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

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

YEAR ENDED SEPTEMBER 30, 2007

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

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2007 AND 2006

Deloitte.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Commonwealth Ports Authority:

We have audited the accompanying statements of net assets of the Commonwealth Ports Authority (CPA), a component unit of the Commonwealth of the Northern Mariana Islands, as of September 30, 2007 and 2006, and the related statements of revenues, expenses and changes in net assets and of cash flows for the years then ended. These financial statements are the responsibility of CPA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Commonwealth Ports Authority as of September 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 13 to the financial statements, accrued expenses and net proceeds from insurance claims as of and for the year ended September 30, 2006 have been restated.

The Management's Discussion and Analysis on pages 3 through 12 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the Commonwealth Ports Authority's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

Our audits were conducted for the purpose of forming an opinion on the Commonwealth Ports Authority's basic financial statements. The Combining Schedule of Net Assets, Combining Schedule of Revenues, Expenses and Changes in Net Assets and Combining Schedule of Cash Flows as of and for the year ended September 30, 2007 (pages 36 through 38) are presented for purposes of additional analysis and are not a required part of the basic financial statements. This supplementary information is the responsibility of the Commonwealth Ports Authority's management. This supplementary information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 5, 2008, on our consideration of internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Deloitte & Touche LLC

August 5, 2008

COMMONWEALTH PORTS AUTHORITY

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MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

This section of the Commonwealth Ports Authority's (herein referred to as "CPA") audit report presents our discussion and analysis of CPA's financial performance during the fiscal year ended September 30, 2007. Please read it in conjunction with the more detailed information contained within the accompanying financial statements. The nationally recognized accounting firm of Deloitte & Touche LLC issued an unqualified audit opinion.

INTRODUCTION

CPA is a component unit of the Government of the Commonwealth of the Northern Marianas Islands (CNMI) and was established as a public corporation on November 8, 1981 by CNMI Public Law 2-48. A seven-member Board of Directors governs CPA appointed by the Governor to serve four-year terms. 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 and have 138 employees on Saipan, 26 employees on Rota and 24 employees on Tinian.

The following discussion and analysis of CPA's activities and financial performance provides an introduction to the financial statements for the fiscal year ended September 30, 2007, with selected comparative information for the fiscal years ended September 30, 2006 and 2005.

The notes to the financial statements are essential to a full understanding of the data contained in the financial statements. This report also presents certain required supplementary information regarding capital assets and long-term debt activity 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 an accrual basis 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 footnotes of the accompanying audited financial statements.

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

The Statement of Net Assets presents information on all CPA's assets and liabilities, with the difference between the two reported as net assets. Net assets consist of restricted net assets, unrestricted net assets and invested in capital assets, net of related debt.

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San Jose Village, Tinian MP 96952

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

The Statement of Cash Flows presents information about the cash receipts and cash payments of CPA during the most recent three fiscal years and its ability to generate net cash flows, its ability to meet its obligations as they come due and its needs for external financing.

FINANCIAL HIGHLIGHTS

Total assets for the airport and seaport operations combined in FY2007 increased by 13% or $25,577,242 from $201,621,230 in FY2006 to $227,198,472 mainly due to substantial progress made in projects undergoing construction.

Net assets for the airport and seaport operations combined in FY2007 increased by 17% or $22,069,060 from $131,817,464 in FY2006 to $153,886,524. Net assets represent the amount that total assets exceed total liabilities.

Enplanement (air passenger departures) declined by 10% and deplanement (air passenger arrivals) declined by 10% during FY2007 from the prior year due to reduction in passenger arrivals to CNMI.

Seaport inbound cargo decreased by 16% and outbound cargo decreased by 13% in FY2007 from the prior year due to the closure of several garment factories and a decline in orders and inbound commodities from existing factories.

Operating revenues for the airport and seaport operations combined in FY2007 decreased by 24% or $4,804,155 from $19,957,055 in FY2006 to $15,152,900. Airport operating revenues decreased by 10% or $1,145,778 from $10,951,105 in FY2006 to $9,805,327. Seaport operating revenues decreased by 41% or $3,658,377 from $9,005,950 in FY2006 to $5,347,573.

Operating expenses (excluding depreciation and amortization) for the airport and seaport operations combined in FY2007 decreased by 4% or $615,083 from $13,963,912 in FY2006 to $13,348,829, due to reduction in operating cost.

Due to a revenue shortfall of $2.7 million for the airport division and a $1.3 million for the seaport division at September 30, 2007 or a combined shortfall of $4 million, CPA was not in compliance with its 1998 Bond Indenture Agreement (the Agreement). CPA recently hired a bond consultant to conduct an airport rate study to comply with the Bond Indenture agreement.

Statement of Net Assets

Assets	2007	2006	Variance	%	2005
Current assets	**$ 18,895,626**	**$ 16,366,050**	**$ 2,529,576**	**15%**	**$ 13,221,240**
Investments, restricted for construction and debt service purposes	**18,729,555**	**22,572,954**	**(3,843,399)**	**-17%**	**20,627,716**
Noncurrent assets:					
Deferred bond issue cost	1,528,232	1,595,167	(66,935)	-4%	1,414,016
Receivable from related parties	4,700,947	4,700,947	-	0%	4,696,105
Capital assets, net	183,344,112	156,386,112	26,958,000	17%	146,510,189
Total noncurrent assets	**189,573,291**	**162,682,226**	**26,891,065**	**17%**	**152,620,310**
	$ 227,198,472	**$ 201,621,230**	**$ 25,577,242**	**13%**	**$ 186,469,266**

Statement of Net Assets, Continued

Liabilities and Net Assets	2007	2006	Variance	%	2005
Current liabilities:					
Revenue bonds payable, current portion	$ 1,265,000	$ 1,050,000	$ 215,000	20%	$ 985,000
Note payable to related party, current portion	1,281,659	1,244,439	37,220	3%	1,219,120
Contractors payable	9,029,167	4,217,463	4,811,704	114%	2,463,136
Trade and other payables	224,700	138,812	85,888	62%	1,355,908
Due to related parties	2,524,210	2,229,182	295,028	13%	1,109,489
Accrued expenses	2,362,501	2,242,706	119,795	5%	852,612
Deferred income	5,625	10,333	(4,708)	-46%	11,925
Compensated absences, current portion	242,557	284,386	(41,829)	-15%	289,877
Total current liabilities	**16,935,419**	**11,417,321**	**5,518,098**	**48%**	**8,287,067**
Compensated absences, net of current portion	505,246	356,566	148,680	42%	372,085
Revenue bonds payable	51,126,227	52,349,570	(1,223,343)	-2%	53,359,687
Notes payable to related party	4,745,056	5,432,114	(687,058)	-13%	6,102,260
Total liabilities	**73,311,948**	**69,555,571**	**3,756,377**	**5%**	**68,121,099**
Net assets:					
Invested in capital assets, net of related debt	126,454,402	97,905,156	28,549,246	29%	86,858,138
Restricted	18,729,555	22,572,954	(3,843,399)	-17%	20,627,716
Unrestricted	8,702,567	11,587,549	(2,884,982)	-25%	11,462,313
Total net assets	**153,886,524**	**132,065,659**	**21,820,865**	**17%**	**118,348,167**
	$ 227,198,472	**$ 201,621,230**	**$ 25,577,242**	**13%**	**$ 186,469,266**

Statement of Revenues, Expenses and Changes in Net Assets

	2007	2006	Variance	%	2005
Operating revenues, net	$ 15,045,048	$ 19,426,102	$ (4,381,054)	-23%	$ 18,973,349
Maintenance and operations expenses	13,348,829	13,963,912	(615,083)	-4%	12,021,382
Income before depreciation	**1,696,219**	**5,462,190**	**(3,765,971)**	**-69%**	**6,951,967**
Depreciation	10,607,952	9,614,293	993,659	10%	8,770,716
Loss after depreciation	**(8,911,733)**	**(4,152,103)**	**(4,759,630)**	**115%**	**(1,818,749)**
Non-operating revenues (expenses), net	(705,956)	(663,420)	(42,536)	6%	(1,340,119)
Loss before capital contributions	**(9,617,689)**	**(4,815,523)**	**(4,802,166)**	**100%**	**(3,158,868)**
Capital contributions	31,686,749	18,284,820	13,401,929	73%	10,791,546
Change in net assets	**$ 22,069,060**	**$ 13,469,297**	**$ 8,599,763**	**64%**	**$ 7,932,678**
Net assets - beginning	$ 131,817,464	$ 118,348,167	$ 13,469,297	11%	110,715,489
Change in net assets	22,069,060	13,469,297	8,599,763	64%	7,632,678
Net assets - ending	**$ 153,886,524**	**$ 131,817,464**	**$ 22,069,060**	**17%**	**$ 118,348,167**

In FY2007, airport operating revenues decreased by 10% or $1,145,778 compared to FY2006 levels mainly due to decreases in airline passenger and concession revenues resulting from the reduction of flights to the CNMI. Seaport operating revenues decreased by 41% due to the wharfage settlement payment of $2,688,000 from Mobil Oil received in prior year and the pull out of garment factories.

Statements of Cash Flows

	2007	2006	Variance	%	2005
Cash flows from operating activities	$ (593,490)	$ 5,558,677	$ (6,152,167)	-111%	$ 7,600,496
Cash flows from capital and related financing activities	(6,119,304)	(2,042,530)	(4,076,774)	200%	3,613,575
Cash flows from investing activities	4,933,030	(1,003,757)	5,936,787	591%	(8,466,246)
Net change in cash	**(1,779,764)**	**2,512,390**	**(4,292,154)**	**-171%**	**2,747,825**
Cash and cash equivalents at beginning of year	**11,458,315**	**8,945,925**	**2,512,390**	**28%**	**6,198,100**
Cash and cash equivalents at end of year	**$ 9,678,551**	**$ 11,458,315**	**$ (1,779,764)**	**-16%**	**$ 8,945,925**

Capital Assets

At September 30, 2007, CPA had $183,344,112 invested in capital assets, net of depreciation where applicable, including land, runway, 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 $26,958,000 or 17% over last year.

	2007	2006	2005
Runway and improvements	$ 69,076,791	$ 69,076,791	$ 46,506,820
Other improvements	16,215,774	16,197,486	12,820,613
Terminal facilities and equipment	79,202,607	78,675,814	73,673,085
Harbor facilities	62,101,850	61,997,300	61,997,300
Grounds maintenance and shop equipment	509,692	506,735	506,735
Fire and rescue equipment	11,477,584	10,481,756	9,951,048
Office furniture and fixtures	871,010	824,171	840,044
General transportation	929,612	879,641	745,482
Other	2,392,367	871,469	605,330
	242,777,287	239,511,163	207,646,457
Less accumulated depreciation	(117,828,380)	(107,254,453)	(97,719,142)
Total capital assets being depreciated	124,948,907	132,256,710	109,927,315
Construction in progress	57,930,776	23,664,973	36,118,445
Land	464,429	464,429	464,429
Total capital assets, net	$ 183,344,112	$ 156,386,112	$ 146,510,189

Please refer to note 6 to the financial statements for additional information regarding capital asset activity.

1998 Airport Revenue Bonds

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

Payments for the Airport bond are current. The current portion of the Airport bond principal is $420,000. The long-term portion of the bond balance as of September 30, 2007 is $16,810,000.

This 1998 bond was partly 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 from lower interest rates. The reacquisition price exceeded the net carrying amount of the old debt by $503,906 that was netted out against the new debt and amortized over the refunded debt's life, which is shorter than the life of the new debt. The transaction also resulted in an economic gain of $688,620 and an increase of $7,616,151 in debt service payments in the future.

Airport Restricted Investments

Restricted investments for airport construction and debt service purposes represent the unused proceeds of the 1998 Airport Revenue Bonds deposited with the Trustee. The balances as of September 30, 2007 are:

Bond Reserve Fund	$ 1,525,233
Construction Fund	979,159
Bond Fund	262,205
Maintenance and Operations	404,586
Total	$ 3,171,183

1998 Seaport Revenue Bonds

On March 26, 1998, CPA issued a 1998 Series A $33,775,000 tax-exempt revenue bond. Interest on the bond is payable at 6.6% on March 15 and September 15 of each year, commencing September 1998 and ending in the year 2028.

Payments for the 1998 Seaport bond are current. The current portion of the 1998 Seaport bond principal is $695,000. The long-term portion of the bond balance as of September 30, 2007 is $28,425,000.

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

2005 Seaport Revenue Bonds

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

Payments for the 2005 Seaport bond are current. The current portion of the 2005 Seaport bond principal is $150,000. The long-term portion of the bond balance as of September 30, 2007 is $7,075,000.

Seaport Restricted Investments

Bond Reserve Fund	$ 3,489,728
Supplemental Reserve Fund	8,059,119
Reimbursement Fund	5,693
Bond Fund	448,539
Maintenance and Operation	344,926
Construction Fund	3,101,624
Interest Fund	108,743
Total	$ 15,558,372

FY2007 Bond/Debt Ratio Noncompliance

	Airport	**Seaport**
Required revenues for bond compliance	$ 12,631,243	$ 6,425,600
Actual revenues collected	10,491,657	6,197,064
Variance (noncompliance)	$ (2,139,586)	$ (228,536)

The drop in revenue in FY2007 resulted in the noncompliance with the revenue requirements imposed by the Airport and Seaport Bond Indentures. CPA was cited by our auditors for lack of compliance with the Airport and Seaport Bond Indentures.

In accordance with bond indenture, CPA has hired a bond consultant to conduct an airport rate study to be in compliance with the revenue requirements for the Airport Division. CPA is in the process of hiring a consultant for the Seaport Division.

Notes Payable to Commonwealth Development Authority

CPA signed a promissory note with the Commonwealth Development Authority (CDA) with interest at 2.5% per annum. Payments are due quarterly and the note matures on November 16, 2014. The balance is $6,026,715 as of September 30, 2007. The CDA promissory note is subordinated to CPA's Seaport bond obligation. CPA is current with its payments to CDA.

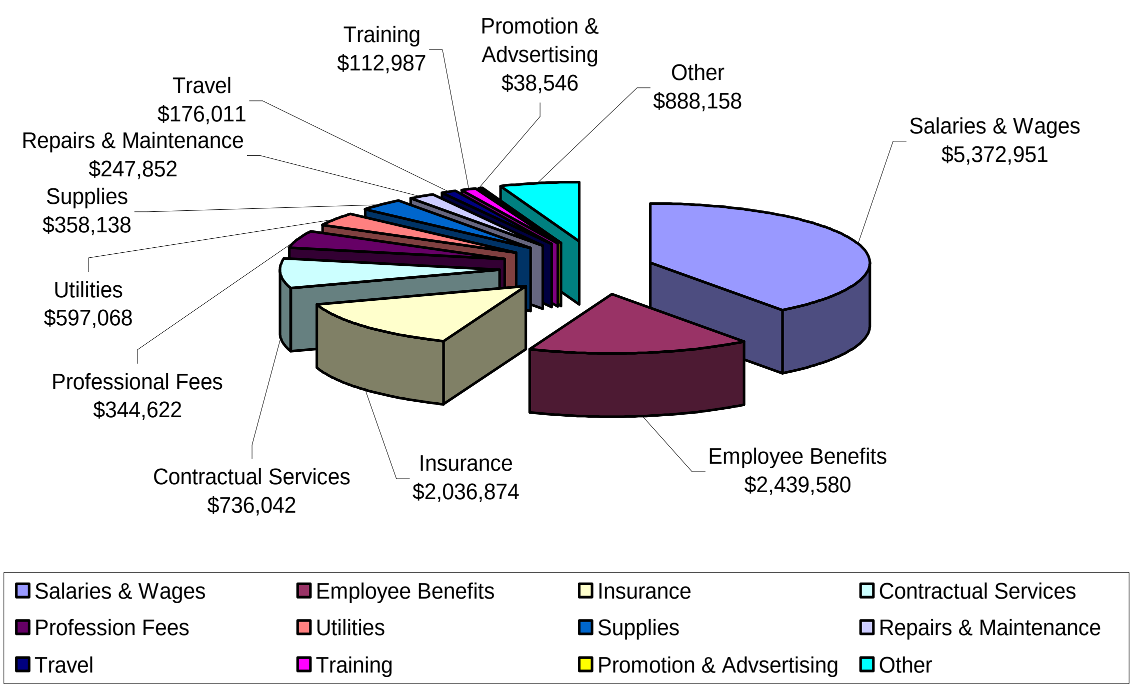
Operating Revenues (Combined)

	FY2007 Audited	**FY2006** Audited	**Change**	**%**	**FY2005** Audited
Airport revenues	$ 9,805,327	$ 10,951,105	$ (1,145,778)	-10%	$ 12,496,056
Seaport revenues	5,347,573	9,005,950	(3,658,377)	-41%	6,932,406
Total operating revenues	**$ 15,152,900**	**$ 19,957,055**	**$ (4,804,155)**	**-24%**	**$ 19,428,462**

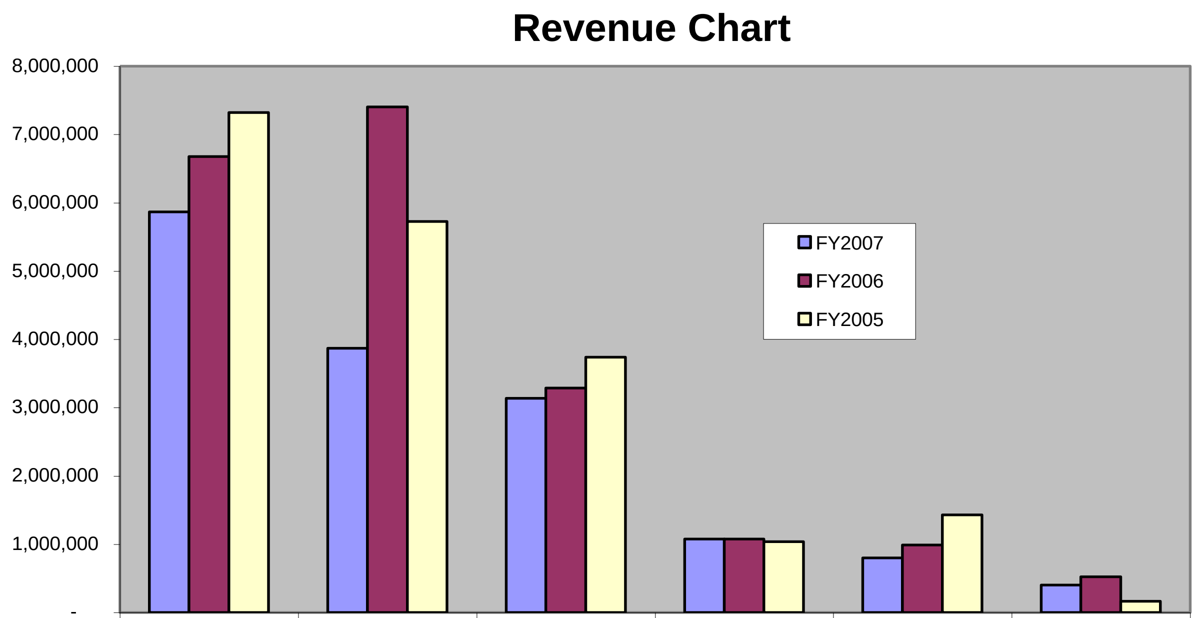
Airport revenues declined by 10% or $1,145,778 overall when compared to FY2006 mainly due to a drastic dropped in air passenger revenues and reduction of flights to the CNMI. Seaport revenues decreased by 41% or $3,658,377 overall when compared to FY2006. The decrease is due to the wharfage settlement payment received from Mobil Oil in prior year and the pull out of the garment industry.

Operating Expenses (Combined)

	FY2007 Audited	**FY2006** Audited	**Change**	**%**	**FY2005** Audited
Personnel costs	$7,812,531	$ 7,853,859	$ 41,328	1%	$ 7,223,836
Maintenance and operations expenses	5,536,298	6,110,053	573,755	9%	4,797,546
Total operating expenses	**$ 13,348,829**	**$ 13,963,912**	**$ 615,083**	**4%**	**$ 12,021,382**



Operating expenses (excluding depreciation and amortization), for the airport and seaport operations combined in FY 2007 decreased by 4% or $615,083 from $13,963,912 in FY2006 to $13,348,829 due to reduction in operating cost.



	Aviation Fees	Seaport Fees	Concession/Lease/ Air	Concession/Lease/ Sea	Others Air	Others Sea
FY2007	5,866,390	3,870,641	3,138,518	1,075,289	800,419	401,643
FY2006	6,674,299	7,404,346	3,286,776	1,075,593	990,030	526,011
FY2005	7,323,419	5,728,165	3,740,556	1,037,869	1,432,081	166,372

Airport Enplanement or Departures (Number of Passengers)

FY2007	FY2006	Change	%	FY2005
529,002	590,507	61,505	-10%	661,538

Enplanement or passenger departures dropped by 10% or 61,505 passengers in FY 2007 as compared to FY2006 due to reduction of flights to the CNMI.

Airport Deplanement or Arrivals (Number of Passengers) for Each Airport

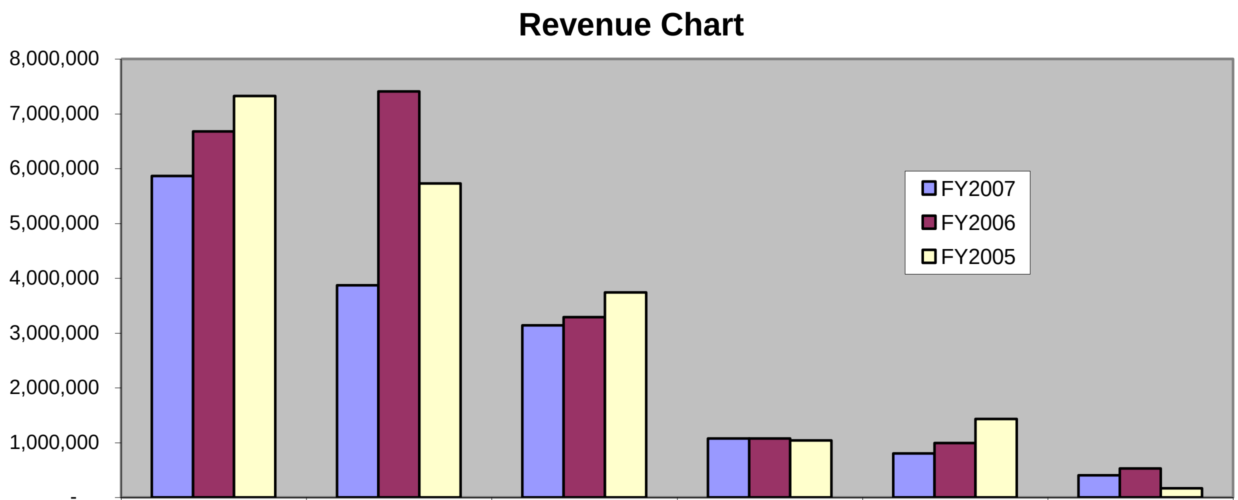
	FY2007	FY2006	Change	%	FY2005
Saipan	470,013	511,720	-41,707	-8%	583,363
Rota	19,409	28,963	-9,554	-33%	30,094
Tinian	30,258	37,495	-7,237	-19%	33,271
Total	**519,680**	**578,178**	**-58,498**	**-10%**	**646,728**

Deplanement or passenger arrivals dropped by 10% or 58,498 passengers in FY2007 as compared to 2006 the reduction of flights to the CNMI.

Saipan Airport's deplanement or passenger arrivals dropped by 8% or 41,707 passengers in FY2007 compared to FY2006. Rota Airport's deplanement dropped by 33% or 9,554 passengers in FY 2007 compared to FY2006. Tinian Airport's deplanement dropped by 19% or 7,237 passengers in FY 2007 compared to FY 2006.

Airport Enplanement or Departures (Number of Passengers) for Each Airport

	FY2007	FY2006	Change	%	FY2005
Saipan	473,249	516,366	-43,117	-8%	593,067
Rota	20,326	29,544	-9,218	-31%	30,548
Tinian	35,427	44,597	-9,170	-21%	37,923
Total	**529,002**	**590,507**	**-61,505**	**-10%**	**661,538**

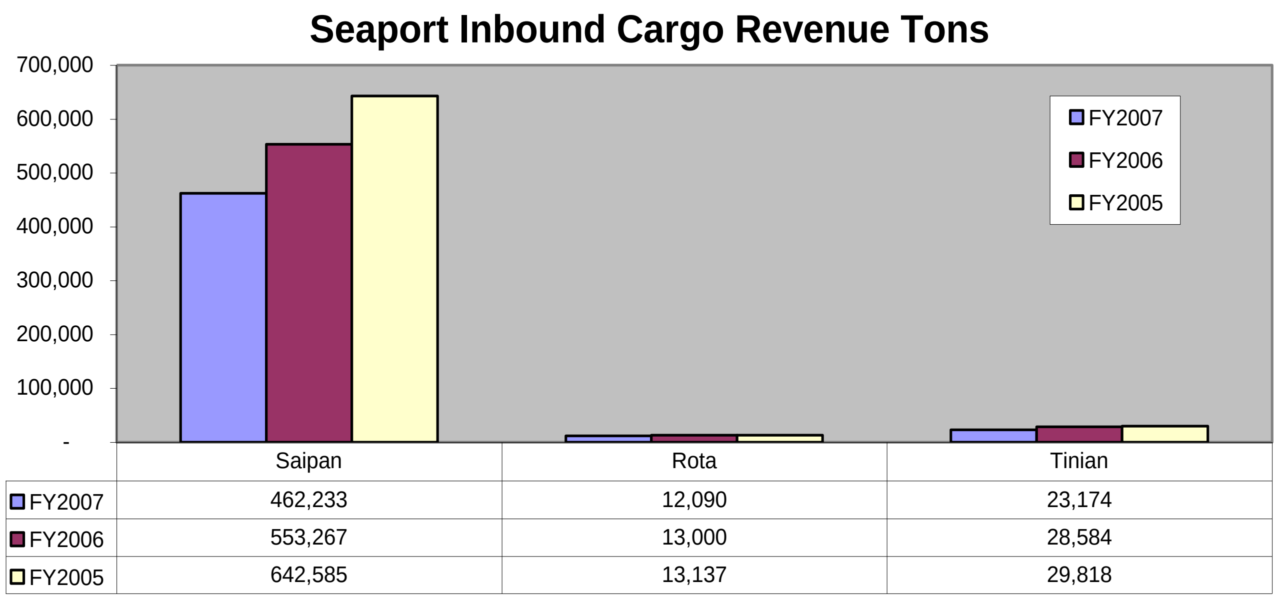


	Aviation Fees	Seaport Fees	Concession/Lease/ Air	Concession/Lease/ Sea	Others Air	Others Sea
FY2007	5,866,390	3,870,641	3,138,518	1,075,289	800,419	401,643
FY2006	6,674,299	7,404,346	3,286,776	1,075,593	990,030	526,011
FY2005	7,323,419	5,728,165	3,740,556	1,037,869	1,432,081	166,372

Saipan Airport's enplanement or passenger departures dropped by 8% or 43,117 passengers in FY2007 compared to FY2006. Rota Airport's enplanement dropped by 31% or 9,218 passengers in FY 2007 compared to FY2006. Tinian Airport's enplanement dropped by 21% or 9,170 passengers in FY 2007 compared to FY 2006.

Seaport Inbound Cargo Revenue Tons

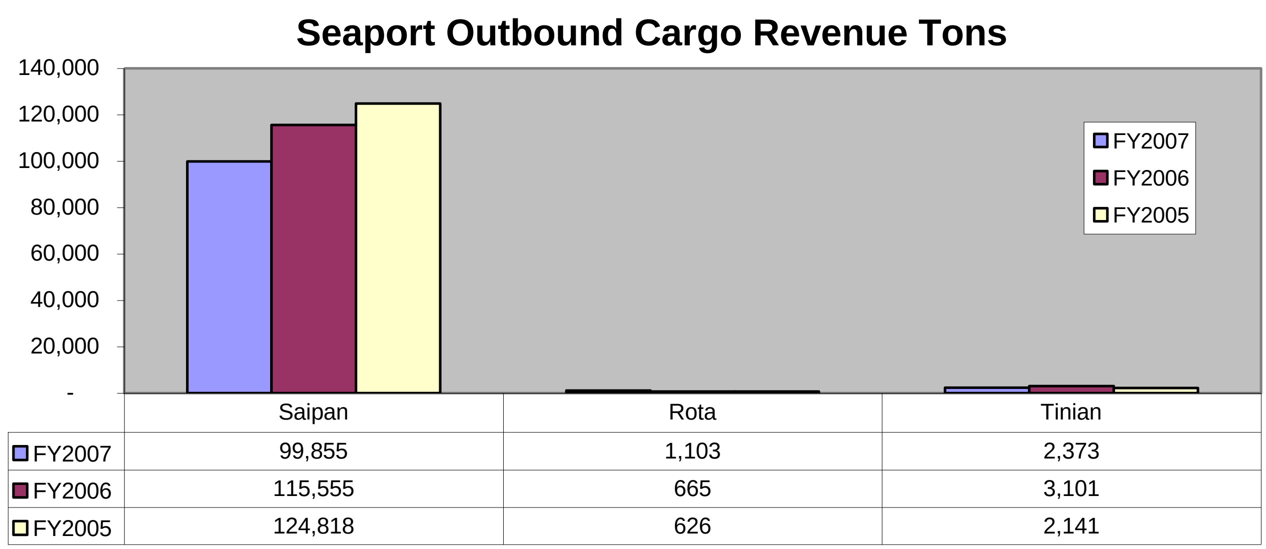
	FY2007	FY2006	Change	%	FY2005
Saipan	462,233	553,267	-91,034	-16%	642,585
Rota	12,090	13,000	-910	-7%	13,137
Tinian	23,174	28,584	-5,410	-19%	29,818
Total	**497,497**	**594,851**	**-97,354**	**-16%**	**685,540**



Seaport inbound cargo in terms of revenue tonnage dropped by 16% or 97,354 revenue tons due to the closure of several garment factories and a decline in orders and inbound commodities from existing factories.

Seaport Outbound Cargo Revenue Tons

	FY2007	FY2006	Change	%	FY2005
Saipan	99,855	115,555	-15,700	-14%	124,818
Rota	1,103	665	438	66%	626
Tinian	2,373	3,101	-728	-23%	2,141
Total	**103,331**	**119,321**	**-15,990**	**-13%**	**127,585**



Seaport outbound cargo in terms of revenue tonnage dropped by 13% or 15,990 revenue tons due to the closure of several garment factories and a decline in orders from existing factories.

Contacting CPA' s Financial Management

This financial report is designed to provide a general overview of CPA's finances and to demonstrate its accountability for the monies received. The Management's Discussion and Analysis for the year ended September 30, 2006 is set forth in the report on the audit of CPA's financial statements which is dated January 11, 2008. That Discussion and Analysis explains the major factors impacting the 2006 financial statements. If you have questions about this report or need additional financial information, contact Ms. Frances Mafnas, CPA Acting Comptroller, P.O. Box 501055, Saipan, MP 96950-1055, or call (670) 664-3524 or email at cpa.plantacct@pticom.com.

COMMONWEALTH PORTS AUTHORITY

Statements of Net Assets
September 30, 2007 and 2006

ASSETS	2007	2006 (As Restated)
Current assets:		
Cash and cash equivalents	$ 9,678,551	$ 11,458,315
Receivables:		
Grantor agencies	4,470,495	2,805,523
Operations, net	4,540,961	1,940,737
Related parties	53,181	45,616
Officers and employees	55,069	38,250
Prepaid expenses	97,369	77,609
Investments, restricted for construction and debt service purposes	18,729,555	22,572,954
Total current assets	37,625,181	38,939,004
Noncurrent assets:		
Deferred bond issue costs	1,528,232	1,595,167
Receivable from related party	4,700,947	4,700,947
Capital assets, net	183,344,112	156,386,112
Total noncurrent assets	189,573,291	162,682,226
	$ 227,198,472	$ 201,621,230
LIABILITIES AND NET ASSETS		
Current liabilities:		
Revenue bonds payable, current portion	$ 1,265,000	$ 1,050,000
Note payable to related party, current portion	1,281,659	1,244,439
Contractors payable	9,029,167	4,217,463
Trade and other payables	224,700	138,812
Due to related parties	2,524,210	2,229,182
Accrued expenses	2,362,501	2,490,901
Deferred income	5,625	10,333
Compensated absences, current portion	242,557	284,386
Total current liabilities	16,935,419	11,665,516
Compensated absences, net of current portion	505,246	356,566
Revenue bonds payable, net of current portion	51,126,227	52,349,570
Note payable to related party, net of current portion	4,745,056	5,432,114
Total liabilities	73,311,948	69,803,766
Commitment and contingencies		
Net assets:		
Invested in capital assets, net of related debt	126,454,402	97,905,156
Restricted	18,729,555	22,572,954
Unrestricted	8,702,567	11,339,354
Total net assets	153,886,524	131,817,464
	$ 227,198,472	$ 201,621,230

See accompanying notes to financial statements.

COMMONWEALTH PORTS AUTHORITY

Statements of Revenues, Expenses and Changes in Net Assets
Years Ended September 30, 2007 and 2006

	2007	2006 (As Restated)
Operating revenues:		
Aviation fees	$ 5,866,390	$ 6,674,299
Concession and lease income	4,213,807	4,362,369
Seaport fees	3,870,641	7,404,346
Other	1,202,062	1,516,041
	15,152,900	19,957,055
Less bad debts	(107,852)	(530,953)
Operating revenues, net	15,045,048	19,426,102
Operating expenses:		
Depreciation and amortization	10,607,952	9,614,293
Salaries and wages	5,372,951	5,551,649
Employee benefits	2,439,580	2,302,210
Insurance	2,036,874	1,928,226
Contractual services	736,042	1,124,697
Utilities	597,068	501,728
Supplies	358,138	463,900
Professional fees	344,622	665,105
Repairs and maintenance	247,852	265,986
Travel	176,011	166,769
Training	112,987	130,445
Promotion and advertising	38,546	65,598
Other	888,158	797,599
Total operating expenses	23,956,781	23,578,205
Operating loss	(8,911,733)	(4,152,103)
Non-operating revenues (expenses):		
Passenger facility charges	1,940,712	2,315,891
Net typhoon loss	-	(120,478)
Interest income	1,089,631	941,481
Interest expense	(3,669,364)	(3,733,379)
Amortization of bond issue costs	(66,935)	(66,935)
Total non-operating expenses, net	(705,956)	(663,420)
Loss before capital contributions	(9,617,689)	(4,815,523)
Capital contributions	31,686,749	18,284,820
Change in net assets	22,069,060	13,469,297
Net assets at beginning of year	131,817,464	118,348,167
Net assets at end of year	$ 153,886,524	$ 131,817,464

See accompanying notes to financial statements.

Statements of Cash Flows
Years Ended September 30, 2007 and 2006

	2007	2006
Cash flows from operating activities:		
Cash received from customers	$ 12,420,251	$ 19,333,475
Cash payments to suppliers for goods and services	(5,308,061)	(5,899,929)
Cash payments to employees for services	(7,705,680)	(7,874,869)
Net cash (used for) provided by operating activities	(593,490)	5,558,677
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(32,754,248)	(17,735,890)
Proceeds from insurance on capital assets	-	1,300,000
Capital contributions received	30,021,777	17,648,877
Passenger facility charge receipts	1,940,712	2,315,891
Principal paid on revenue bond maturities	(1,050,000)	(985,000)
Payments on note payable to related party	(649,838)	(644,827)
Bond issue costs	-	(248,085)
Interest paid on revenue bonds and note payable to related party	(3,627,707)	(3,693,496)
Net cash used for capital and related financing activities	(6,119,304)	(2,042,530)
Cash flows from investing activities:		
Net change in restricted investments	3,843,399	(1,945,238)
Interest income	1,089,631	941,481
Net cash provided by (used for) investing activities	4,933,030	(1,003,757)
Net change in cash and cash equivalents	(1,779,764)	2,512,390
Cash and cash equivalents at beginning of year	11,458,315	8,945,925
Cash and cash equivalents at end of year	$ 9,678,551	$ 11,458,315
Reconciliation of operating loss to net cash (used for) provided by operating activities:		
Operating loss	$ (8,911,733)	$ (4,152,103)
Adjustments to reconcile operating loss to net cash (used for) provided by operating activities:		
Depreciation and amortization	10,607,952	9,614,293
Bad debts	107,852	530,953
(Increase) decrease in assets:		
Receivables - operations	(2,708,076)	(612,991)
Receivables - officers and employees	(16,819)	(1,870)
Prepaid expenses	(19,760)	91,051
Receivables - related parties	(7,565)	(8,462)
Increase (decrease) in liabilities:		
Accounts payable - trade and other	85,888	(1,217,096)
Accounts payable - related parties	295,028	1,119,693
Accrued expenses	(128,400)	217,811
Deferred income	(4,708)	(1,592)
Compensated absences	106,851	(21,010)
Net cash (used for) provided by operating activities	$ (593,490)	$ 5,558,677

See accompanying notes to financial statements.

(1) Organization

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

(2) Summary of Significant Accounting Policies

The accounting policies of CPA conform to accounting principles generally accepted in the United States of America, as applicable to governmental entities, specifically proprietary funds. Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, requires that proprietary activities apply all applicable GASB pronouncements as well as Statements and Interpretations issued by the Financial Accounting Standards Board (FASB), Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989. CPA has implemented GASB 20 and elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

Basis of Accounting

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

Budgets

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

Concentrations of Credit Risk

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

At September 30, 2007 and 2006, CPA has cash deposits and investments in bank accounts that exceed federal depository insurance limits. CPA has not experienced any losses on such accounts.

(2) Summary of Significant Accounting Policies, Continued

Cash and Cash Equivalents

For the purposes of the statements of net assets and the statements of cash flows, cash and cash equivalents is defined as cash on hand, demand deposits, savings and unrestricted short-term investments in U.S. Treasury obligations with maturity dates within three months of the date acquired. Short-term investment accounts established and set aside for construction and debt service purposes are separately classified as investments in the accompanying financial statements.

Capitalization of Interest

CPA capitalizes interest in order to recognize all costs associated with the non-contributed airport and seaport construction projects based on CPA's weighted average borrowing rate. During the years ended September 30, 2007 and 2006, management of CPA determined that the amount of interest eligible for capitalization was not material. No interest is capitalized for projects financed with grant proceeds or Passenger Facility Charges.

Investments

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

Allowance 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 collectibility of these accounts and prior collection experience. The allowance is established through an allowance for doubtful accounts charged to bad debts expense.

Capital Assets

Property, plant and equipment and construction-in-progress are recorded at cost. Depreciation is provided by using the straight-line method over the estimated useful lives of the assets. CPA's current policy is to capitalize items with costs in excess of $1,000.

Bond Discounts and Issuance Costs

Bond discounts and issuance costs 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 reported as deferred charges.

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 nonoperating income in the statements of revenues, expenses and changes in net assets.

(2) Summary of Significant Accounting Policies, Continued

Retirement Plan

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

Plan members are required to contribute 6.5% and 9.0% of their annual covered salary for Class I and Class II members, respectively, and CPA is required to contribute at an actuarially determined rate. The current rate is 36.77% of annual covered payroll. The contribution requirements of plan members and CPA are established and may be amended by the Fund's Board of Trustees. CPA's recorded contributions to the Fund for the years ended September 30, 2007, 2006 and 2005 were $1,976,243, $2,084,913 and $1,849,847, respectively, equal to the required contributions for each year.

Net Assets

GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, requires CPA to establish net asset categories as follows:

- Invested in capital assets net of related debt; capital assets, net of accumulated depreciation, plus deferred bond issuance cost, less outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

- Restricted:

    - Nonexpendable - Net assets subject to externally imposed stipulations that CPA maintain them permanently. For the years ended September 30, 2007 and 2006, CPA does not have nonexpendable restricted net assets.

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

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

(2) Summary of Significant Accounting Policies, Continued

Compensated Absences

Vested or accumulated vacation leave is recorded as an expense and liability as the benefits accrue to employees. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. The accumulated vacation leave liability as of September 30, 2007 and 2006 is $747,803 and $640,952, respectively.

Operating and Non-Operating Revenues and Expenses

Operating revenues and expenses generally result directly from the operation and maintenance of all airports and seaports within the CNMI. Non-operating revenues and expenses result from capital and financing activities, Passenger Facility Charges and certain recurring income and costs.

New Accounting Standards

During fiscal year 2007, CPA implemented GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. GASB Statement No. 43 establishes uniform financial reporting for other postemployment benefit plans by state and local governments. The provisions of this Statement are effective for periods beginning after December 15, 2005. The implementation of this pronouncement did not have a material impact on the accompanying 2007 financial statements.

In July 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45 establishes standards for the measurement, recognition, and display of other postemployment benefits expense/expenditures and related liabilities, note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The provisions of this Statement are effective for periods beginning after December 15, 2006. Management does not believe that the implementation of this Statement will have a material effect on the financial statements of CPA.

In September 2006, GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfer of Assets and Future Revenues*. GASB Statement No. 48 establishes criteria that governments will use to ascertain whether certain transactions should be regarded as a sale or a collateralized borrowing. The statement also includes a provision that stipulates that governments should not revalue assets that are transferred between financial reporting entity components. The provisions of this Statement are effective for periods beginning after December 15, 2006. Management does not believe that the implementation of this Statement will have a material effect on the financial statements of CPA.

In December 2006, GASB issued Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations. GASB Statement No. 49 provides guidance and consistency under which a governmental entity would be required to report a liability related to pollution remediation. The provisions of this Statement are effective for periods beginning after December 15, 2007. Management does not believe that the implementation of this Statement will have a material effect on the financial statements of CPA.

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In May 2007, GASB issued Statement No. 50, *Pension Disclosures an amendment of GASB Statements No. 25 and 27*. GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits. The provisions of this Statement are effective for periods beginning after June 15, 2007. Management does not believe the implementation of this Statement will have a material effect on the financial statements of CPA.

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. GASB Statement No. 51 addresses whether and when intangible assets should be considered capital assets for financial reporting purposes. The provisions of this Statement are effective for periods beginning after June 15, 2009. Management does not believe that the implementation of this Statement will have a material effect on the financial statements of CPA.

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.

(3) Deposits 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

GASB Statement No. 3 previously required government entities to present deposit risks in terms of whether the deposits fell into the following categories:

Category 1	Deposits that are federally insured or collateralized with securities held by CPA or its agent in CPA's name;
Category 2	Deposits that are uninsured but fully collateralized with securities held by the pledging financial institution's trust department or agent in CPA's name; or
Category 3	Deposits that are collateralized with securities held by the pledging financial institution's trust department or agent but not in CPA's name and non-collateralized deposits.

(3) Deposits and Investments, Continued

Deposits, Continued

GASB Statement No. 40 amended GASB Statement No. 3 to in effect eliminate disclosure for deposits falling into categories 1 and 2 but retained disclosures for deposits falling under category 3. Category 3 deposits are those deposits that have exposure to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, CPA's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized or collateralized with securities held by the pledging financial institution but not in CPA's name. CPA does not have a deposit policy for custodial credit risk.

As of September 30, 2007 and 2006, total cash and cash equivalents were $9,678,551 and $11,458,315, respectively, and the corresponding bank balances were $9,968,110 and $11,577,170, respectively. Of the bank balance amounts, $8,849,729 and $10,508,967, respectively, are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. The remaining amounts of $1,118,381 and $1,068,203, respectively, represent short-term investments held and administered by CPA's trustees in accordance with various trust agreements. Based on negotiated trust and custody contracts, all of these deposits were held in CPA's name by CPA's custodial financial institutions at September 30, 2007 and 2006. As of September 30, 2007 and 2006, bank deposits in the amount of $100,000 were FDIC insured. CNMI law does not require component unit funds to be collateralized and thus CPA's funds, in excess of FDIC insurance, are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

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 are summarized as follows:

	2007	2006
Airport Division		
Bond Reserve Fund	$ 1,525,233	$ 1,719,387
Construction Fund	979,159	678,614
Bond Fund	262,205	228,787
Maintenance and Operation	404,586	1,355,526
	3,171,183	3,982,314
Seaport Division		
Bond Reserve Fund	3,489,728	3,412,011
Supplemental Reserve Fund	8,059,119	8,205,849
Reimbursement Fund	5,693	5,444
Bond Fund	448,539	553,729
Maintenance and Operation	344,926	171,832
Construction Fund	3,101,624	6,238,588
Cost of Issuance	-	3,187
Interest Fund	108,743	-
	15,558,372	18,590,640
	$ 18,729,555	$ 22,572,954

(3) Deposits and Investments, Continued

Investments, Continued

GASB Statement No. 3 previously required government entities to present investment risks in terms of whether the investments fell into the following categories:

Category 1	Investments that are insured or registered, or securities held by CPA or its agent in CPA's name;
Category 2	Investments that are uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in CPA's name; or
Category 3	Investments that are uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in CPA's name.

GASB Statement No. 40 amended GASB Statement No. 3 to in effect eliminate disclosure for investments falling into categories 1 and 2, and provided for disclosure requirements addressing other common risks of investments such as credit risk, interest rate risk, concentration of credit risk, and foreign currency risk. GASB Statement No. 40 did retain and expand the element of custodial credit risk in GASB Statement No. 3.

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.

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, CPA will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. CPA's investments are held and administered by CPA's trustees in accordance with various trustee agreements and bond indentures. Based on negotiated trust and custody contracts, all of these investments were held by the counterparty, or by its trust department or agent but not in CPA's name by CPA's custodial financial institutions at September 30, 2007 and 2006. Accordingly, these investments are exposed to custodial credit risk.

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.

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, 2007 and 2006, there were no investments in any one issuer that exceeded 5% of total investments.

As of September 30, 2007 and 2006, investments at fair value consist of investments in U.S. Government money market placements.

(4) Receivables From Federal Grantor Agencies

Receivables from federal grantor agencies as of September 30, 2007 and 2006, are as follows:

	2007	2006
U.S. Department of Transportation Federal Aviation Administration		
Saipan International Airport, AIP Project No. 3-69-0002-31/32/50/53	$ 192,186	$ 30,662
Saipan International Airport, AIP Project No. 3-69-0002-37	(50,079)	(53,186)
Saipan International Airport, AIP Project No. 3-69-0002-38/41/52/55	1,423,088	-
Saipan International Airport, AIP Project No. 3-69-0002-43/56	322,246	3,099
Saipan International Airport, AIP Project No. 3-69-0002-45/49	(186,640)	3,652
Saipan International Airport, AIP Project No. 3-69-0002-48	-	42,472
Saipan International Airport, AIP Project No. 3-69-0002-51	131,775	-
Saipan International Airport, AIP Project No. 3-69-0002-54	17,692	1,818
Rota International Airport, AIP Project No. 3-69-0003-19	-	228,226
Master Plan Study (Pagan), AIP Project No. 3-69-0004-01	7,768	1,826
Tinian International Airport, AIP Project No. 3-69-0011-15/17/19	673,058	5,006
Tinian International Airport, AIP Project No. 3-69-0011-16	-	2,125
Tinian International Airport, AIP Project No. 3-69-0011-18	148,381	2,129
Tinian International Airport, AIP Project No. 3-69-0011-20	2,444	-
	2,681,919	267,829
Transportation Security Administration		
Security reimbursement	205,351	73,636
U.S. Department of the Interior		
OMIP	110,436	92,786
Rota Extension Runway	332,041	1,155,612
Tinian Terminal Building Expansion	392,789	541,616
U.S. Department of Homeland Security		
Homeland Security Grant Program	-	56,536
Waterside Security	-	268,292
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	147,274	349,216
Law Enforcement Terrorist Prevention Program	23,263	-
Passed Through from CNMI Government		
Tinian Harbor	577,422	-
	$ 4,470,495	$ 2,805,523

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 80% to 100%, with the remainder of project costs, if any, funded by CPA or other sources.

(5) Accounts Receivable from Operations

CPA extends credit to organizations and individuals, substantially all of whom are located in the CNMI, Japan, the United States and Korea. CPA's accounts receivable from operations as of September 30, 2007 and 2006, are as follows:

	2007	2006
Accounts receivable	$ 5,779,683	$ 3,179,459
Less allowance for doubtful accounts	(1,238,722)	(1,238,722)
	$ 4,540,961	$ 1,940,737

(6) Capital Assets

Capital asset balances consist of the following as of September 30, 2007 and 2006:

	Estimated Useful Lives	Balance October 1, 2006	Increases	Decreases	Balance September 30, 2007
Assets not being depreciated:					
Construction in progress		$ 23,664,973	$ 37,159,576	$ (2,893,773)	$ 57,930,776
Land		464,429	-	-	464,429
Total capital assets not being depreciated		24,129,402	37,159,576	(2,893,773)	58,395,205
Capital assets being depreciated:					
Runway and improvements	20 years	69,076,791	-	-	69,076,791
Other improvements	3 - 10 years	16,197,486	28,340	(10,052)	16,215,774
Terminal facilities	20 years	69,083,593	498,049	-	69,581,642
Terminal equipment	2 - 10 years	9,592,221	31,569	(2,825)	9,620,965
Harbor facilities	20 years	61,997,300	104,550	-	62,101,850
Grounds maintenance and shop equipment	2 - 5 years	506,735	2,957	-	509,692
Fire and rescue equipment	2 - 8 years	10,481,756	995,828	-	11,477,584
Office furniture and fixtures	2 - 10 years	824,171	46,839	-	871,010
General transportation	3 - 5 years	879,641	83,990	(34,019)	929,612
Other	3 - 5 years	871,469	1,520,898	-	2,392,367
		239,511,163	3,313,020	(46,896)	242,777,287
Less accumulated depreciation		(107,254,453)	(10,607,952)	34,025	(117,828,380)
Total capital assets being depreciated		132,256,710	(7,294,932)	(12,871)	124,948,907
Total capital assets, net		$ 156,386,112	$ 29,864,644	$ (2,906,644)	$ 183,344,112

	Estimated Useful Lives	Balance October 1, 2005	Increases	Decreases	Balance September 30, 2006
Assets not being depreciated:					
Construction in progress		$ 36,118,445	$ 19,424,962	$ (31,878,434)	$ 23,664,973
Land		464,429	-	-	464,429
Total capital assets not being depreciated		36,582,874	19,424,962	(31,878,434)	24,129,402
Capital assets being depreciated:					
Runway and improvements	20 years	46,506,820	22,581,846	(11,875)	69,076,791
Other improvements	3 - 10 years	12,820,613	3,376,873	-	16,197,486
Terminal facilities	20 years	64,126,028	4,957,565	-	69,083,593
Terminal equipment	2 - 10 years	9,547,057	45,164	-	9,592,221
Harbor facilities	20 years	61,997,300	-	-	61,997,300
Grounds maintenance and shop equipment	2 - 5 years	506,735	-	-	506,735
Fire and rescue equipment	2 - 8 years	9,951,048	530,708	-	10,481,756
Office furniture and fixtures	2 - 10 years	840,044	19,483	(35,356)	824,171
General transportation	3 - 5 years	745,482	177,785	(43,626)	879,641
Other	3 - 5 years	605,330	266,139	-	871,469
		207,646,457	31,955,563	(90,857)	239,511,163
Less accumulated depreciation		(97,719,142)	(9,614,293)	78,982	(107,254,453)
Total capital assets being depreciated		109,927,315	22,341,270	(11,875)	132,256,710
Total capital assets, net		$ 146,510,189	$ 41,766,232	$ (31,890,309)	$ 156,386,112

(6) Capital Assets, Continued

CPA leases significant portions of airport terminal facilities and certain grounds and improvements to concessionaires, airlines, and other lessees. CPA additionally holds title to 13,646,163 square meters of land on the islands of Saipan, Tinian and Rota for seaport and airport operations. No value for this land has been recorded on CPA's books as an appraisal has not been performed.

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

(7) Revenue Bonds Payable

Airport 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. This amount was netted against the new debt and is being amortized over the refunded debt's life, which is shorter than the life of the new debt. The transaction also resulted in an economic gain of $688,620 and an increase of $7,616,151 in future debt service payments. 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, 2007 and 2006, consist of the following:

	2007	2006
Special Revenue Bonds, tax exempt, 1998 Senior Series A: interest and annual installments payable to the Bond Trustee between 2008 and 2028 are listed below.	$ 17,230,000	$ 17,625,000
Current portion	420,000	395,000
Long-term portion	$ 16,810,000	$ 17,230,000

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

(7) Revenue Bonds Payable, Continued

Airport Division, Continued

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

Year ending September 30,	Principal	Interest	Total
2008	$ 420,000	$ 1,063,750	$ 1,483,750
2009	445,000	1,036,719	1,481,719
2010	475,000	1,007,969	1,482,969
2011	500,000	977,500	1,477,500
2012	535,000	945,156	1,480,156
2013 - 2017	3,205,000	4,165,801	7,370,801
2018 - 2022	4,350,000	2,993,749	7,343,749
2023 - 2027	5,890,000	1,405,313	7,295,313
2028	1,410,000	44,064	1,454,064
	$ 17,230,000	$ 13,640,021	$ 30,870,021

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

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

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

Seaport 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 was netted against the new debt and is being amortized over the refunded debt's life, which is shorter than the life of the new debt. The transaction also resulted in an economic gain of $1,724,777 and a decrease of $6,983,345 in future debt service payments. Interest on the bonds is payable semi-annually at 6.6% on March 15 and September 15 of each year.

(7) 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, 2007 and 2006, consist of the following:

	2007	2006
Special Revenue Bonds, tax exempt, 1998 Senior Series A: interest and annual installments payable to the Bond Trustee between 2007 and 2028 are listed below.	$ 29,120,000	$ 29,775,000
Special Revenue Bonds, tax exempt, 2005 Senior Series A: interest and annual installments payable to the Bond Trustee between 2008 and 2031 are listed below.	7,225,000	7,225,000
Deferred costs of debt refunding on 1998 Senior Series A bonds	(1,069,062)	(1,105,940)
Discount on 2005 Senior Series A bonds	(114,711)	(119,490)
	35,161,227	35,774,570
Current portion	845,000	655,000
Long-term portion	$ 34,316,227	$ 35,119,570

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:

Year ending September 30,	Principal	Interest	Total
2008	$ 845,000	$ 2,292,235	$ 3,137,235
2009	895,000	2,236,493	3,131,493
2010	950,000	2,177,368	3,127,368
2011	1,015,000	2,114,392	3,129,392
2012	1,075,000	2,047,402	3,122,402
2013 - 2017	6,485,000	9,075,248	15,560,248
2018 - 2022	8,805,000	6,640,589	15,445,589
2023 - 2027	11,925,000	3,337,153	15,262,153
2028 - 2031	4,350,000	300,601	4,650,601
	$ 36,345,000	$ 30,221,481	$ 66,566,481

(7) 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, 2007 and 2006, total deposits in the Seaport supplemental reserve fund amounted to $8,059,119 and $8,205,849, respectively.

The 1998 Senior Series A and the 2005 Senior Series A bonds are limited obligations of CPA and, except to the extent payable from Bond proceeds, are payable solely out of CPA's revenues and funds pledged under the Indenture.

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

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

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

Redemption Dates	Redemption Prices
March 15, 2015 through March 14, 2016	101.0%
March 15, 2016 through March 14, 2017	100.5%
March 15, 2017 and thereafter	100.0%

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

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

(7) Revenue Bonds Payable, Continued

Seaport Division, Continued

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 for such maturity d), at a redemption price equal to the principal amount thereof, without premium, together with accrued interest to the date fixed for redemption.

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, 2007, except for the collection of gross revenues requirement related to the Airport and Seaport bond indentures. Section 6.11 of the Airport and Seaport Bond Indenture Agreements (Indenture) state that CPA shall impose, levy, enforce and collect such fees/dockage, entry and wharfage fees, tariffs, lease rentals, licensing fees and other fees and charges in aggregate amount with respect to each fiscal year to produce gross revenues to comply with subsections (A)(1), (A)(2), (A)(3) and (A)(4) of Section 6.11. CPA failed to comply with this requirement for the Airport Division for the year ended September 30, 2006 and for the Airport Division and the Seaport Division for the year ended September 30, 2007.

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

Changes in long-term liabilities for the years ended September 30, 2007 and 2006, are as follows:

	Balance October 1, 2006	Additions	Reductions	Balance September 30, 2007	Due Within One Year
Bonds payable:					
Airport 1998 Senior Series A	$ 17,625,000	$ -	$ (395,000)	$ 17,230,000	$ 420,000
Seaport 1998 Senior Series A	29,775,000	-	(655,000)	29,120,000	695,000
Seaport 2005 Senior Series A	7,225,000	-	-	7,225,000	150,000
Note payable	6,676,553	-	(649,838)	6,026,715	1,281,659
Deferred amounts:					
Deferred costs of debt refunding	(1,105,940)	-	36,878	(1,069,062)	-
Discount on bonds	(119,490)	-	4,779	(114,711)	-
	60,076,123	-	(1,658,181)	58,417,942	2,546,659
Other:					
Compensated absences	640,952	469,934	(363,083)	747,803	242,557
	$ 60,717,075	$ 469,934	$ (2,021,264)	$ 59,165,745	$ 2,789,216

(7) Revenue Bonds Payable, Continued

	Balance October 1, 2005	Additions	Reductions	Balance September 30, 2006	Due Within One Year
Bonds payable:					
Airport 1998 Senior Series A	$ 17,995,000	$ -	$ (370,000)	$ 17,625,000	$ 395,000
Seaport 1998 Senior Series A	30,390,000	-	(615,000)	29,775,000	655,000
Seaport 2005 Senior Series A	7,225,000	-	-	7,225,000	-
Note payable	7,321,380	-	(644,827)	6,676,553	1,244,439
Deferred amounts:					
Deferred costs of debt refunding	(1,141,043)	-	35,103	(1,105,940)	-
Discount on bonds	(124,270)	-	4,780	(119,490)	-
	61,666,067	-	(1,589,944)	60,076,123	2,294,439
Other:					
Compensated absences	661,962	490,545	(511,555)	640,952	284,386
	$ 62,328,029	$ 490,545	$ (2,101,499)	$ 60,717,075	$ 2,578,825

(8) Note Payable to Related Party

CPA's note payable is as follows:

	2007	2006
Promissory note due to the Commonwealth Development Authority (CDA) (a component unit of the CNMI), interest at 2.5% per annum, with maturity date of November 16, 2014. Principal and interest payments in the amount of $204,113 are due quarterly.	$ 6,026,715	$ 6,676,553
Less amounts due within one year	1,281,659	1,244,439
Long-term debt	$ 4,745,056	$ 5,432,114

On February 4, 2003, CDA's Board of Directors authorized the following deferment program for CPA's loans to CDA:

- CPA will make immediate payment of fifty percent of the amount outstanding as of February 4, 2003.
- For the remainder of Fiscal Year 2003, CPA will reduce its quarterly payments by fifty percent.
- The term of the loan will be extended to accommodate the above payment deferral.

As of September 30, 2007, an amendment to the loan agreement has not been signed by both CPA and CDA.

The CDA obligation is subordinate to CPA's obligation for the Seaport bonds.

(8) Note Payable to Related Party, Continued

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

Year ending September 30,	Principal	Interest	Total
2008	$ 1,281,659	$ 462,283	$ 1,743,942
2009	704,396	112,057	816,453
2010	722,172	94,281	816,453
2011	740,396	76,057	816,453
2012	759,080	57,373	816,453
2013 - 2015	1,819,012	58,314	1,877,326
	$ 6,026,715	$ 860,365	$ 6,887,080

(9) Risk Management

CPA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. CPA has elected to purchase commercial insurance from independent third parties for the risks of losses at its airport facilities to which it is exposed. CPA has also elected to purchase partial commercial insurance from independent third parties for risk of losses at its seaport facilities to which it is exposed. Except as disclosed in note 13, settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

(10) Related Party Transactions

Total related party transactions for the years ended September 30, 2007 and 2006, and the related receivable and payable balances, are as follows:

	2007			
	Revenues	Expenses	Receivables	Payables
Commonwealth Development Authority	$ -	$ 146,306	$ -	$ -
Commonwealth Utilities Corporation	-	597,068	4,700,947	39,265
CNMI Government	-	125,403	-	1,352,521
Northern Mariana Islands Retirement Fund	-	1,976,243	-	1,132,424
Other	9,754	-	53,181	-
	$ 9,754	$ 2,845,020	$ 4,754,128	$ 2,524,210

(10) Related Party Transactions, Continued

	2006			
	Revenues	Expenses	Receivables	Payables
Commonwealth Development Authority	$ -	$ 162,802	$ -	$ -
Commonwealth Utilities Corporation	-	501,728	4,700,947	31,561
CNMI Government	-	126,241	-	1,227,118
Northern Mariana Islands Retirement Fund	-	2,084,913	-	970,503
Other	12,465	-	45,616	-
	$ 12,465	$ 2,875,684	$ 4,746,563	$ 2,229,182

A note payable to CDA amounted to $6,026,715 and $6,676,553 at September 30, 2007 and 2006, respectively. Interest expense on this note for the years ended September 30, 2007 and 2006 amounted to $146,306 and $162,802, respectively.

On November 9, 1998, a Memorandum of Agreement (MOA) was executed between CPA and the Commonwealth Utilities Corporation (CUC) specifying terms and conditions of a Sewerline Project. It has been determined that of the original total cost of the project, 29.4% is attributable to CPA, with the remaining 70.6% attributable to CUC. Based on the MOA, CPA, as signatory party to the project contract, will pay for all progress payments, subject to reimbursement by CUC, for the portion of the project costs that CUC has agreed to be responsible for. An amended MOA, dated April 14, 1999, states that the project will be transferred to CUC upon completion and at that time a note receivable will evidence CUC's share of the project cost. The total cost of the project incurred amounted to $7,224,720.

The total cost of the project included liquidated damages of $125,000 representing CUC's share. In addition, it also includes $44,034 already billed to CUC. The MOA does not address whether 70.6% of the total interest capitalized should be charged to CUC's overall share of the project cost. Accordingly, the amount receivable from CUC does not include capitalized interest. Of the total project cost, 29.4% is recorded as a capital asset and 70.6% is recorded as receivable from related party at September 30, 2007 and 2006. The project was completed and transferred to CUC during the fiscal year ended September 30, 2006.

On July 11, 2007, CPA and CUC entered into an MOA superseding and replacing any and all prior agreements for payment of the related receivable from CUC. In accordance with the MOA, CUC shall make payments over a term not to exceed five years, in installments, commencing on the last day of October 2007. At September 30, 2007, the receivable from CUC amounted to $4,700,947. To date, no payments have been received and, accordingly, the related receivable is classified as noncurrent at September 30, 2007.

The Seaport Division recorded accounts receivable amounting to $53,181 and $45,616 at September 30, 2007 and 2006, respectively, from a company in which a Board member has an interest.

During the years ended September 30, 2007 and 2006, CPA recorded a balance of $889,797 and $970,503, respectively, payable to the NMIRF related to the increase in employer contribution rate from 24% to 36.77%. In addition, CPA recorded an additional $242,627 and $-0- during the years ended September 30, 2007 and 2006, respectively, representing 25% penalty on the original outstanding balance.

(11) Commitment and Contingencies

Commitment

CPA's Airport Division leases rental car concession booths, office space, other ground space, and an electronic scanning device. The Seaport Division leases land and warehouse space. Lease terms range from one to fifteen years and in most instances contain provisions for percentage rent. Concession and lease income for the years ended September 30, 2007 and 2006, amounted to $4,213,807 and $4,362,369, respectively. Minimum future lease income is as follows:

Year ending September 30,	Minimum Lease Income Due
2008	$ 2,617,189
2009	2,113,803
2010	1,870,741
2011	1,793,646
2012	1,753,404
2013 - 2017	8,539,744
2018 - 2022	7,038,925
2023 - 2027	4,268,372
2028 - 2032	3,069,998
2033 - 2037	3,660,319
2038 - 2042	4,359,645
2043 - 2047	3,656,277
2048 - 2052	378,863
	$ 45,120,926

Contingencies

CPA incurred a combined loss before capital contributions and transfers from its two divisions of $9,617,689 and $4,815,523 during the years ended September 30, 2007 and 2006, respectively. Management's plans to increase revenues and/or decrease costs are as follows:

a) Continue implementation of cost cutting measures.

b) Explore non-aviation revenue generating options.

c) Explore non-harbor revenue generating options.

d) Implement recommendations from an independent consultant relating to rate structures at the Airport.

e) Terminate the airline incentive program.

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

(11) Commitment and Contingencies, Continued

Contingencies, Continued

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 $621,238 have been set forth in CPA's Single Audit Report for the year ended September 30, 2007. 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.

On May 19, 2005, CPA received a Unilateral Administrative Order (UAO) issued by the U.S. Environmental Protection Agency (EPA) concerning activities at the maintenance and waste burning facilities at the Saipan International Airport. For the years ended September 30, 2007 and 2006, CPA incurred cleanup expenditures related to the UAO totaling $166,236 and $538,940, respectively. The ultimate cost of the clean up has not been determined; accordingly, no provision has been accrued at September 30, 2007 for additional costs that may be incurred.

(12) Major Customers

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

During the years ended September 30, 2007 and 2006, three customers accounted for 57% and 52% of the total operating revenues of the Airport Division, and one customer accounted for 18% and 43% of the total operating revenues of the Seaport Division during the years ended September 30, 2007 and 2006, respectively.

(13) Typhoon Damages

During the year ended September 30, 2006, CPA finalized the estimated cost of damages caused by Typhoon Chaba in August 2004. The estimated damages total $7,702,213 with approximately $7,025,107 of repairs and replacements remaining to be completed at September 30, 2006.

Estimated typhoon costs and related insurance and grant recoveries at September 30, 2006, are as follows:

Estimated typhoon costs	$ 7,025,107
Less projects to be capitalized	(3,032,118)
Anticipated local and federal grant recoveries	(2,272,511)
Insurance recoveries	(1,600,000)
Net typhoon loss	$ 120,478

(13) Typhoon Damages, Continued

CPA received insurance proceeds of $-0- and $1,300,000 during the years ended September 30, 2007 and 2006, respectively, relating to Typhoon Chaba. During the year ended September 30, 2007, no repairs were made.

During the year ended September 30, 2007, CPA determined that accrued typhoon expenses were understated by $248,195 at September 30, 2006. The effects are as follows:

	2006 As Originally Stated	2006 As Restated
Accrued expenses	$ 2,242,706	$ 2,490,901
Net proceeds from insurance claims	$ 127,717	$ -
Net typhoon loss	$ -	$ (120,478)

Actual costs and related recoveries may be materially different than estimated.

(14) Subsequent Events

On May 3, 2008, Public Law 16-2 was enacted which provides that all government departments, divisions, offices, municipalities, autonomous agencies and public corporations shall remit employer contribution payments for employees in the Defined Benefit Plan based on a new rate of 11% of the employee's salary during fiscal year 2008.

On May 12, 2008, the Governor of the CNMI issued Executive Order No. 08-03 placing CPA under the administration of the CNMI Executive Branch for a period of one hundred and twenty (120) days. The Executive Order was issued as a result of the inability of CPA's Board of Director's to establish a quorum in various scheduled meetings.

In addition, on May 13, 2008, the Governor declared a State of Disaster Emergency for the Commonwealth of the Northern Mariana Islands (CNMI). Thirty day extensions of the State of Disaster Emergency declaration on CPA were declared in June and July 2008.

As of June 2008, all members of the Board of Directors resigned.

On July 1, 2008, CPA and CUC entered into an Amended and Superseding Memorandum of Agreement (MOA) for the repayment of the Sewerline Project that replaces and supersedes prior agreements for repayment. As stated in the Amended and Superseding MOA, CPA and CUC have agreed to offset utility charges incurred at the Francisco C. Ada International Airport in lieu of monthly payments from CUC. The right of offset, however, will terminate upon written notice from CUC starting the month following CUC's commencement of actual scheduled payments.

COMMONWEALTH PORTS AUTHORITY

Combining Schedule of Net Assets
September 30, 2007

ASSETS	Airport Division	Seaport Division	Elimination	Total
Current assets:				
Cash and cash equivalents	$ 5,730,397	$ 3,948,154	$ -	$ 9,678,551
Receivables:				
Grantor agencies	3,810,052	660,443	-	4,470,495
Operations, net	4,328,936	212,025	-	4,540,961
Related parties	-	53,181	-	53,181
Due from Seaport Division	120,658	-	(120,658)	-
Officers and employees	52,040	3,029	-	55,069
Prepaid expenses	96,869	500	-	97,369
Investments, restricted for construction and debt service purposes	3,171,183	15,558,372	-	18,729,555
Total current assets	17,310,135	20,435,704	(120,658)	37,625,181
Noncurrent assets:				
Deferred bond issue costs	546,090	982,142	-	1,528,232
Receivable from related party	4,700,947	-	-	4,700,947
Capital assets, net	135,362,881	47,981,231	-	183,344,112
Total noncurrent assets	140,609,918	48,963,373	-	189,573,291
	$ 157,920,053	$ 69,399,077	$ (120,658)	$ 227,198,472
LIABILITIES AND NET ASSETS				
Current liabilities:				
Revenue bonds payable, current portion	$ 420,000	$ 845,000	$ -	$ 1,265,000
Note payable to related party, current portion	-	1,281,659	-	1,281,659
Contractors payable	7,560,128	1,469,039	-	9,029,167
Trade and other payables	213,205	11,495	-	224,700
Due to related parties	2,238,116	286,094	-	2,524,210
Due to Airport Division	-	120,658	(120,658)	-
Accrued expenses	310,294	2,052,207	-	2,362,501
Deferred income	5,625	-	-	5,625
Compensated absences, current portion	223,607	18,950	-	242,557
Total current liabilities	10,970,975	6,085,102	(120,658)	16,935,419
Compensated absences, net of current portion	432,588	72,658	-	505,246
Revenue bonds payable, net of current portion	16,810,000	34,316,227	-	51,126,227
Note payable to related party, net of current portion	-	4,745,056	-	4,745,056
Total liabilities	28,213,563	45,219,043	(120,658)	73,311,948
Net assets:				
Invested in capital assets, net of related debt	118,678,971	7,775,431	-	126,454,402
Restricted	3,171,183	15,558,372	-	18,729,555
Unrestricted	7,856,336	846,231	-	8,702,567
Total net assets	129,706,490	24,180,034	-	153,886,524
	$ 157,920,053	$ 69,399,077	$ (120,658)	$ 227,198,472

See Accompanying Independent Auditors' Report.

Combining Schedule of Revenues, Expenses and Changes in Net Assets
Year Ended September 30, 2007

	Airport Division	Seaport Division	Elimination	Total
Operating revenues:				
Aviation fees	$ 5,866,390	$ -	$ -	$ 5,866,390
Concession and lease income	3,138,518	1,075,289	-	4,213,807
Seaport fees	-	3,870,641	-	3,870,641
Other	800,419	401,643	-	1,202,062
	9,805,327	5,347,573	-	15,152,900
Less bad debt	(107,852)	-	-	(107,852)
Operating revenues, net	9,697,475	5,347,573	-	15,045,048
Operating expenses:				
Depreciation and amortization	8,205,275	2,402,677	-	10,607,952
Salaries and wages	4,556,352	816,599	-	5,372,951
Employee benefits	2,121,918	317,662	-	2,439,580
Insurance	908,960	1,127,914	-	2,036,874
Contractual services	655,783	80,259	-	736,042
Utilities	528,388	68,680	-	597,068
Supplies	323,464	34,674	-	358,138
Professional fees	290,911	53,711	-	344,622
Repairs and maintenance	188,478	59,374	-	247,852
Travel	125,916	50,095	-	176,011
Training	112,987	-	-	112,987
Promotion and advertising	35,231	3,315	-	38,546
Other	819,733	68,425	-	888,158
Total operating expenses	18,873,396	5,083,385	-	23,956,781
Operating (loss) income	(9,175,921)	264,188	-	(8,911,733)
Non-operating revenues (expenses):				
Passenger facility charges	1,940,712	-	-	1,940,712
Interest income	240,140	849,491	-	1,089,631
Interest expense	(1,089,467)	(2,579,897)	-	(3,669,364)
Amortization of bond issue costs	(24,459)	(42,476)	-	(66,935)
Total non-operating revenues (expenses), net	1,066,926	(1,772,882)	-	(705,956)
Loss before capital contributions	(8,108,995)	(1,508,694)	-	(9,617,689)
Capital contributions	29,238,040	2,448,709	-	31,686,749
Change in net assets	21,129,045	940,015	-	22,069,060
Net assets at beginning of year	108,577,445	23,240,019	-	131,817,464
Net assets at end of year	$ 129,706,490	$ 24,180,034	$ -	$ 153,886,524

See Accompanying Independent Auditors' Report.

COMMONWEALTH PORTS AUTHORITY

Combining Schedule of Cash Flows
Year Ended September 30, 2007

	Airport Division	Seaport Division	Elimination	Total
Cash flows from operating activities:				
Cash received from customers	$ 7,051,302	$ 5,368,949	$ -	$ 12,420,251
Cash payments to suppliers for goods and services	(3,855,424)	(1,452,637)	-	(5,308,061)
Cash payments to employees for services	(6,596,111)	(1,109,569)	-	(7,705,680)
Net cash (used for) provided by operating activities	(3,400,233)	2,806,743	-	(593,490)
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(27,095,470)	(5,658,778)	-	(32,754,248)
Capital contributions received	27,841,419	2,180,358	-	30,021,777
Passenger facility charge receipts	1,940,712	-	-	1,940,712
Principal paid on revenue bond maturities	(395,000)	(655,000)	-	(1,050,000)
Payments on note payable to related party	-	(649,838)	-	(649,838)
Interest paid on revenue bonds and note payable to related party	(1,089,467)	(2,538,240)	-	(3,627,707)
Net cash provided by (used for) capital and related financing activities	1,202,194	(7,321,498)	-	(6,119,304)
Cash flows from investing activities:				
Net change in restricted investments	811,131	3,032,268	-	3,843,399
Interest income	240,140	849,491	-	1,089,631
Net cash provided by investing activities	1,051,271	3,881,759	-	4,933,030
Net change in cash and cash equivalents	(1,146,768)	(632,996)	-	(1,779,764)
Cash and cash equivalents at beginning of year	6,877,165	4,581,150	-	11,458,315
Cash and cash equivalents at end of year	$ 5,730,397	$ 3,948,154	$ -	$ 9,678,551
Reconciliation of operating (loss) income to net cash (used for) provided by operating activities:				
Operating (loss) income	$ (9,175,921)	$ 264,188	$ -	$ (8,911,733)
Adjustments to reconcile operating (loss) income to net cash (used for) provided by operating activities:				
Depreciation and amortization	8,205,275	2,402,677	-	10,607,952
Bad debts	107,852	-	-	107,852
(Increase) decrease in assets:				
Receivables - operations	(2,736,190)	28,114	-	(2,708,076)
Due from Seaport Division	4,519	-	(4,519)	-
Receivables - officers and employees	(17,646)	827	-	(16,819)
Prepaid expenses	(19,260)	(500)	-	(19,760)
Receivables - related parties	-	(7,565)	-	(7,565)
Increase (decrease) in liabilities:				
Accounts payable - trade and other	79,508	6,380	-	85,888
Accounts payable - related parties	260,297	34,731	-	295,028
Due to Airport Division	-	(4,519)	4,519	-
Accrued expenses	(186,118)	57,718	-	(128,400)
Deferred income	(4,708)	-	-	(4,708)
Compensated absences	82,159	24,692	-	106,851
Net cash (used for) provided by operating activities	$ (3,400,233)	$ 2,806,743	$ -	$ (593,490)

See Accompanying Independent Auditors' Report.