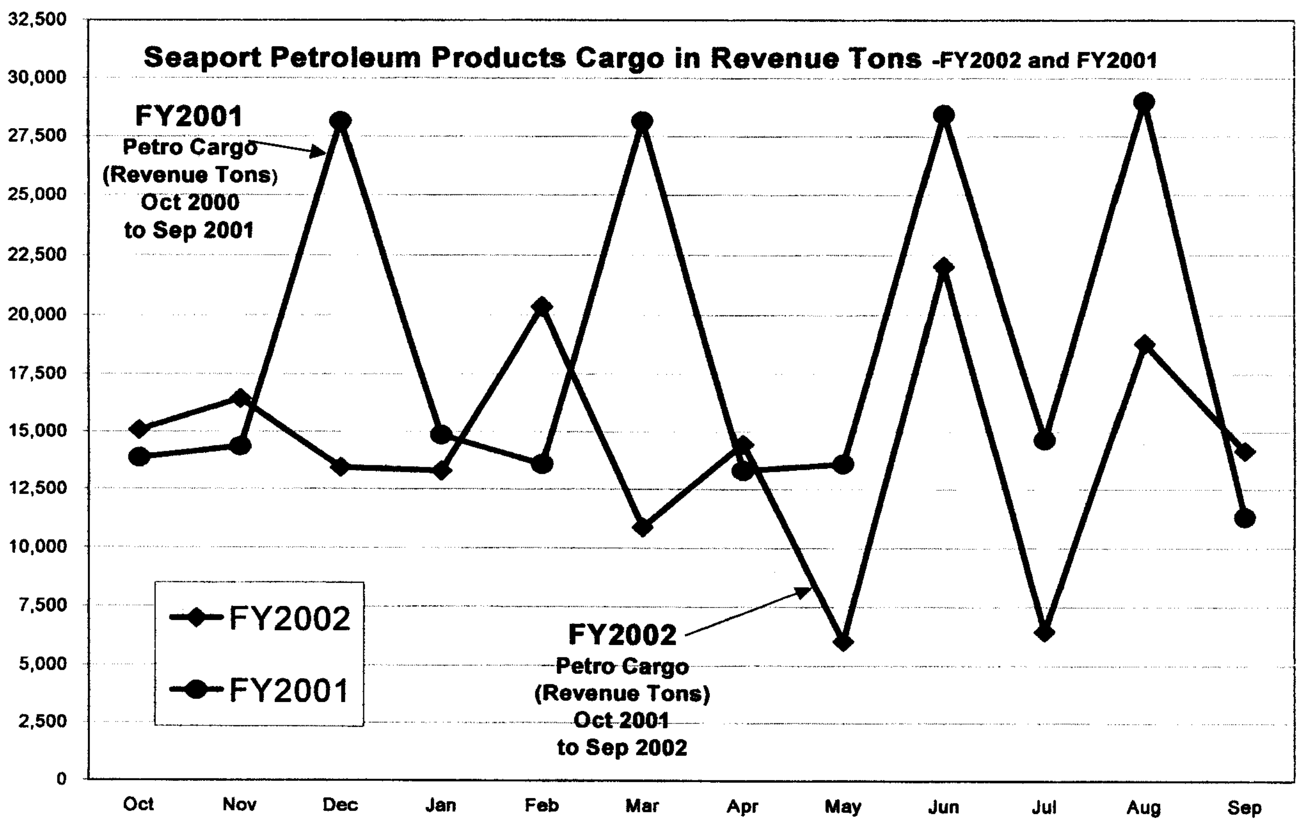
Concession Income fell overall by –14% (or $76,975) in FY2002 when compared to FY2001, mainly due to the impact caused by the September 11th tragedy. In the first half of FY2002, concession income dropped by –23%. However, in the second half of FY2002, sales rebounded as evidenced by a decreased loss of –3% in the last six months of FY2002.

Seaport Petroleum Products Cargo in Revenue Tons

First 6 months	FY2002	FY2001	Change	%
Oct	15,071	13,857	1,214	9%
Nov	16,429	14,357	2,071	14%
Dec	13,429	28,143	(14,714)	-52%
Jan	13,286	14,857	(1,571)	-11%
Feb	20,357	13,571	6,786	50%
Mar	10,857	28,143	(17,286)	-61%
sub-total	89,429	112,929	(23,500)	-21%
Avg Month	14,905	18,821	(3,917)	-21%

Second 6 months	FY2002	FY2001	Change	%
Apr	14,429	13,286	1,143	9%
May	6,000	13,571	(7,571)	-56%
Jun	22,018	28,429	(6,411)	-23%
Jul	6,429	14,643	(8,214)	-56%
Aug	18,786	29,000	(10,214)	-35%
Sep	14,143	11,286	2,857	25%
sub-total	81,803	110,214	(28,411)	-26%
Avg Month	13,634	18,369	(4,735)	-26%

	FY2002	FY2001	Change	%
Yearly Total	**171,232**	**223,143**	**(51,911)**	**-23%**
Monthly Avg	**14,269**	**18,595**	**(4,326)**	**-23%**



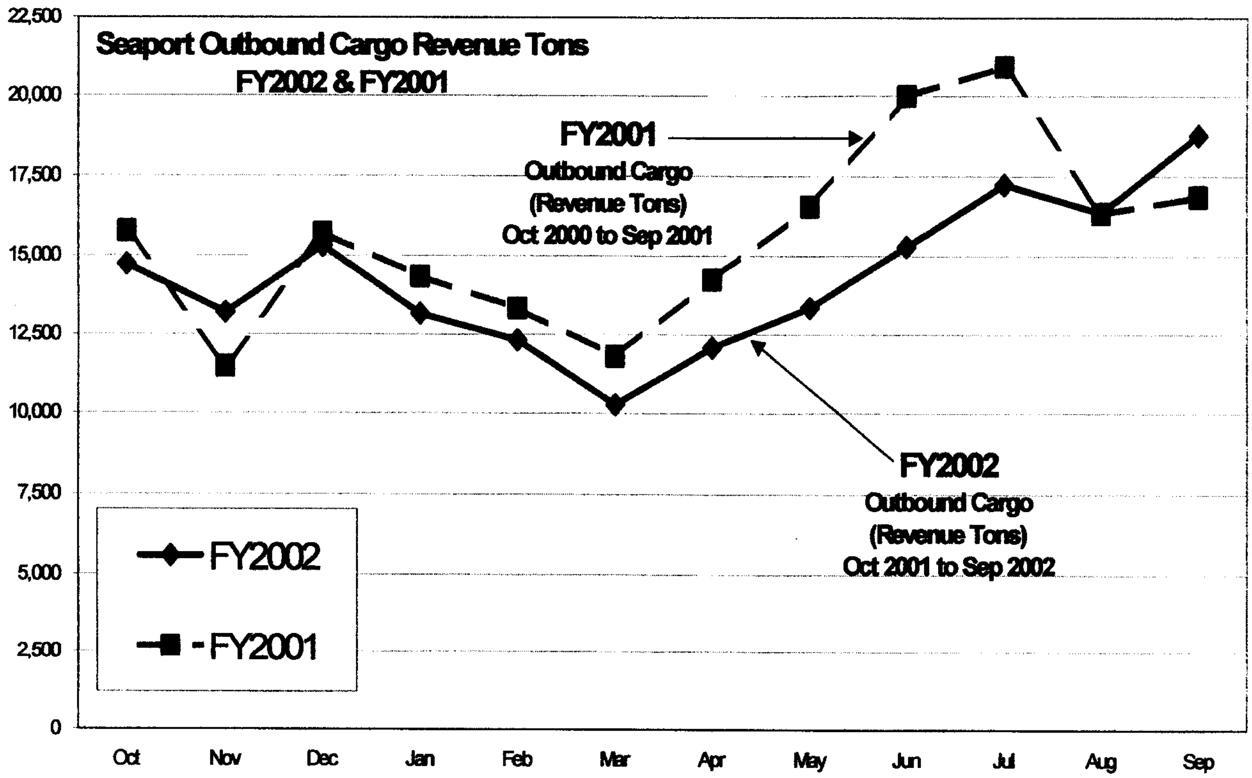
Petroleum products volume saw an overall –23% drop in FY2002, when compared to FY2002. The decreased volume drop was consistent in both the first and second halves of FY2002.

Seaport Outbound Cargo Revenue Tons

First 6 months	FY2002	FY2001	Change	%
Oct	14,735	15,779	(1,044)	-7%
Nov	13,196	11,481	1,716	15%
Dec	15,312	15,707	(394)	-3%
Jan	13,164	14,341	(1,177)	-8%
Feb	12,313	13,338	(1,025)	-8%
Mar	10,262	11,793	(1,531)	-13%
sub-total	78,982	82,439	(3,457)	-4%
Avg Month	13,164	13,740	(576)	-4%

Second 6 months	FY2002	FY2001	Change	%
Apr	12,061	14,229	(2,168)	-15%
May	13,341	16,536	(3,195)	-19%
Jun	15,281	19,987	(4,706)	-24%
Jul	17,229	20,923	(3,694)	-18%
Aug	16,345	16,323	21	0%
Sep	18,756	16,837	1,919	11%
sub-total	93,013	104,835	(11,823)	-11%
Avg Month	15,502	17,473	(1,970)	-11%

	FY2002	FY2001	Change	%
Yearly Total	**171,995**	**187,274**	**(15,279)**	**-8%**
Monthly Avg	**14,333**	**15,606**	**(1,273)**	**-8%**



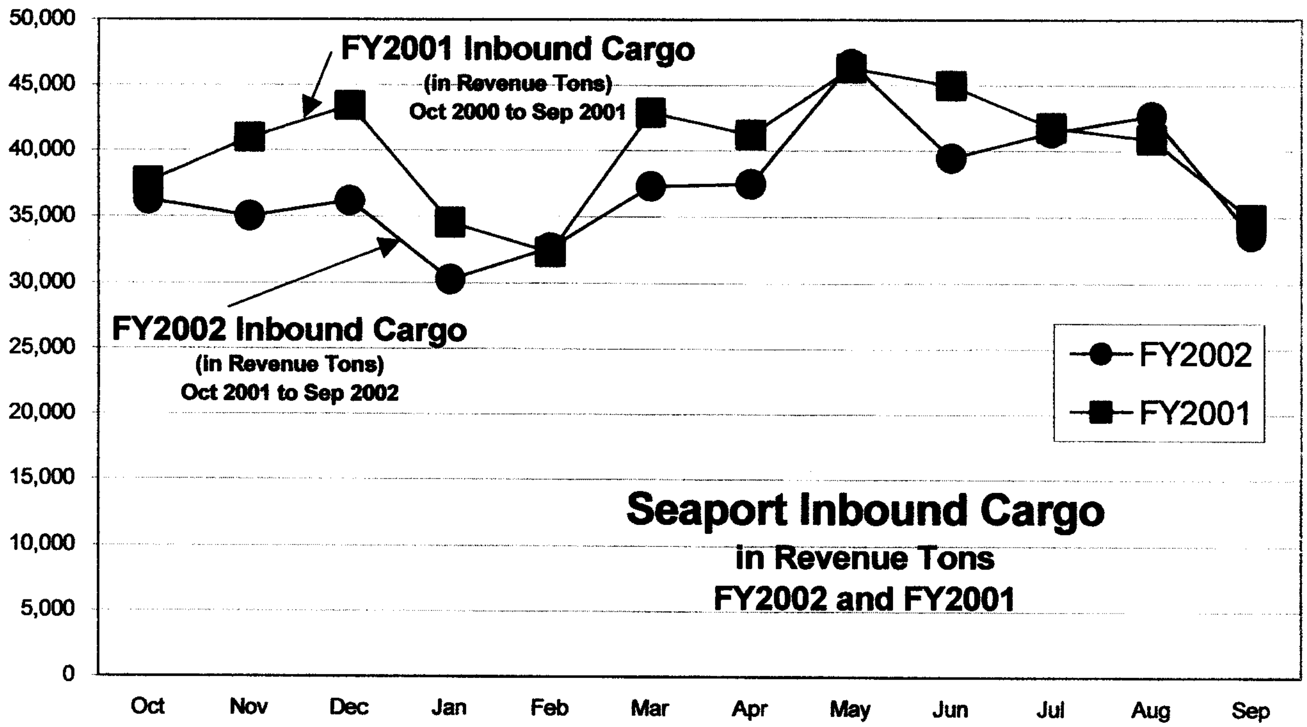
Seaport outbound cargo in terms of revenue tonnage dropped by –8% (or 15,279 revenue tons) due to the impact caused by the September 11th tragedy. In the first six months of FY2002, the seaport saw a –4% drop in outbound cargo revenue tonnage. However, in the second half of FY2002, the overall loss in outbound cargo revenue tonnage rose to a higher level of –11%, evidencing a continuing drop in FY2002 outbound cargo volume.

Seaport Inbound Cargo in Revenue Tons

First 6 months	FY2002	FY2001	Change	%
Oct	36,269	37,616	(1,347)	-4%
Nov	35,014	40,954	(5,940)	-15%
Dec	36,178	43,397	(7,219)	-17%
Jan	30,271	34,530	(4,259)	-12%
Feb	32,649	32,366	283	1%
Mar	37,273	42,870	(5,597)	-13%
sub-total	207,654	231,733	(24,078)	-10%
Avg Month	34,609	38,622	(4,013)	-10%

Second 6 months	FY2002	FY2001	Change	%
Apr	37,461	41,178	(3,717)	-9%
May	46,671	46,293	378	1%
Jun	39,425	44,963	(5,538)	-12%
Jul	41,360	41,740	(380)	-1%
Aug	42,618	40,833	1,785	4%
Sep	33,616	34,819	(1,204)	-3%
sub-total	241,150	249,825	(8,675)	-3%
Avg Month	40,192	41,638	(1,446)	-3%

	FY2002	FY2001	Change	%
Yearly Total	**448,804**	**481,558**	**(32,754)**	**-7%**
Monthly Avg	**37,400**	**40,130**	**(2,729)**	**-7%**



Seaport inbound cargo in terms of revenue tonnage dropped by –7% (or 32,754 revenue tons) due to the impact caused by the September 11th tragedy. In the first six months of FY2002, the seaport saw a –10% drop in inbound revenue tonnage. However, in the second half of FY2002, the overall loss in revenue tonnage fell to a lower level of –3%.

Airport Property, Plant and Equipment	FY2002	FY2001	Change	%
Runway and Improvements	$38,345,832	$38,300,415	$45,417	0%
Other Improvements	$5,614,910	$4,837,640	$777,270	16%
Terminal Facilities	$61,642,303	$56,960,771	$4,681,532	8%
Terminal Equipment	$8,638,083	$8,494,996	$143,087	2%
Ground Maint & Shop Equipment	$436,625	$416,770	$19,855	5%
Fire and Rescue Equipment	$2,433,319	$1,803,729	$629,590	35%
Office Furniture and Fixtures	$651,934	$631,669	$20,265	3%
General Transportation	$768,107	$728,367	$39,740	5%
sub-total	$118,531,113	$112,174,357	$6,356,756	6%
Less Accumulated Depreciation	($58,402,891)	($53,010,906)	($5,391,985)	10%
sub-total	**$60,128,222**	**$59,163,451**	**$964,771**	**2%**
Land (refer to note A)				
Construction-in-progress	$26,644,444	$17,110,997	$9,533,447	56%
sub-total	**$26,644,444**	**$17,110,997**	**$9,533,447**	**56%**
Airport Property, Plant & Equipment (Net)	**$86,772,666**	**$76,274,448**	**$10,498,218**	**14%**

Seaport Property, Plant and Equipment	FY2002	FY2001	Change	%
Harbor Facilities	$61,810,458	$61,764,732	$45,726	0%
Other Improvements	$2,072,854	$2,014,625	$58,229	3%
Ground Maint & Shop Equipment	$62,729	$62,729	$0	0%
Office Furniture and Fixtures	$109,644	$102,404	$7,240	7%
General Transportation	$59,871	$59,871	$0	0%
Other	$572,725	$572,725	$0	0%
sub-total	$64,688,281	$64,577,086	$111,195	0%
Less Accumulated Depreciation	($13,638,895)	($11,258,526)	($2,380,369)	21%
sub-total	**$51,049,386**	**$53,318,560**	**($2,269,174)**	**-4%**
Land (note A)	$464,429	$464,429	$0	0%
Construction-in-progress	$651,543	$621,233	$30,310	5%
sub-total	**$1,115,972**	**$1,085,662**	**$30,310**	**3%**
Seaport Property, Plant & Equipment (Net)	**$52,165,358**	**$54,404,222**	**($2,238,864)**	**-4%**

Note A: CPA holds title to 13,646,163 square meters of land on the islands of Saipan, Rota and Tinian for airport and seaport operations. Value for these land holdings were not recorded since an appraisal has not been performed.

Lands acquired by CPA on Saipan and Rota from the former Marianas Public Land Corporation for seaport improvement and use is recorded on CPA's books at its estimated fair market value based on land valuations stated in the 1975 Covenant between the CNMI and the U.S.

Federal Award Disbursements in FY2002 for Capital Improvement Projects and Security Improvements for the Commonwealth Ports Authority

Federal Aviation Administration Grants	Federal Grantor ID #	Total Award	Expenditures in FY2002	Receivables from Fed Govt as of 9-30-02
Saipan International Airport				
Apron Paving Phase 2	3.69.0002-19 & 29	$4,597,977	$951,754	186,230
Environ Assessment - Taxiway	3.69.0002-24	$193,531	$0	39,171
Master Plan	3.69.0002-25	$232,268	$23,275	0
West Corridor Enclosure	3.69.0002-28	$2,373,608	$356,041	356,041
Security Access - Phase 2	3.69.0002-30	$2,061,975	$1,756,038	236,680
Airport Rehab - Phase 1	3.69.0002-31	$2,374,254	$58,267	19,998
Airport Rehab - Phase 2	3.69.0002-32	$3,956,095	$77,295	29,999
Fire Dept Training Facility	3.69.0002-33	$2,946,079	$316,855	153,606
3,000 Gal Fire Tanker Truck	3.69.0002-34	$645,000	$629,591	0
Security Improv - Phase 1	3.69.0002-36	$294,173	$294,173	0
Security Improv - Phase 2	3.69.0002-40	$294,172	$113,785	$113,785
Total FAA Grants for Saipan		**$19,969,132**	**$4,577,074**	**$1,135,510**
Rota International Airport				
Runway Improvement	3.69.0003-11	$179,262	$0	0
Airport Master Plan	3.69.0003-12	$350,000	$308,067	40,527
Total FAA Grants for Rota		**$529,262**	**$308,067**	**40,527**
Tinian International Airport				
Runway - Phase 1	3.69.0011-06	$3,856,234	$1,434,233	1,178,472
Runway - Phase 2	3.69.0011-07	$865,865	$447,711	0
Runway - Phase 3	3.69.0011-08	$1,153,183	$604,077	0
Runway - Phase 4	3.69.0011-09	$3,511,980	$3,276,148	0
Runway - Phase 5	3.69.0011-10	$4,150,000	$3,382,525	773,170
Airport Master Plan	3.69.0011-11	$300,000	$280,061	0
Total FAA Grants for Tinian		**$13,837,262**	**$9,424,755**	**1,951,642**
TOTAL FAA Grants		**$34,335,656**	**$14,309,896**	**$3,127,679**

Transportation Security Administration (TSA) Security Grants				
Memorandum Of Agreement for Saipan Security Personnel Costs	DTSA2-02-P-50124	$90,650	$90,650	90,650
Total TSA Grant for Saipan		**$90,650**	**$90,650**	**90,650**

U.S. Department of the Interior (DOI) Grants				
(Passed through the CNMI Govt via 702 Grants)				
Tinian Runway -Phases 1,2,3,4,5	15.875	$2,679,379	$696,897	0
Total DOI-702 Grants for Tinian		**$2,679,379**	**$696,897**	**0**

Total Grants to Commmonwealth Ports Authority		**$37,105,685**	**$15,097,443**	**$3,218,329**

During FY2002, expenditures in Federal grants totaled $15,097,443 due to the continued activity in numerous construction projects and security improvements at the Commonwealth Ports Authority. As of September 30, 2002, receivables from the Federal Government amounted to $3,218,329.