

*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, 2024 and 2023
with Report of Independent Auditors*



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

Financial Statements, Required Supplementary Information
and Supplementary Information

Years ended September 30, 2024 and 2023

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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, 2024 and 2023, 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, 2024 and 2023, 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – Restatement of 2023 Financial Statements

As discussed in note 12 to the financial statements, the 2023 beginning net position has been restated to correct misstatements. Our opinion is not modified with respect to this matter.

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

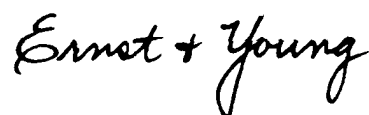
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 15 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial 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, 2024 (pages 46 through 48) 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 June 2, 2026, 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.

The logo for Ernst & Young, featuring the company name in a stylized, handwritten-style script.

June 2, 2026



Commonwealth Ports Authority

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MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A) YEARS ENDED SEPTEMBER 30, 2024 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, 2024, with selected comparative information for the fiscal years ended September 30, 2023 and 2022. Please read it in conjunction with the detailed information contained within the accompanying financial statements.

INTRODUCTION

CPA is a component unit of the Government 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 140 employees on Saipan, 24 employees on Rota and 22 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.

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

Management's Discussion and Analysis, continued

OVERVIEW OF FINANCIAL STATEMENTS, CONTINUED

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 Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows.

The Statement of Net Position presents 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 presents 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 seaport operations combined decreased by 6% in FY2024 (or \$16,060,173 from \$288,693,495 in FY2023) and by 1% in FY2023 (or \$4,413,973 from \$293,107,468). Net position for the airport and seaport operations combined decreased by 4% in FY2024 (or \$7,523,896 from \$202,560,629 in FY2023) and by 5% in FY2023 (or \$11,148,638 from \$213,709,267 in FY2022). Net position represents the amount that total assets exceed total liabilities.

Net operating revenues for the airport and seaport operations combined increased by 47% in FY2024 (or \$4,461,389 from \$14,817,091 in FY2023) and by 68% in FY2023 (or \$2,812,776 from \$12,004,315 in FY2022). Net operating revenues for the Airport Division increased by 47% in FY2024 (or \$3,569,222 from \$7,598,134 in FY2023) and by 68% in FY 2023 (or \$3,077,634 from \$4,520,500 in FY2022). Net operating revenues for the Seaport Division increased by 12% in FY2024 (or \$892,167 from \$7,218,957 in FY2023) and decreased by 4% in FY2023 (or \$264,858 from \$7,483,815 in FY2022).

The Airport Division gross aviation revenue increased by \$11,397,321 in FY2024 (from \$8,513,367 in FY2023) due to the return of scheduled international flights and the implementation of a new rate methodology. The Airport Division was in compliance with its Bond Indenture for FY2024 and FY2023, and the Bond was paid off on August 14, 2024.

Commonwealth Ports Authority
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Management's Discussion and Analysis, continued

FINANCIAL HIGHLIGHTS, CONTINUED

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 \$431,699 in FY2024 (and \$66,350 in FY2023) due to an increase in revenue tonnage.

The Seaport Division was in compliance with its 1998 and 2005 Bond Indenture Agreements (the Agreements) for FY2024 and FY2023, and CPA expects the Seaport Division to be in compliance with the Agreement for FY2025.

Operating expenses (excluding depreciation and amortization) for the airport and seaport operations combined decreased by 19% in FY2024 (or \$4,076,476 from \$12,446,315 in FY2023) and increased by 15% (or \$2,784,124 from \$18,662,191 in FY2022). The decrease in operational expenses in FY2024 is due to austerity and cost containment measures while the increase in FY2023 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, 2024 follows, with comparative information as of and for the years ended September 30, 2023 and 2022:

Statements of Net Position

	2024	2023 (Restated)	2022 (Restated)
Assets and Deferred Outflows			
Current assets:			
Cash	\$ 35,521,991	\$ 48,218,779	\$ 44,270,753
Receivables, net	6,896,684	3,742,098	8,125,345
Prepaid expenses	429,955	306,130	373,772
Lease receivable, current portion	1,424,056	1,450,875	1,263,809
Investments, restricted for debt service and other purposes	<u>36,461,862</u>	<u>43,511,708</u>	<u>48,158,600</u>
Total current assets	<u>80,734,548</u>	<u>97,229,590</u>	<u>102,192,279</u>
Lease receivable, net of current portion	25,662,417	26,117,489	22,791,830
Depreciable capital assets, net of accumulated depreciation and amortization	145,800,295	139,084,369	147,952,456
Nondepreciable capital assets	<u>20,257,465</u>	<u>26,007,178</u>	<u>19,843,128</u>
Total noncurrent assets	<u>191,720,177</u>	<u>191,209,036</u>	<u>190,587,414</u>
Deferred outflows from cost of refunding debt	<u>178,597</u>	<u>254,869</u>	<u>327,775</u>
Total assets and deferred outflows	<u>\$272,633,322</u>	<u>\$288,693,495</u>	<u>\$293,107,468</u>

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

Management's Discussion and Analysis, continued

FINANCIAL HIGHLIGHTS, CONTINUED

Statements of Net Position, continued

	2024	2023 (Restated)	2022 (Restated)
Liabilities, Deferred Inflows of Resources and Net Position			
Current liabilities:			
Revenue bonds payable, current portion	\$ 2,375,000	\$ 3,270,000	\$ 3,080,000
Liability under settlement agreement, current portion	2,372,124	---	---
Contractors payable	4,764,512	4,227,744	7,093,447
Trade and other payables	1,037,369	685,150	1,160,042
Due to related parties	3,582,244	3,728,977	2,741,085
Accrued expenses	928,538	625,034	820,152
Compensated absences, current portion	<u>277,526</u>	<u>302,396</u>	<u>315,783</u>
Total current liabilities	<u>15,337,313</u>	<u>12,839,301</u>	<u>15,210,513</u>
Noncurrent liabilities:			
Compensated absences, net of current portion	386,561	362,986	376,071
Revenue bonds payable, net of current portion	9,545,658	16,708,302	19,978,302
Liability under settlement agreement, net of current portion	<u>7,377,876</u>	<u>9,750,000</u>	<u>---</u>
Total noncurrent liabilities	<u>17,310,095</u>	<u>26,821,288</u>	<u>20,354,373</u>
Deferred inflows of resources from leases	<u>44,949,181</u>	<u>46,472,277</u>	<u>43,833,317</u>
Total liabilities and deferred inflow of resources	<u>77,596,589</u>	<u>86,132,866</u>	<u>79,398,203</u>
Net position:			
Net investment in capital assets	154,315,699	145,368,114	145,065,057
Restricted	36,461,862	43,511,708	48,158,600
Unrestricted	<u>4,259,172</u>	<u>13,680,807</u>	<u>20,485,608</u>
Total net position	<u>195,036,733</u>	<u>202,560,629</u>	<u>213,709,265</u>
Total liabilities, deferred inflow of resources and net position	<u>\$272,633,322</u>	<u>\$288,693,495</u>	<u>\$293,107,468</u>

Statements of Revenues, Expenses and Changes in Net Position

	2024	2023 (Restated)	2022 (Restated)
Operating revenues:			
Aviation fees	\$ 13,386,967	\$ 2,434,980	\$ 1,212,891
Seaport fees	5,617,190	5,185,491	5,119,141
Other revenue	4,673,081	3,704,622	1,684,794
Concession and lease income	4,281,976	4,635,061	4,348,362
Bad debts	<u>(8,680,734)</u>	<u>(1,143,063)</u>	<u>(360,873)</u>
Operating revenues, net	<u>19,278,480</u>	<u>14,817,091</u>	<u>12,004,315</u>

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

Management's Discussion and Analysis, continued

FINANCIAL HIGHLIGHTS, CONTINUED

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

	2024	2023 (Restated)	2022 (Restated)
Operating expenses:			
Depreciation and amortization	14,985,986	14,700,844	15,823,265
Salaries and wages	5,823,393	6,157,337	7,322,354
Insurance	4,147,728	3,595,300	3,523,174
Utilities	3,163,677	4,211,400	3,061,682
Employee benefits	1,034,056	1,463,156	1,338,445
Contractual services	992,495	995,217	926,928
Supplies	618,964	473,555	577,162
Repairs and maintenance	553,411	656,464	622,881
Miscellaneous	376,060	1,570,782	541,319
Travel	233,687	378,450	166,009
Fuel	204,366	619,567	207,265
Professional fees	146,155	199,304	297,554
Promotion and advertising	62,366	95,549	77,266
Passenger facility charges	13,366	---	---
Penalties and interest	115	1,030,234	154
	<u>32,355,825</u>	<u>36,147,159</u>	<u>34,485,458</u>
Total operating expenses			
	<u>32,355,825</u>	<u>36,147,159</u>	<u>34,485,458</u>
Operating loss	(13,077,345)	(21,330,068)	(22,481,143)
Non-operating income (expenses):			
Unrealized gain on investments	2,392,477	2,779,769	239,613
Other grant and revenue contributions	2,081,192	9,349,714	14,056,386
Interest on leases	444,739	453,492	359,007
Water utility charges offset	71,147	95,614	62,665
Interest income	6,649	19,925	3,615
Other nonoperating revenue	---	---	2,325,954
Loss on disposal of equipment	---	(53,939)	(348,906)
Other nonoperating expense	---	(7,247,136)	(1,306,848)
Interest expense	(1,236,336)	(1,435,080)	(1,622,186)
Typhoon related damages	(1,738,199)	(1,279,785)	(1,062,873)
	<u>2,021,669</u>	<u>2,682,574</u>	<u>12,706,427</u>
Total non-operating revenues, net			
	<u>2,021,669</u>	<u>2,682,574</u>	<u>12,706,427</u>
Loss before capital contributions	(11,055,676)	(18,647,494)	(9,774,716)
Capital contributions	3,531,780	7,498,858	14,174,211
	<u>3,531,780</u>	<u>7,498,858</u>	<u>14,174,211</u>
Changes in net position	(7,523,896)	(11,148,363)	4,399,495
Net position at beginning of year, as restated (Note 12)	202,560,629	213,709,265	209,309,770
	<u>202,560,629</u>	<u>213,709,265</u>	<u>209,309,770</u>
Net position at end of year	<u>\$195,036,733</u>	<u>\$202,560,629</u>	<u>\$213,709,265</u>

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

Management's Discussion and Analysis, continued

FINANCIAL HIGHLIGHTS, CONTINUED

CAPITAL ASSETS

At September 30, 2024, CPA had \$166,057,760 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 increase of \$966,213 or 1% from the last fiscal year.

	2024	2023 (Restated)	2022 (Restated)
Runway and improvements	\$156,803,825	\$155,842,264	\$155,842,264
Other improvements	28,751,981	26,129,326	26,298,642
Terminal facilities and equipment	142,563,242	126,508,616	121,664,040
Harbor facilities	65,536,897	64,373,203	64,373,203
Grounds maintenance and shop equipment	2,364,966	2,126,516	1,556,928
Fire and rescue equipment	35,058,991	35,040,666	35,040,666
Office furniture and fixtures	3,237,842	3,195,195	3,678,345
General transportation	1,384,491	1,092,914	1,240,953
Other	<u>2,207,611</u>	<u>2,143,066</u>	<u>2,143,066</u>
	437,909,846	416,451,766	411,838,107
Less accumulated depreciation	<u>(292,109,551)</u>	<u>(277,367,397)</u>	<u>(263,885,651)</u>
Total capital assets being depreciated	145,800,295	139,084,369	147,952,456
Construction in progress	19,793,036	25,542,749	19,378,699
Land	<u>464,429</u>	<u>464,429</u>	<u>464,429</u>
Total capital assets, net	<u>\$166,057,760</u>	<u>\$165,091,547</u>	<u>\$167,795,584</u>

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

Commonwealth Ports Authority
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Management's Discussion and Analysis, continued

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, 2024, 2023 and 2022 and are as follows:

	2024	2023	2022
Airport			
Bond Reserve Fund	\$ 1,864,792	\$ 1,765,388	\$ 1,692,612
Bond Fund	576,471	703,328	645,046
Maintenance and Operation	59,512	135,382	6,867,138
Revenue Fund	827	787	757
Optional Redemption Fund	686,831	13,154	12,644
Insurance & Condemnation Proceeds Fund – Yutu	13,713,077	21,732,452	20,890,322
Insurance & Condemnation Proceeds Fund – Mangkhut	<u>1,878,806</u>	<u>1,787,726</u>	<u>1,718,452</u>
	<u>18,780,316</u>	<u>26,138,217</u>	<u>31,826,971</u>
	2024	2023	2022
Seaport			
Bond Reserve Fund	3,537,022	3,485,988	3,483,639
Supplemental Reserve Fund	7,935,484	7,879,032	7,935,483
Reimbursement Fund	6,635	6,313	6,069
Bond Fund	1,664,157	1,728,194	1,382,862
Maintenance and Operation	4,529,121	4,265,279	3,515,228
Construction Fund	8,201	7,803	7,501
Reserve Fund	<u>926</u>	<u>882</u>	<u>848</u>
	<u>17,681,546</u>	<u>17,373,491</u>	<u>16,331,629</u>
Total	<u>\$36,461,862</u>	<u>\$43,511,708</u>	<u>\$48,158,600</u>

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 August 14, 2024, CPA fully redeemed the remaining balance of the 1988 Airport Revenue Bond, including all accrued and unpaid interest as of the redemption date.

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

Management’s Discussion and Analysis, continued

LONG-TERM DEBT, 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.

2005 Seaport Revenue Bonds

Payments for the 2005 Seaport bond are current. The current portion of the 2005 Seaport bond 322 principal is \$380,000. The long-term portion of the bond balance as of September 30, 2024 is \$2,770,000.

A summary of CPA’s long term debt balances as of September 30, 2024 and 2023 is as follows:

	2024	2023	2022
1998 Senior Series A Bonds - Airport	\$ ---	\$ 5,880,000	\$ 6,885,000
1998 Senior Series A Bonds – Seaport	\$8,785,000	\$10,660,000	\$12,425,000
2005 Senior Series A Bonds - Seaport	\$3,150,000	\$ 3,510,000	\$ 3,850,000

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

GPPC RUNWAY SETTLEMENT

On January 23, 2025, CPA entered into a Settlement Agreement with GPPC 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.

Refer to note 10 to the financial statements for additional information for this settlement liability.

Commonwealth Ports Authority
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Management's Discussion and Analysis, continued

GPPC RUNWAY SETTLEMENT, CONTINUED

Airport and Seaport Combined Operating Expenses

	2024	2023	2022
Airport			
Personnel expense	\$ 5,551,856	\$ 6,164,419	\$ 7,059,367
Maintenance and operations expense	<u>3,771,319</u>	<u>10,716,165</u>	<u>7,706,695</u>
	<u>9,323,175</u>	<u>16,880,584</u>	<u>14,766,062</u>
Seaport			
Personnel expense	1,305,593	1,456,074	1,601,432
Maintenance and operations expense	<u>428,473</u>	<u>2,079,423</u>	<u>2,294,697</u>
	<u>1,734,066</u>	<u>3,535,497</u>	<u>3,896,129</u>
Combined operating expenses	<u>\$11,057,241</u>	<u>\$20,416,081</u>	<u>\$18,662,191</u>

FY 2024 BOND INDENTURE COMPLIANCE

FY2024 Bond/Debt Ratio Compliance

	<u>Airport</u>			<u>Seaport</u>		
	2024	2023	2022	2024	2023	2022
Required revenues for bond compliance	\$ ---	<u>\$17,867,323</u>	<u>\$16,488,524</u>	<u>\$7,339,990</u>	<u>\$7,436,387</u>	<u>\$7,740,354</u>
Actual revenues collected:						
Revenues and other income	---	9,910,651	7,200,631	8,924,646	8,829,273	7,912,183
Other grants and contributions	---	9,321,266	13,910,209	---	28,448	146,177
Interest income	<u>---</u>	<u>70,767</u>	<u>142,863</u>	<u>2,337</u>	<u>402,650</u>	<u>100,365</u>
	<u>---</u>	<u>19,302,684</u>	<u>21,253,703</u>	<u>8,926,983</u>	<u>9,260,371</u>	<u>8,158,725</u>
Variance (noncompliance)	<u>\$ ---</u>	<u>\$ 1,435,361</u>	<u>\$ 4,765,179</u>	<u>\$1,586,993</u>	<u>\$1,823,984</u>	<u>\$ 418,371</u>

As illustrated in the above table, for FY2024, 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 for FY2023 and FY2022 was 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. For FY 2024, grant revenue and contributions were minimal. Moving forward to FY 2025, with the Airport Bond paid off, this will no longer be a factor. 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 FY2025. It is management's intention to control expenses in a comprehensive manner to ensure there is a proper relationship to operating revenues.

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

Management's Discussion and Analysis, continued

REVENUE-BASED STATISTICS

AIRPORT DIVISION

	Enplaned Passengers	Deplaned Passengers	Landing Weights
Saipan International & Commuter			
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
FY 2024	296,686	260,076	351,133,429
Rota			
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
FY 2024	9,938	No data	21,940,160
	Enplaned Passengers	Deplaned Passengers	Landing Weights
Tinian			
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
FY 2024	27,215	No data	40,283,866
All Airports			
FY 2021	77,842	15,928	148,349,990
FY 2022	168,579	95,664	260,217,130
FY 2023	298,516	228,001	385,191,764
FY 2024	260,076	333,839	413,357,455

In FY2024, consolidated airport enplanements (air passenger departures) decreased by 13% and consolidated deplanements (air passenger arrivals) increased by 46% from FY 2023. These changes 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, activity has not reached pre-pandemic levels. As of September 2024, international airline enplanements at the Francisco C. Ada/Saipan International Airport were at 55% of pre-pandemic activity (2019).

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

Management’s Discussion and Analysis, continued

REVENUE-BASED STATISTICS, CONTINUED

SEAPORT DIVISION

	<u>Revenue Tons</u>		Total
	Inbound	Outbound	
Saipan			
FY 2021	379,902	14,835	394,737
FY 2022	406,226	14,580	420,806
FY 2023	361,719	26,874	388,593
FY 2024	377,240	15,555	392,795
Rota			
FY 2021	10,237	614	10,851
FY 2022	8,600	512	9,112
FY 2023	5,591	61	5,652
FY 2024	2,705	118	2,823
Tinian			
FY 2021	19,303	2,457	21,760
FY 2022	22,981	1,958	24,939
FY 2023	31,054	2,580	33,634
FY 2024	63,372	5,076	68,448
All Seaports			
FY 2021	409,442	17,906	427,348
FY 2022	437,807	17,050	454,857
FY 2023	398,364	29,515	427,879
FY 2024	443,317	20,749	464,066

In FY2024, seaport inbound cargo increased by 11% and outbound cargo decreased by 30% for the three seaports combined from FY2023.

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.

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

Management's Discussion and Analysis, continued

ECONOMIC OUTLOOK, CONTINUED

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.

On April 14–15, 2026, Super Typhoon Sinlaku struck the CNMI, causing major damage across the islands of Saipan, Rota, and Tinian. CPA sustained significant damage to its properties, including airports and seaports on all three islands.

Rescue flights began on April 19. United Airlines resumed daily flights on April 23; however, all other air carriers have not yet resumed service, and one carrier has already informed CPA that it will cease operations. Only daytime flights are currently authorized. There has not yet been a date set for the resumption of nighttime flights, which will not commence until certain inoperable, damaged navigation aids have been restored to service. This has had an immediate impact on projected revenue, as three incumbent carriers operate scheduled nighttime arrivals.

Seaport operations were suspended immediately prior to the typhoon. The Saipan and Tinian ports have since resumed operations, but the Rota Port—which suffered severe damage—has not yet returned to full operational capacity due to the extent of the destruction.

Management is still assessing damages and evaluating the financial and operational impacts the typhoon will have on CPA. CPA is currently working with its insurance carriers on loss estimates and coordinating with the Central Government and FEMA regarding potential assistance.

Management's Discussion and Analysis for the years ended September 30, 2023 is set forth in CPA's report on the audit of financial statements, which is dated May 7, 2025. That Discussion and Analysis explains the major factors impacting the 2023 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,	
	<u>2024</u>	<u>2023</u> (Restated)
Assets and Deferred Outflows of Resources		
Current assets:		
Cash and cash equivalents	\$ 35,521,991	\$ 48,218,779
Receivables, net:		
Grantor agencies	2,658,617	2,625,401
Operations, net	4,226,573	1,102,484
Officers and employees	11,494	14,213
Prepaid expenses	429,955	306,130
Lease receivable, current portion	1,424,056	1,450,875
Investments, restricted	<u>36,461,862</u>	<u>43,511,708</u>
Total current assets	<u>80,734,548</u>	<u>97,229,590</u>
Lease receivable, net of current portion	25,662,417	26,117,489
Depreciable capital assets, net of accumulated depreciation and amortization	145,800,295	139,084,369
Nondepreciable capital assets	<u>20,257,465</u>	<u>26,007,178</u>
Total noncurrent assets	<u>191,720,177</u>	<u>191,209,036</u>
Deferred outflows of resources from cost of refunding debt	<u>178,597</u>	<u>254,869</u>
Total assets and deferred outflows of resources	<u>\$ 272,633,322</u>	<u>\$ 288,693,495</u>
Liabilities, Deferred Inflows of Resources and Net Position		
Current liabilities:		
Revenue bonds payable, current portion	\$ 2,375,000	\$ 3,270,000
Liability under settlement agreement, current portion	2,372,124	---
Contractors payable	4,764,512	4,227,744
Trade and other payables	1,037,369	685,150
Due to related parties	3,582,244	3,728,977
Accrued expenses	928,538	625,034
Compensated absences, current portion	<u>277,526</u>	<u>302,396</u>
Total current liabilities	<u>15,337,313</u>	<u>12,839,301</u>
Compensated absences, net of current portion	386,561	362,986
Revenue bonds, net of current portion	9,545,658	16,708,302
Liability under settlement agreement, net of current portion	<u>7,377,876</u>	<u>9,750,000</u>
Total noncurrent liabilities	<u>17,310,095</u>	<u>26,821,288</u>
Deferred inflows of resources from leases	<u>44,949,181</u>	<u>46,472,277</u>
Total liabilities and deferred inflows of resources	<u>77,596,589</u>	<u>86,132,866</u>
Net position		
Net investment in capital assets	154,315,699	145,368,114
Restricted-debt service and other purposes	36,461,862	43,511,708
Unrestricted	<u>4,259,172</u>	<u>13,680,807</u>
Total net position	<u>195,036,733</u>	<u>202,560,629</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 272,633,322</u>	<u>\$ 288,693,495</u>

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,	
	<u>2024</u>	<u>2023</u> (Restated)
Operating revenues:		
Aviation fees	\$ 13,386,967	\$ 2,434,980
Seaport fees	5,617,190	5,185,491
Other revenues	4,673,081	3,704,622
Concession and lease income	4,281,976	4,635,061
Bad debts	(8,680,734)	(1,143,063)
Total operating revenues, net	<u>19,278,480</u>	<u>14,817,091</u>
Operating expenses:		
Depreciation and amortization	14,985,986	14,700,844
Salaries and wages	5,823,393	6,157,337
Insurance	4,147,728	3,595,300
Utilities	3,163,677	4,211,400
Employee benefits	1,034,056	1,463,156
Contractual services	992,495	995,217
Supplies	618,964	473,555
Repair and maintenance	553,411	656,464
Miscellaneous	376,060	1,570,782
Travel	233,687	378,450
Fuel	204,366	230,679
Professional fees	146,155	588,192
Promotion and advertising	62,366	95,549
Passenger facility charges	13,366	---
Penalties and interest	<u>115</u>	<u>1,030,234</u>
Total operating expenses	<u>32,355,825</u>	<u>36,147,159</u>
Operating loss	(<u>13,077,345</u>)	(<u>21,330,068</u>)
Nonoperating income (expense):		
Unrealized gain on investments	2,392,477	2,779,769
Other grant revenues and contributions	2,081,192	9,349,714
Interest on leases	444,739	453,492
Water utility charges offset	71,147	95,614
Interest income	6,649	19,925
Loss on disposal of equipment	---	(53,939)
Other nonoperating expense	---	(7,247,136)
Interest expense	(1,236,336)	(1,435,080)
Typhoon-related damages	(<u>1,738,199</u>)	(<u>1,279,785</u>)
Total nonoperating income, net	<u>2,021,669</u>	<u>2,682,574</u>
Loss before capital contributions	(11,055,676)	(18,647,494)
Capital contributions	<u>3,531,780</u>	<u>7,498,858</u>
Change in net position	(7,523,896)	(11,148,636)
Net position at beginning of year, as restated (Note 12)	<u>202,560,629</u>	<u>213,709,265</u>
Net position at end of year	<u>\$195,036,733</u>	<u>\$202,560,629</u>

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,	
	<u>2024</u>	<u>2023</u> (Restated)
Cash flows from operating activities:		
Received from customers	\$ 15,634,610	\$ 14,172,141
Suppliers for goods and services	(11,865,424)	(14,774,024)
Payments to employees for services	(6,858,744)	(7,646,965)
Net cash used for operating activities	(3,089,558)	(8,248,848)
Cash flows from investing activities:		
Net investment liquidation, restricted	9,442,323	7,426,661
Interest (expense) income	(67,317)	122,152
Net cash provided by investing activities	9,375,006	7,548,813
Cash flows from noncapital financing activity:		
Other grant revenues and contributions	2,081,192	9,349,714
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(15,415,431)	(12,359,648)
Capital contributions, net	3,498,564	12,004,555
Water utility charges offset	71,147	95,614
Principal paid on revenue bond maturities	(8,057,644)	(3,080,000)
Interest paid on revenue bonds and note payable to a related party	(1,160,064)	(1,362,174)
Net cash used for capital and related financing activities	(21,063,428)	(4,701,653)
Net change in cash and cash equivalents	(12,696,788)	3,948,026
Cash and cash equivalents at beginning of year	48,218,779	44,270,753
Cash and cash equivalents at end of the year	\$ 35,521,991	\$ 48,218,779
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	\$(13,077,345)	\$(21,330,068)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation and amortization	14,985,986	14,700,844
Loss on disposal of fixed assets	---	(53,939)
Typhoon-related damages	(1,738,199)	(1,279,785)
Bad debts	8,680,734	1,143,063
(Increase) decrease in assets:		
Receivables - operations	(11,804,823)	(1,258,299)
Receivables - officers and employees	2,719	(7,214)
Prepaid expenses	(123,825)	67,642
Increase (decrease) in liabilities:		
Trade and other payables	352,219	(474,894)
Due to related parties	(146,733)	987,892
Accrued expenses	303,504	(195,118)
Deferred inflow of resources from leases	(522,500)	(522,500)
Compensated absences	(1,295)	(26,472)
Net cash used for operating activities	\$(3,089,558)	\$(8,248,848)

See accompanying notes.

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

Notes to Financial Statements

Years ended September 30, 2024 and 2023

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, 2024 and 2023, 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, 2024 and 2023, concentrations of credit risk result from receivables from significant customers which represent 53% and 71% of total receivables, respectively. Management assesses the risk of loss and provides an allowance for doubtful accounts to compensate for known credit risk.

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

Notes to Financial Statements, continued

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.

Receivables

Receivables 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 as 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.

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 2 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.

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

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

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.

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.

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

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Retirement Plan, continued

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 \$12,498 and \$10,279 to the DB Plan during the years ended September 30, 2024 and 2023, 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, 2024 and 2023 were \$86,214 and \$93,918, respectively, equal to the required contributions for each year.

Members of the DC Plan, who have completed five years of government service, have a vested balance of 100% of both member and employer contributions plus any earnings thereon.

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.

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

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Net Position, continued

- Restricted:
 - Nonexpendable - Net position subject to externally imposed stipulations that CPA maintain them permanently. For the years ended September 30, 2024 and 2023, 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, 2024 and 2023, the accumulated vacation leave liability amounted to \$664,087 and \$665,382, 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.

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, 2024 and 2023, CPA reports deferred outflows of resources arising from cost of refunding of debt.

Commonwealth Ports Authority
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Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Deferred Outflows/Inflows of Resources, continued

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, 2024 and 2023. The related deferred inflows of resources amounting to \$18,934,375 and \$19,537,921 as of September 30, 2024 and 2023, 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 \$1,117,260 for the new lease agreements which took effect on September 1, 2024. As of September 30, 2024 and 2023, the related deferred inflows of resources amounting to \$26,014,806 and \$26,934,356, respectively, has been recorded as a component of deferred inflows of resources from leases in the accompanying statements of net position.

Pensions

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 April 2022, GASB issued Statement No. 99, *Omnibus 2022*. This Statement contains guidance whose effective dates are in future periods:

- Modifies guidance in GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, to bring all guarantees under the same financial reporting requirements and disclosures effective for fiscal year ended September 30, 2024. This implementation did not have a material effect on the accompanying financial statements.

Commonwealth Ports Authority
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Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncements, continued

- Provides guidance on classification and reporting of derivative instruments within the scope of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective for fiscal year ended September 30, 2024. This implementation did not have a material effect on the accompanying financial statements.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and 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. The adoption of GASB Statement No. 100 did not result in a material effect on the accompanying financial statements.

Upcoming Accounting Pronouncements

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.

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Notes to Financial Statements, continued

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 requires that capital assets held for sale be evaluated each reporting period. 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. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 104 will be effective for fiscal year ending September 30, 2026.

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Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

In December 2025, GASB issued Statement No. 105, *Subsequent Events*. The objective of this statement is to provide guidance designed to improve the financial reporting requirements and enhance consistency in the application of those requirements for subsequent events. The statement defines subsequent events as transactions or other events that occur after the date of the financial reporting statements but before the date the financial statements are available to be issued. The definition of subsequent events in the statement modifies the subsequent events time frame throughout GASB literature. Statement No. 105 also clarifies types of subsequent events, when note disclosures are required, and information that should be included in those disclosures. GASB Statement No. 105 will be effective for fiscal year ending September 30, 2027.

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, 2024 and 2023, total cash and cash equivalents amounted to \$35,521,991 and \$48,218,779, respectively, and the corresponding bank balance amounted to \$35,731,336 and \$49,344,264, 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 which amounted to \$35,481,336 and \$49,094,264 as of September 30, 2024 and 2023, respectively. Accordingly, these deposits are exposed to custodial credit risk.

Commonwealth Ports Authority
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Notes to Financial Statements, continued

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, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
<u>Airport Division</u>		
Bond Reserve Fund	\$ 1,864,792	\$ 1,765,388
Bond Fund	576,471	703,328
Maintenance and Operation	59,512	135,382
Revenue Fund	827	787
Optional Redemption Fund	686,831	13,154
Insurance and Condemnation Proceeds Fund - Yutu	13,713,077	21,732,452
Insurance and Condemnation Proceeds Fund - Mangkhut	<u>1,878,806</u>	<u>1,787,726</u>
	<u>18,780,316</u>	<u>26,138,217</u>
 <u>Seaport Division</u>		
Bond Reserve Fund	3,537,022	3,485,988
Supplemental Reserve Fund	7,935,484	7,879,032
Reimbursement Fund	6,635	6,313
Bond Fund	1,664,157	1,728,194
Maintenance and Operation	4,529,121	4,265,279
Construction Fund	8,201	7,803
Revenue Fund	<u>926</u>	<u>882</u>
	<u>17,681,546</u>	<u>17,373,491</u>
	<u>\$36,461,862</u>	<u>\$43,511,708</u>

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.

Commonwealth Ports Authority
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Notes to Financial Statements, continued

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, 2024 and 2023, there were no investments in any one issuer that exceeded 5% of total investments.

As of September 30, 2024 and 2023, 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 sets forth by fair value hierarchy level the CPA's assets carried at fair value as of September 30, 2024 and 2023:

	2024					
	Level 1		Level 2		Level 3	
Investments by fair value level						
Equity securities:						
Mutual funds	\$ 12,711,838	\$ 12,711,838	\$ ---	\$ ---		
Money market mutual funds - Fidelity Investments	<u>23,750,024</u>	<u>23,750,024</u>	<u>---</u>	<u>---</u>		
Total investments by fair value level	<u>\$ 36,461,862</u>	<u>\$ 36,461,862</u>	<u>\$ ---</u>	<u>\$ ---</u>		
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	<u>30,976,437</u>	<u>30,976,437</u>	<u>---</u>	<u>---</u>		
Total investments by fair value level	<u>\$ 43,511,708</u>	<u>\$ 43,511,708</u>	<u>\$ ---</u>	<u>\$ ---</u>		

Commonwealth Ports Authority
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Notes to Financial Statements, continued

3. Receivables from Federal Grantor Agencies

Receivables from federal grantor agencies as of September 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
U.S. Department of Transportation	\$1,204,425	\$ 574,852
U.S. Department of Homeland Security	<u>2,742,855</u>	<u>3,339,212</u>
	3,947,280	3,914,064
Less allowance for doubtful accounts	<u>1,288,663</u>	<u>1,288,663</u>
	<u>\$2,658,617</u>	<u>\$2,625,401</u>

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, as presented in the accompanying statements of revenues, expenses and changes in net position, amounting to \$3,531,780 and \$7,498,858; and operating grants, presented as a component of other grant revenues and contributions in the accompanying statements of revenues, expenses and changes in net position, amounting to \$2,081,192 and \$7,966,547, were received from grantor agencies during the years ended September 30, 2024 and 2023, respectively.

4. Receivables 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 receivables from operations as of September 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Receivables	\$ 19,967,400	\$8,163,228
Less allowance for doubtful accounts	<u>15,740,827</u>	<u>7,060,744</u>
	<u>\$ 4,226,573</u>	<u>\$1,102,484</u>

CPA establishes terminal rental rates and landing fees annually using budgeted amounts and projected activity levels prepared with the assistance of an external consultant. Variances between these estimates and actual audited results are recorded as adjustments to operating revenues in the year identified.

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Notes to Financial Statements, continued

4. Receivables from Operations, continued

During fiscal year 2024, CPA recorded a cumulative adjustment of \$8,290,223 related to unrecorded variances from fiscal years 2017 through 2024, which is presented as receivables from operations. However, due to uncertainty regarding collectability from customers, management recorded a full allowance against this receivable as of September 30, 2024.

5. Capital Assets

Capital asset balances consist of the following as of September 30, 2024 and 2023:

	Balance October <u>1, 2023</u>	<u>Additions</u>	<u>Transfers</u>	<u>Disposals</u>	Balance September <u>30, 2024</u>
Depreciable capital assets:					
Runway and improvements	\$155,842,264	\$ 56,290	\$ 905,271	\$ ---	\$156,803,825
Other improvements	26,129,326	26,220	2,753,405	(156,970)	28,751,981
Terminal facilities	119,476,462	38,500	16,016,126	---	135,531,088
Terminal equipment	7,032,154	---	---	---	7,032,154
Harbor facilities	64,373,203	---	1,163,694	---	65,536,897
Grounds maintenance and shop equipment	2,126,516	238,450	---	---	2,364,966
Fire and rescue equipment	35,040,666	18,325	---	---	35,058,991
Office furniture and fixtures	3,195,195	117,137	---	(74,490)	3,237,842
General transportation	1,092,914	303,947	---	(12,370)	1,384,491
Other	<u>2,143,066</u>	<u>64,545</u>	<u>---</u>	<u>---</u>	<u>2,207,611</u>
	416,451,766	863,414	20,838,496	(243,830)	437,909,846
Less accumulated depreciation and amortization	<u>(277,367,395)</u>	<u>(14,985,986)</u>	<u>---</u>	<u>243,830</u>	<u>(292,109,551)</u>
	<u>\$139,084,369</u>	<u>\$(14,122,570)</u>	<u>\$ 20,838,496</u>	<u>\$ ---</u>	<u>\$145,800,295</u>
Nondepreciable capital assets:					
Construction-in-progress	\$ 25,542,749	\$ 15,088,783	\$(20,838,496)	\$ ---	\$ 19,793,036
Land	<u>464,429</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>464,429</u>
	<u>\$ 26,007,178</u>	<u>\$ 15,083,783</u>	<u>\$(20,838,496)</u>	<u>\$ ---</u>	<u>\$ 20,257,465</u>

Commonwealth Ports Authority
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Notes to Financial Statements, continued

5. Capital Assets, continued

	Balance October <u>1, 2022</u>	<u>Additions</u>	<u>Transfers</u>	<u>Disposals</u>	Balance September <u>30, 2023</u>
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	<u>2,143,066</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>2,143,066</u>
	411,838,107	689,042	5,092,414	(1,167,797)	416,451,766
Less accumulated depreciation and amortization	<u>(263,885,651)</u>	<u>(14,595,602)</u>	<u>---</u>	<u>1,113,858</u>	<u>(277,367,395)</u>
	<u>\$147,952,456</u>	<u>\$(13,906,560)</u>	<u>\$ 5,092,414</u>	<u>\$(53,939)</u>	<u>\$139,084,371</u>
Nondepreciable capital assets:					
Construction-in-progress	\$ 19,378,699	\$ 11,256,464	\$(5,092,414)	\$ ---	\$ 25,542,749
Land	<u>464,429</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>464,429</u>
	<u>\$ 19,843,128</u>	<u>\$ 11,256,464</u>	<u>\$(5,092,414)</u>	<u>\$ ---</u>	<u>\$ 26,007,178</u>

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.

Commonwealth Ports Authority
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Notes to Financial Statements, continued

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, 2024 and 2023 consist of the following:

	<u>2024</u>	<u>2023</u>
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
Less current portion	<u>---</u>	<u>1,035,000</u>
Long-term portion	<u>\$ ---</u>	<u>\$4,845,000</u>

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.

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, 2024 and 2023, deferred outflows of resources from cost of refunding debt, as presented in the statements of net position, amounted to \$178,597 and \$254,869, 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.

Commonwealth Ports Authority
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Notes to Financial Statements, continued

6. Revenue Bonds Payable, continued

Seaport Division, continued

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.

Revenue bonds payable as of September 30, 2024 and 2023, consist of the following:

	<u>2024</u>	<u>2023</u>
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	\$8,785,000	\$10,660,000
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	3,150,000	3,510,000
Discount on 2005 Senior Series A bonds	(14,342)	(71,698)
	11,920,658	14,098,302
Less current portion	<u>2,375,000</u>	<u>2,235,000</u>
Long-term portion	<u>\$ 9,545,658</u>	<u>\$11,863,302</u>

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:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	2,850,000	174,103	3,024,103
2029	475,000	69,438	544,438
2030	<u>1,010,658</u>	<u>57,061</u>	<u>1,067,720</u>
	<u>\$11,920,658</u>	<u>\$1,848,715</u>	<u>\$13,769,374</u>

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Notes to Financial Statements, continued

6. Revenue Bonds Payable, continued

Seaport Division, continued

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, 2024 and 2023, total deposits in the Seaport Supplemental Reserve Fund amounted to \$7,935,484 and \$7,879,032, respectively, and have been reported as a component of investments, restricted, in the accompanying statements of net position.

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:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
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.

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Notes to Financial Statements, continued

6. Revenue Bonds Payable, continued

Bond Redemption, continued

- 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.
- 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.

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:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
March 15, 2017 and thereafter	100.0%

Commonwealth Ports Authority
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Notes to Financial Statements, continued

6. Revenue Bonds Payable, continued

Bond Redemption, continued

- 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.

Pledge of Future Revenues

CPA has pledged future gross revenues to repay \$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 and 2031, respectively. As disclosed in this footnote, 1998 Senior Series A Bonds of the airport division was fully redeemed during the fiscal year. The total principal and interest payable for the remainder of the life of these bonds are \$13,712,017 and \$23,615,603 at September 30, 2024 and 2023, respectively. Pledged gross revenues received during the years ended September 30, 2024 and 2023 were \$24,149,119 and \$27,234,280, respectively. Debt service payments during the years ended September 30, 2024 and 2023 amounted to \$9,274,991 and \$4,448,349, respectively, representing 38% and 16% of pledged gross revenues, respectively.

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Notes to Financial Statements, continued

6. Revenue Bonds Payable, continued

Pledge of Future Revenues, continued

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, 2024 and 2023. 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 2024 and 2023, 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, 2024 and 2023 are as follows:

	Balance October 1, 2023	Additions	Reductions	Balance September 30, 2024	Current	Noncurrent
Bonds payable:						
Airport 1998 Senior Series A	\$ 5,880,000	\$ ---	\$(5,880,000)	\$ ---	\$ ---	\$ ---
Seaport 1998 Senior Series A	10,660,000	---	(1,875,000)	8,785,000	1,995,000	6,790,000
Seaport 2005 Senior Series A	3,510,000	---	(360,000)	3,150,000	380,000	2,770,000
Deferred amounts:						
Discount on bonds	(71,698)	---	57,356	(14,342)	---	(14,342)
	19,978,302	---	(8,057,644)	11,920,658	2,375,000	9,545,658
Other:						
Compensated absences	665,382	498,709	(500,004)	664,087	277,526	386,561
	<u>\$20,643,684</u>	<u>\$498,709</u>	<u>\$(8,557,648)</u>	<u>\$12,584,745</u>	<u>\$2,652,526</u>	<u>\$9,932,219</u>
	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
	<u>\$23,750,156</u>	<u>\$529,506</u>	<u>\$(3,635,978)</u>	<u>\$20,643,684</u>	<u>\$3,572,396</u>	<u>\$17,071,288</u>

Commonwealth Ports Authority
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Notes to Financial Statements, continued

6. Revenue Bonds Payable, continued

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.

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.

Commonwealth Ports Authority
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Notes to Financial Statements, continued

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, 2024 and 2023, and the related payable balances, are as follows:

	2024		
	Revenues and Capital Contributions	Expenses	Due to Related Parties
Commonwealth Utilities Corporation (CUC)	\$ ---	\$3,163,677	\$3,119,755
CNMI Government	<u>184,119</u>	<u>563,532</u>	<u>462,489</u>
	<u>\$184,119</u>	<u>\$3,727,209</u>	<u>\$3,582,244</u>
	2023		
	Revenues and Capital Contributions	Expenses	Due to Related Parties
CUC	\$ ---	\$4,211,400	\$3,138,831
CNMI Government	<u>1,383,167</u>	<u>678,953</u>	<u>590,146</u>
	<u>\$1,383,167</u>	<u>\$4,890,353</u>	<u>\$3,728,977</u>

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, 2024 and 2023, total water utility charges offset amounted to \$71,147 and \$95,614, 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 years ended September 30, 2024 and 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.

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Notes to Financial Statements, continued

8. Related Party Transactions, continued

Due to the CNMI Government relates to the 1% OPA fee for the seaport division amounting to \$462,489 and \$432,069, and to the unused portion of the grant for the airport division amounting to \$458,369 and \$158,077, as of September 30, 2024 and 2023, respectively. In June 2022, Public Law 22-18 was signed to exempt CPA from paying the 1% OPA fee with respect to airport revenues.

CPA recorded contributions of \$184,119 and \$1,383,167 from the CNMI Government during the years ended September 30, 2024 and 2023, respectively, and are presented 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.

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 are 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, as presented in the accompanying statements of revenues, expenses and changes in net position, for the years ended September 30, 2024 and 2023 amounted to \$4,281,976 and \$4,635,061, respectively.

Commonwealth Ports Authority
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Notes to Financial Statements, continued

9. Leases, continued

Future minimum payments that are included in the measurement of the lease receivable as of September 30, 2024 are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 1,424,056	\$ 448,006	1,872,062
2026	1,376,411	424,984	1,801,395
2027	1,317,818	401,336	1,719,154
2028	1,078,902	405,770	1,484,672
2029	1,099,212	390,096	1,489,308
2030 - 2034	5,618,435	1,561,719	7,180,154
2035 - 2039	4,334,428	1,133,264	5,467,692
2040 - 2044	3,749,230	814,941	4,564,171
2045 - 2049	1,713,966	568,985	2,282,951
2050 - 2054	2,051,401	401,018	2,452,419
2055 -2059	2,468,432	197,211	2,665,643
2060 - 2062	<u>854,182</u>	<u>13,264</u>	<u>867,446</u>
	<u>\$27,086,473</u>	<u>\$6,760,594</u>	<u>\$33,847,067</u>

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 \$2,719,228 and \$1,593,268 for the years ended September 30, 2024 and 2023, 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, 2024. 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.

Commonwealth Ports Authority
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Notes to Financial Statements, continued

10. Commitment and Contingencies, continued

Contingencies, continued

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 \$0 have been set forth in CPA's PFC report for the year ended September 30, 2024. 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. Management believes that any unfavorable outcome against CPA is remote.

Settlement Agreement

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. Monthly payments shall first be applied to accrued interest, at 6% per annum, and then to the unpaid balance of the settlement amount. As of September 30, 2024 and 2023, CPA recorded a liability under settlement agreement amounting to \$9.75 million in the accompanying statements of net position. The current portion of the liability as of September 30, 2024 amounted to \$2,372,124.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$2,372,124	\$ 227,876	\$ 2,600,000
2026	778,505	421,495	1,200,000
2027	826,522	373,478	1,200,000
2028	877,500	322,500	1,200,000
2029	931,622	268,378	1,200,000
2030	<u>3,963,727</u>	<u>464,889</u>	<u>4,428,616</u>
	<u>\$9,750,000</u>	<u>\$2,078,716</u>	<u>\$11,828,616</u>

Commonwealth Ports Authority
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Notes to Financial Statements, continued

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. 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. Subsequent to September 30, 2024, the prime concessionaire ceased its concession to lease space and operate at the Saipan International Airport.

During the years ended September 30, 2024 and 2023, three customers accounted for 51% and two customers accounted for 43% of the total operating revenues of the airport division, respectively. One customer accounted for 21% and 22% of the total operating revenues of the seaport division during the years ended September 30, 2024 and 2023, respectively.

12. Prior Period Adjustments

After issuance of the 2023 financial statements, management identified several adjustments affecting previously reported balances. These adjustments relate primarily to unrecorded depreciation expense on capital assets associated with capitalized interest for fiscal years 2022 and 2023, erroneous capitalization of certain expenditures in fiscal year 2023, and an adjustment to prepaid expenses in fiscal year 2023. The effects of correcting these errors required adjustments to the beginning net position as of October 1, 2023 and 2022, as follows:

	October 1, <u>2023</u>	October 1 <u>2022</u>
Net position:		
Balance at beginning of year, as previously reported	\$ 203,820,049	\$ 213,918,058
Accumulated depreciation for capitalized interest	(417,584)	(208,793)
Correction of prior year expenditures erroneously capitalized	(778,348)	---
Adjustment to prepaid expenses	(<u>63,488</u>)	<u>---</u>
Balance at beginning of year, as restated	<u>\$ 202,560,629</u>	<u>\$ 213,709,265</u>
Depreciable capital assets:		
Balance at beginning of year, as previously reported	\$ 139,501,953	\$ 148,161,249
Correction of errors	(<u>417,584</u>)	(<u>208,793</u>)
Balance at beginning of year, as restated	<u>\$ 139,084,369</u>	<u>\$ 147,952,456</u>
Nondepreciable capital assets:		
Balance at beginning of year, as previously reported	\$ 26,785,526	
Correction of errors	(<u>778,348</u>)	
Balance at beginning of year, as restated	<u>\$ 26,007,178</u>	

Commonwealth Ports Authority
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Notes to Financial Statements, continued

12. Prior Period Adjustments, continued

	October 1, <u>2023</u>
Prepaid expenses:	
Balance at beginning of year, as previously reported	\$ 369,618
Correction of errors	(<u>63,488</u>)
Balance at beginning of year, as restated	\$ <u><u>306,130</u></u>

13. Subsequent Events

On April 14, 2026, Super Typhoon Sinlaku struck the CNMI, causing widespread damage to properties throughout the islands, including CPA's facilities. Management has determined that the damaged properties are repairable and that a significant portion of the related repair costs is expected to be covered by insurance.

The typhoon also resulted in a temporary interruption of CPA's operations. Rescue flights began on April 19, 2026, and regular daytime commercial flights resumed on April 23, 2026. Nighttime operations remain suspended as of the report date.

As of the date of the auditor's report, CPA continues its recovery efforts and is still in the process of evaluating the full financial and operational impact of the typhoon, including the ultimate cost of repairs, insurance recoveries, and any potential assistance.

Supplementary Information

Commonwealth Ports Authority
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Combining Statement of Net Position

September 30, 2024

	Airport Division	Seaport Division	Elimination	Total
Assets and Deferred Outflows of Resources				
Current assets:				
Cash and cash equivalents	\$ 17,053,425	\$ 18,468,566	\$ ---	\$ 35,521,991
Receivables, net:				
Grantor agencies	2,656,235	2,382	---	2,658,617
Operations, net	3,672,359	554,214	---	4,226,573
Due from other division	120,582	---	(120,582)	---
Officers and employees	11,380	114	---	11,494
Prepaid expenses	423,355	6,600	---	429,955
Lease receivable, current portion	600,492	823,564	---	1,424,056
Investments, restricted	18,780,316	17,681,546	---	36,461,862
Total current assets	<u>43,318,144</u>	<u>37,536,986</u>	<u>(120,582)</u>	<u>80,734,548</u>
Lease receivable, net	3,402,620	22,259,797	---	25,662,417
Depreciable capital assets, net of accumulated depreciation and amortization	129,806,884	15,993,411	---	145,800,295
Nondepreciable capital assets	15,750,820	4,506,645	---	20,257,465
Total noncurrent assets	<u>148,960,324</u>	<u>42,759,853</u>	<u>---</u>	<u>191,720,177</u>
Deferred outflows from cost of refunding debt	---	178,597	---	178,597
Total assets and deferred outflows of resources	<u>\$ 192,278,468</u>	<u>\$ 80,475,436</u>	<u>\$ (120,582)</u>	<u>\$ 272,633,322</u>
Liabilities, Deferred Inflows of Resources and Net Position				
Current liabilities:				
Revenue bonds payable, current portion	\$ ---	\$ 2,375,000	\$ ---	\$ 2,375,000
Liability under settlement agreement, current portion	2,372,124	---	---	2,372,124
Contractors payable	4,179,454	585,058	---	4,764,512
Trade and other payables	956,454	80,915	---	1,037,369
Due to related parties	2,946,880	635,364	---	3,582,244
Due to other division	---	120,582	(120,582)	---
Accrued expenses	822,376	106,162	---	928,538
Compensated absences, current portion	248,775	28,751	---	277,526
Total current liabilities	<u>11,526,063</u>	<u>3,931,832</u>	<u>(120,582)</u>	<u>15,337,313</u>
Compensated absences, net of current portion	329,412	57,149	---	386,561
Revenue bonds payable, net of current portion	---	9,545,658	---	9,545,658
Liability under settlement agreement, net of current portion	7,377,876	---	---	7,377,876
Total noncurrent liabilities	<u>7,707,288</u>	<u>9,602,807</u>	<u>---</u>	<u>17,310,095</u>
Deferred inflows of resources from leases	21,948,233	23,000,948	---	44,949,181
Total liabilities and deferred inflows of resources	<u>41,181,584</u>	<u>36,535,587</u>	<u>(120,582)</u>	<u>77,596,589</u>
Net position:				
Net investment in capital assets	145,557,704	8,757,995	---	154,315,699
Restricted - debt service and other purposes	18,780,316	17,681,546	---	36,461,862
Unrestricted	(13,241,136)	17,500,308	---	4,259,172
Total net position	<u>151,096,884</u>	<u>43,939,849</u>	<u>---</u>	<u>195,036,733</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 192,278,468</u>	<u>\$ 80,475,436</u>	<u>\$ (120,582)</u>	<u>\$ 272,633,322</u>

Commonwealth Ports Authority
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Combining Statement of Revenues, Expenses and Changes in Net Position

Year ended September 30, 2024

	<u>Airport Division</u>	<u>Seaport Division</u>	<u>Total</u>
Operating revenues:			
Aviation fees	\$ 13,386,967	\$ ---	\$ 13,386,967
Seaport fees	---	5,617,190	5,617,190
Other revenues	3,617,858	1,055,223	4,673,081
Concession and lease income	2,905,863	1,376,113	4,281,976
Bad debts (expense) recovery	(8,743,332)	62,598	(8,680,734)
Total operating revenues, net	<u>11,167,356</u>	<u>8,111,124</u>	<u>19,278,480</u>
Operating expenses:			
Depreciation and amortization	12,269,874	2,716,112	14,985,986
Salaries and wages	4,716,293	1,107,100	5,823,393
Insurance	2,591,947	1,555,781	4,147,728
Utilities	2,901,009	262,668	3,163,677
Employee benefits	835,563	198,493	1,034,056
Contractual services	909,076	83,419	992,495
Supplies	575,451	43,513	618,964
Repairs and maintenance	517,592	35,819	553,411
Miscellaneous	291,922	84,138	376,060
Travel	204,581	29,106	233,687
Fuel	178,422	25,944	204,366
Professional fees	122,394	23,761	146,155
Promotion and advertising	59,510	2,856	62,366
Passenger facility charges	13,366	---	13,366
Penalties and interest	115	---	115
Total operating expenses	<u>26,187,115</u>	<u>6,168,710</u>	<u>32,355,825</u>
Operating (loss) income	<u>(15,019,759)</u>	<u>1,942,414</u>	<u>(13,077,345)</u>
Nonoperating income (expenses):			
Unrealized gain on investments	1,516,357	876,120	2,392,477
Other grant revenues and contributions	2,081,192	---	2,081,192
Interest on leases	48,378	396,361	444,739
Water utility charges offset	71,147	---	71,147
Interest income	4,312	2,337	6,649
Interest expense	(335,156)	(901,180)	(1,236,336)
Typhoon-related damages	(1,738,199)	---	(1,738,199)
Total nonoperating revenues, net	<u>1,648,031</u>	<u>373,638</u>	<u>2,021,669</u>
(Loss) income before capital contributions	<u>(13,371,728)</u>	<u>2,316,052</u>	<u>(11,055,676)</u>
Capital contributions	<u>3,394,719</u>	<u>137,061</u>	<u>3,531,780</u>
Change in net position	<u>(9,977,009)</u>	<u>2,453,113</u>	<u>(7,523,896)</u>
Net position at beginning of year, as restated (Note 12)	<u>161,073,893</u>	<u>41,486,736</u>	<u>202,560,629</u>
Net position at end of year	<u>\$ 151,096,884</u>	<u>\$ 43,939,849</u>	<u>\$ 195,036,733</u>

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

Combining Statement of Cash Flows

Year ended September 30, 2024

	Airport Division	Seaport Division	Eliminations	Total
Cash flows from operating activities:				
Cash received from customers	\$ 7,795,327	\$ 7,916,756	\$ (77,473)	\$ 15,634,610
Cash payments to suppliers for goods and services	(9,759,466)	(2,183,431)	77,473	(11,865,424)
Cash payments to employees for services	(5,561,278)	(1,297,466)	---	(6,858,744)
Net cash (used for) provided by operating activities	(7,525,417)	4,435,859	---	(3,089,558)
Cash flows from investing activities:				
Net investment liquidation, restricted	8,874,258	568,065	---	9,442,323
Interest income	(7,249)	(60,068)	---	(67,317)
Net cash provided by investing activities	8,867,009	507,997	---	9,375,006
Cash flows from noncapital financing activity:				
Other grant revenues and contributions	2,081,192	---	---	2,081,192
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(12,533,394)	(2,882,037)	---	(15,415,431)
Capital contributions, net	3,361,503	137,061	---	3,498,564
Water utility charges offset	71,147	---	---	71,147
Principal paid on revenue bond maturities	(5,880,001)	(2,177,643)	---	(8,057,644)
Interest paid on revenue bonds and note payable to related party	(335,156)	(824,908)	---	(1,160,064)
Net cash used for capital and related financing activities	(15,315,901)	(5,747,527)	---	(21,063,428)
Net change in cash and cash equivalents	(11,893,117)	(803,671)	---	(12,696,788)
Cash and cash equivalents at beginning of year	28,946,542	19,272,237	---	48,218,779
Cash and cash equivalents at end of year	\$ 17,053,425	\$ 18,468,566	\$ ---	\$ 35,521,991
Reconciliation of operating (loss) income to net cash (used for) provided by operating activities:				
Operating (loss) income	\$ (15,019,759)	\$ 1,942,414	\$ ---	\$ (13,077,345)
Adjustments to reconcile operating (loss) income to net cash (used for) provided by operating activities:				
Depreciation and amortization	12,269,874	2,716,112	---	14,985,986
Typhoon-related damages	(1,738,199)	---	---	(1,738,199)
Bad debts	8,743,332	(62,598)	---	8,680,734
(Increase) decrease in assets:				
Receivables - operations	(11,673,167)	(131,656)	---	(11,804,823)
Interdivisional accounts	77,473	---	(77,473)	---
Receivables - officers and employees	2,833	(114)	---	2,719
Prepaid expenses	(143,347)	19,522	---	(123,825)
Increase (decrease) in liabilities:				
Trade and other payables	322,443	29,776	---	352,219
Interdivisional accounts	---	(77,473)	77,473	---
Due to related parties	(181,222)	34,489	---	(146,733)
Accrued expenses	346,244	(42,740)	---	303,504
Deferred inflows of resources from leases	(522,500)	---	---	(522,500)
Compensated absences	(9,422)	8,127	---	(1,295)
Net cash (used for) provided by operating activities	\$ (7,525,417)	\$ 4,435,859	\$ ---	\$ (3,089,558)