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, 2015

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

FINANCIAL STATEMENTS, ADDITIONAL INFORMATION AND INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2015 AND 2014

Deloitte.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Commonwealth Ports Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of the Commonwealth Ports Authority (CPA), a component unit of the Commonwealth of the Northern Mariana Islands (CNMI), which comprise the statements of net position as of September 30, 2015 and 2014, and the related statements of revenues, expenses and changes in net position and of cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

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

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Commonwealth Ports Authority as of September 30, 2015 and 2014, and the changes in its net position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in note 14 to the financial statements, management has determined that the six-year statute of limitations does not apply to CPA's obligation to the CNMI government and has restated due to related parties and recoverability of a liability due to a related party.

CPA did not record deficient employer contributions due to a related party at September 30, 2015 and 2014 as discussed in note 11 to the financial statements.

Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. 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.

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Other Information

Our audits were 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, 2015 (pages 38 through 40) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Combining Statement of Net Position, the Combining Statement of Revenues, Expenses and Changes in Net Position and the Combining Statement of Cash Flows are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Statement of Net Position, the Combining Statement of Revenues, Expenses and Changes in Net Position and the Combining Statement of Cash Flows are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2016, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CPA's internal control over financial reporting and compliance.

Deloitte & Touche LLC

September 6, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED SEPTEMBER 30, 2015

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, 2015, with selected comparative information for the fiscal years ended September 30, 2014 and 2013. Please read it in conjunction with the detailed information contained within the accompanying financial statements. The nationally recognized accounting firm of Deloitte & Touche LLC has issued an unmodified opinion.

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, 22 employees on Rota and 27 employees on Tinian.

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

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

OVERVIEW OF FINANCIAL STATEMENTS, CONTINUED

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 increased 1% or $3,488,430 from $239,168,745 in FY2014 to $242,657,085 in FY2015 and by 4% or $8,683,868 from $230,484,877 in FY2013 to $239,168,745 in FY2014.

Net position for the airport and seaport operations combined increased by 4% or $6,278,697 from $178,241,558 in FY2014 to $184,520,255 in FY2015 and increased by 4% or $6,213,240 from $172,028,318 in FY2013 to $178,241,558 in FY2014. Net position represents the amount that total assets exceed total liabilities.

Operating revenues for the airport and seaport operations combined increased by 5% or $995,538 from $21,059,862 in FY2014 to $22,055,400 in FY2015 and by 9% or $1,666,256 from $19,393,606 in FY2013 to $21,059,862 in FY2014. Operating revenues for the Airport Division increased by .04% or $51,192 from $14,421,886 in FY2014 to $14,473,078 in FY2015 and by 8% or $1,013,186 from $13,408,700 in FY2013 to $14,421,886 in FY2014. Operating revenues for the Seaport Division increased by 14% or $944,346 from $6,637,976 in FY2014 to $7,582,322 in FY2015 and increased by 11% or $653,070 from $5,984,906 in FY2013 to $6,637,976 in FY2014.

Operating expenses (excluding depreciation and amortization) for the airport and seaport operations combined increased by 22% or $2,534,796 from $11,347,070 in FY2014 to $13,881,866 in FY2015 mainly due to the increase in utility expenses. Operating expenses decreased by 7% or $857,574 from $12,204,644 in FY2013 to $11,347,070 in FY2014, mainly due to the decrease in utility expenses.

The Airport Division aviation revenue increased by $298,286 due to an increase in scheduled and charter flights at the Saipan International Airport. The Airport Division was in compliance with its Bond Indenture for FY2015 and expects to be in compliance with the Agreement for FY2016.

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. In FY2015, the Seaport Division seaport fees increased by $532,522 due to an increase in revenue tonnage. The Seaport Division was in compliance with its 1998 and 2005 Bond Indenture Agreements (the Agreements) for FY2015. CPA expects the Seaport Division to be in compliance with the Agreement for FY2016.

FINANCIAL HIGHLIGHTS, CONTINUED

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, 2015 follows, with comparative information as of and for the years ended September 30, 2014 and 2013:

Statements of Net Position

	2015	2014 (As Restated)	2013
Assets and Deferred Outflows of Resources			
Current assets:			
Cash	$ 23,831,433	$ 20,844,321	$ 12,464,858
Receivables	5,836,880	4,868,138	3,857,296
Prepaid expenses	1,384,056	264,433	304,220
Investments, restricted for debt service and other purposes	18,681,827	17,918,281	17,024,045
Total current assets	**49,734,196**	**43,895,173**	**33,650,419**
Nondepreciable capital assets	68,223,246	58,670,840	47,974,011
Depreciable capital assets, net of accumulated depreciation and amortization	123,947,751	135,801,013	148,023,297
Deferred outflows from cost of refunding debt	751,892	801,719	837,150
Total assets and deferred outflows of resources	**$ 242,657,085**	**$ 239,168,745**	**$ 230,484,877**
Liabilities and Net Position			
Current liabilities:			
Revenue bonds payable, current portion	$ 2,010,000	$ 1,895,000	$ 1,780,000
Note payable to related party, current portion	262,477	257,790	251,387
Contractors payable	6,421,569	6,066,991	3,786,058
Trade and other payables	439,244	287,146	188,067
Due to related parties	3,782,438	2,683,244	2,394,879
Accrued expenses	564,032	2,275,750	2,122,875
Unearned revenues	1,243,154	1,779,563	80,046
Compensated absences, current portion	232,125	241,658	250,247
Total current liabilities	**14,955,039**	**15,487,142**	**10,853,559**
Noncurrent liabilities:			
Accrued interest payable	546,679	546,679	546,679
Compensated absences, net of current portion	314,503	304,970	321,615
Revenue bonds payable, net of current portion	38,083,526	40,088,747	41,978,967
Notes payable to related party, net of current portion	4,237,083	4,499,649	4,755,739
Total noncurrent liabilities	**43,181,791**	**45,440,045**	**47,603,000**
Total liabilities	**58,136,830**	**60,927,187**	**58,456,559**
Net position:			
Net investment in capital assets	148,329,803	148,532,386	148,068,365
Restricted	18,681,827	17,918,281	17,024,045
Unrestricted	17,508,625	11,790,891	6,935,908
Total net position	**184,520,255**	**178,241,558**	**172,028,318**
	$ 242,657,085	**$ 239,168,745**	**$ 230,484,877**

Statements of Revenues, Expenses and Changes in Net Position

	2015	2014 (As Restated)	2013
Operating revenues:			
Aviation fees	$ 7,713,993	$ 7,415,707	$ 7,283,629
Concession and lease income	6,955,113	6,686,714	5,899,754
Seaport fees	5,536,134	5,003,612	4,400,748
Other	1,850,160	1,953,829	1,809,475
	22,055,400	21,059,862	19,393,606
Recoveries (bad debts)	268,653	(392,797)	84,321
Operating revenues, net	**22,324,053**	**20,667,065**	**19,477,927**

FINANCIAL HIGHLIGHTS, CONTINUED

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

	2015	2014 (As Restated)	2013
Operating expenses:			
Depreciation and amortization	12,442,982	13,063,444	12,598,802
Salaries and wages	5,198,313	4,990,191	4,977,264
Utilities	2,736,581	1,047,522	2,023,708
Contractual services	1,445,210	1,065,781	755,850
Insurance	1,151,913	1,132,247	1,374,827
Fuel	737,746	411,414	387,883
Employee benefits	619,011	608,015	645,120
Repairs and maintenance	603,868	544,948	486,879
Supplies	548,579	487,367	511,679
Professional fees	295,263	254,728	238,048
Travel	104,651	135,769	115,002
Promotion and advertising	43,257	39,273	38,783
Training	-	9,554	53,604
Other	397,474	620,261	595,997
Total operating expenses	**26,324,848**	**24,410,514**	**24,803,446**
Operating loss	**(4,000,795)**	**(3,743,449)**	**(5,325,519)**
Non-operating revenues (expenses):			
Passenger facility charges	2,463,032	2,153,654	2,310,214
Insurance proceeds	1,617,377	-	-
Recovery of a liability due to related party	597,133	-	-
Interest income	257,444	251,986	262,938
Other grant revenue and contributions	239,182	304,045	475,003
Settlement of capital project	-	593,880	-
Interest expense	(2,566,643)	(2,501,915)	(2,788,598)
Total non-operating revenues (expenses), net	**2,607,525**	**801,650**	**259,557**
Loss before capital contributions	**(1,393,270)**	**(2,941,799)**	**(5,065,962)**
Capital contributions	7,671,967	9,155,039	14,743,092
Changes in net position	**6,278,697**	**6,213,240**	**9,677,130**
Net position at beginning of year	178,241,558	172,028,318	162,351,188
Net position at end of year	**$ 184,520,255**	**$ 178,241,558**	**$ 172,028,318**

Statements of Cash Flows

	2015	2014 (As Restated)	2013
Cash flows from operating activities:			
Cash received from customers	$ 20,112,680	$ 22,205,938	$ 19,007,815
Cash payments to suppliers for goods and services	(9,054,161)	(5,126,284)	(7,847,378)
Cash payments to employees for services	(5,817,324)	(5,623,440)	(5,647,759)
Net cash provided by operating activities	**5,241,195**	**11,456,214**	**5,512,678**
Cash flows from noncapital financing activity:			
Other grant revenues and contributions	239,182	304,045	475,003
Net cash provided by noncapital financing activity	**239,182**	**304,045**	**475,003**

FINANCIAL HIGHLIGHTS, CONTINUED

Statements of Cash Flows, Continued

	2015	2014 (As Restated)	2013
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(9,572,082)	(8,881,691)	(19,456,789)
Capital and other contributions received	8,384,892	8,262,367	17,621,068
Proceeds from settlement of capital project	-	593,880	-
Insurance proceeds	1,617,377	-	-
Passenger facility charge receipts	2,463,032	2,153,654	2,310,214
Principal paid on revenue bond maturities	(1,895,000)	(1,780,000)	(1,675,000)
Payments on note payable to related party	(257,879)	(249,687)	(244,312)
Interest paid on revenue bonds and notes payable to related party	(2,727,503)	(2,837,069)	(2,959,913)
Net cash used for capital and related financing activities	**(1,987,163)**	**(2,738,546)**	**(4,404,732)**
Cash flows from investing activities:			
Net investment (purchases) liquidations, restricted	(763,546)	(894,236)	289,010
Interest income	257,444	251,986	262,938
Net cash (used for) provided by investing activities	(506,102)	(642,250)	**551,948**
Net change in cash	**2,987,112**	**8,379,463**	**2,134,897**
Cash at beginning of year	20,844,321	12,464,858	10,329,961
Cash at end of year	**$ 23,831,433**	**$ 20,844,321**	**$ 12,464,858**

CAPITAL ASSETS

At September 30, 2015, CPA had $192,170,997 invested in capital assets, net of accumulated depreciation where applicable, including land, runways, terminal and harbor facilities and equipment, fire and rescue equipment, general transportation, other machinery and equipment and numerous projects under construction. This represents a net decrease of $2,300,856 or 1% from last fiscal year.

	2015	2014	2013
Runway and improvements	$ 113,856,055	$ 113,856,055	$ 113,856,055
Other improvements	26,781,393	26,571,597	26,598,973
Terminal facilities and equipment	111,230,153	111,221,409	112,104,727
Harbor facilities	63,601,422	63,601,422	63,635,195
Grounds maintenance and shop equipment	349,210	354,910	388,189
Fire and rescue equipment	11,569,219	11,574,506	11,514,281
Office furniture and fixtures	1,263,766	1,117,289	1,178,857
General transportation	1,153,346	1,275,013	1,300,004
Other	2,693,608	2,670,854	2,614,419
	332,498,172	332,243,055	333,190,700
Less accumulated depreciation and amortization	(208,550,421)	(196,442,042)	(185,167,403)
Total capital assets being depreciated	123,947,751	135,801,013	148,023,297
Construction in progress	67,758,817	58,206,411	47,509,582
Land	464,429	464,429	464,429
Total capital assets, net	$ 192,170,997	$ 194,471,853	$ 195,997,308

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

RESTRICTED INVESTMENTS

Restricted investments for Airport and Seaport construction and debt service purposes represent the unused proceeds of the Airport Revenue Bonds and the Seaport Revenue Bonds deposited with the Trustee. The balances as of September 30, 2015, 2014 and 2013 are as follows:

	2015	2014	2013
Airport			
Bond Reserve Fund	$ 1,591,970	$ 1,589,375	$ 1,586,660
Bond Fund	832,110	428,720	411,190
Maintenance and Operation	2,001,170	1,908,612	1,282,857
Revenue Fund	724	724	724
Optional Redemption Fund	12,102	12,101	12,100
	4,438,076	3,939,532	3,293,531
Seaport			
Bond Reserve Fund	3,479,833	3,479,779	3,479,724
Supplemental Reserve Fund	7,991,935	8,034,239	8,034,239
Reimbursement Fund	5,808	5,809	5,807
Bond Fund	1,683,890	916,481	787,681
Maintenance and Operation	1,074,295	1,534,451	1,415,074
Construction Fund	7,179	7,179	7,178
Reserve Fund	811	811	811
	14,243,751	13,978,749	13,730,514
Total	**$ 18,681,827**	**$ 17,918,281**	**$ 17,024,045**

Please refer to note 3 to the financial statements for additional information regarding CPA's restricted investments.

LONG-TERM DEBT

1998 Airport Revenue Bonds

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

Payments for the Airport bond are current. The current portion of the Airport bond principal is $640,000. The long-term portion of the bond balance as of September 30, 2015 is $11,620,000.

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

1998 Seaport Revenue Bonds

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

LONG-TERM DEBT, CONTINUED

1998 Seaport Revenue Bonds, Continued

Payments for the 1998 Seaport bond are current. The current portion of the 1998 Seaport bond principal is $1,140,000. The long-term portion of the bond balance as of September 30, 2015 is $20,995,000.

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

2005 Seaport Revenue Bonds

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

Payments for the 2005 Seaport bond are current. The current portion of the 2005 Seaport bond principal is $230,000. The long-term portion of the bond balance as of September 30, 2014 is $5,545,000.

Note Payable to the Commonwealth Development Authority (CDA)

As of September 30, 2015, CPA has a promissory note of $4,499,560 due to CDA (a component unit of the CNMI), with interest at 2.5% per annum and a maturity date of June 15, 2030. Principal and interest payments in the amount of $31,000 are due monthly beginning June 15, 2010. The payment of accrued interest totaling $546,679 has been deferred until the maturity of the loan or until the loan is paid off, whichever comes first and, accordingly, is presented as long-term in the accompanying financial statements. The current portion of the note is $262,477. The long-term portion of the note as of September 30, 2015 is $4,237,083. The CDA obligation is subordinate to CPA's obligation for the Seaport bonds.

A summary of CPA's long-term debt balances as of September 30, 2015, 2014 and 2013 is as follows:

	2015	2014	2013
1998 Senior Series A Bonds - Airport	$ 12,260,000	$ 12,860,000	$ 13,425,000
1998 Senior Series A Bonds - Seaport	$ 22,135,000	$ 23,210,000	$ 24,220,000
2005 Senior Series A Bonds - Seaport	$ 5,775,000	$ 5,995,000	$ 6,200,000
Note payable to CDA	$ 4,499,560	$ 4,757,439	$ 5,007,126

Please refer to notes 7 and 8 to the financial statements for additional information regarding CPA's long-term debt.

REVENUE AND EXPENSE ANALYSIS

Airport and Seaport Combined Operating Revenues

	2015	2014	2013
Airport	$ 14,473,078	$ 14,421,886	$ 13,408,700
Seaport	7,582,322	6,637,976	5,984,906
	$ 22,055,400	$ 21,059,862	$ 19,393,606

The Airport Division operating revenues increased in FY2015 as compared to FY2014. The increase was mainly due to the increase in scheduled and charter flights as well as an increase in concession and lease income for the Francisco C. Ada/Saipan International Airport. The Seaport Division also experienced an increase in operating revenues in FY2015 as compared to FY2014 due to a growth in revenue tonnage and harbor activity in general.

The CPA Board of Directors implemented an increase of fees for the Airports that took effect in June of 2008. Additionally, an increase to the tariff for the Seaports was approved and implemented in March 2009. These increases in fees had a major impact on stabilizing each Division's revenues and allowing for future revenue growth.

Airport and Seaport Combined Operating Expenses (Excluding Depreciation and Amortization)

	2015	2014	2013
Airport			
Personnel expense	$ 5,106,137	$ 4,879,412	$ 4,896,695
Maintenance and operations expense	7,176,396	4,771,153	5,139,801
	12,282,533	9,650,565	10,036,496
Seaport			
Personnel expense	711,187	718,794	725,689
Maintenance and operations expense	888,146	977,711	1,442,459
	1,599,333	1,696,505	2,168,148
Combined operating expenses	**$ 13,881,866**	**$ 11,347,070**	**$ 12,204,644**

FY2015 BOND INDENTURE COMPLIANCE

FY2015 Bond/Debt Ratio Noncompliance

	Airport			Seaport		
	2015	2014	2013	2015	2014	2013
Required revenues for bond compliance	$ 13,741,080	$ 11,914,035	$ 11,822,759	$ 5,497,208	$ 5,453,279	$ 5,931,135
Actual revenues collected:						
Revenues and other income	14,473,078	14,421,886	13,408,700	7,582,322	6,637,976	5,984,906
Other grant revenue and contributions	219,923	246,727	252,585	19,259	57,318	222,418
Interest income	21,499	17,001	18,637	235,945	234,985	244,301
Passenger facility charge	2,463,032	2,153,654	2,310,214	-	-	-
	17,177,532	16,839,268	15,990,136	7,837,526	6,930,279	6,451,625
Variance (noncompliance)	$ 3,436,452	$ 4,925,233	$ 4,167,377	$ 2,340,318	$ 1,477,000	$ 520,490

FY2015 BOND INDENTURE COMPLIANCE, CONTINUED

As illustrated in the above table, for FY2015, FY2014 and FY2013, CPA was able to generate sufficient revenues from the Airport and Seaport to meet its Bond Indenture requirements. A key factor contributing to CPA Airport's ability to meet these requirements is the FAA opinion allowing passenger facility charges to be considered as revenues for compliance calculations. As stated previously, revenues and expenses are being monitored on a quarterly basis so that steps can be taken to ensure compliance. The results from this activity are being used to construct a realistic budget for FY2016. It is management's intention to control expenses in a comprehensive manner to ensure there is a proper relationship to operating revenues.

REVENUE-BASED STATISTICS

AIRPORT DIVISION

	Enplaned Passengers	Deplaned Passengers	Landing Weights
Saipan			
FY 2013	514,187	487,852	852,608,730
FY 2014	505,036	482,879	831,135,756
FY 2015	536,695	505,825	866,830,363
Rota			
FY 2013	8,939	8,963	20,628,200
FY 2014	10,377	7,912	23,636,760
FY 2015	5,805	4,660	29,166,188
Tinian			
FY 2013	29,072	7,106	84,779,380
FY 2014	27,331	3,060	77,053,300
FY 2015	30,389	-	60,461,658
All Airports			
FY 2013	552,198	503,921	958,016,310
FY 2014	542,744	493,851	931,825,816
FY 2015	572,889	510,485	956,458,209

In FY2015, consolidated airport enplanements (air passenger departures) increased by 6% and consolidated deplanements (air passenger arrivals) increased by 3% from FY2014. These increases are due to additional scheduled and charter flights.

SEAPORT DIVISION

	Revenue Tons		
	Inbound	Outbound	Total
Saipan			
FY 2013	322,840	13,492	336,332
FY 2014	370,512	8,981	379,493
FY 2015	401,932	8,893	410,825

REVENUE-BASED STATISTICS, CONTINUED

SEAPORT DIVISION, CONTINUED

	Revenue Tons		
	Inbound	**Outbound**	**Total**
Rota			
FY 2013	4,051	3,805	7,856
FY 2014	4,768	973	5,741
FY 2015	3,990	547	4,537
Tinian			
FY 2013	14,811	993	15,804
FY 2014	15,717	381	16,098
FY 2015	18,030	621	18,651
All Seaports			
FY 2013	341,702	18,290	359,992
FY 2014	390,997	10,335	401,332
FY 2015	423,952	10,061	434,013

In FY2015, seaport inbound cargo increased by 8% and outbound cargo decreased by 3% for the three seaports combined from FY2014.

ECONOMIC OUTLOOK

The Airport aviation traffic for 2016 is forecasted to increase due to new airlines providing daily and charter services to and from the Saipan International Airport. The Seaport gross revenue tons for 2016 is forecasted to increase due to anticipated new construction projects in the CNMI. Management will continue to closely monitor the Airport and Seaport operating expenses in order to maintain a level to comply with respective Bond Indentures.

Management's Discussion and Analysis for the year ended September 30, 2014 is set forth in CPA's report on the audit of financial statements, which is dated June 24, 2015. That Discussion and Analysis explains the major factors impacting the 2014 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. Skye Lynn L. Aldan, Comptroller, P.O. Box 501055, Saipan, MP 96950-1055, or call (670) 237-6500 or email at skye.aldan@cpa.gov.mp.

COMMONWEALTH PORTS AUTHORITY

Statements of Net Position
September 30, 2015 and 2014

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2015	2014 (As Restated)
Current assets:		
Cash	$ 23,831,433	$ 20,844,321
Receivables:		
Grantor agencies	615,647	1,328,572
Operations, net	3,860,647	3,025,325
Related party, net	1,351,565	506,769
Officers and employees	9,021	7,472
Prepaid expenses	1,384,056	264,433
Investments, restricted for debt service and other purposes	18,681,827	17,918,281
Total current assets	49,734,196	43,895,173
Nondepreciable capital assets	68,223,246	58,670,840
Depreciable capital assets, net of accumulated depreciation and amortization	123,947,751	135,801,013
Deferred outflows from cost of refunding debt	751,892	801,719
Total assets and deferred outflows of resources	$ 242,657,085	$ 239,168,745
LIABILITIES AND NET POSITION		
Current liabilities:		
Revenue bonds payable, current portion	$ 2,010,000	$ 1,895,000
Note payable to related party, current portion	262,477	257,790
Contractors payable	6,421,569	6,066,991
Trade and other payables	439,244	287,146
Due to related parties	3,782,438	2,683,244
Accrued expenses	564,032	2,275,750
Unearned revenues	1,243,154	1,779,563
Compensated absences, current portion	232,125	241,658
Total current liabilities	14,955,039	15,487,142
Noncurrent liabilities:		
Accrued interest payable	546,679	546,679
Compensated absences, net of current portion	314,503	304,970
Revenue bonds payable, net of current portion	38,083,526	40,088,747
Note payable to related party, net of current portion	4,237,083	4,499,649
Total noncurrent liabilities	43,181,791	45,440,045
Total liabilities	58,136,830	60,927,187
Commitment and contingencies		
Net position:		
Net investment in capital assets	148,329,803	148,532,386
Restricted	18,681,827	17,918,281
Unrestricted	17,508,625	11,790,891
Total net position	184,520,255	178,241,558
	$ 242,657,085	$ 239,168,745

See accompanying notes to financial statements.

COMMONWEALTH PORTS AUTHORITY

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

	2015	2014 (As Restated)
Operating revenues:		
Aviation fees	$ 7,713,993	$ 7,415,707
Concession and lease income	6,955,113	6,686,714
Seaport fees	5,536,134	5,003,612
Other	1,850,160	1,953,829
	22,055,400	21,059,862
Recoveries (bad debts)	268,653	(392,797)
Operating revenues, net	22,324,053	20,667,065
Operating expenses:		
Depreciation and amortization	12,442,982	13,063,444
Salaries and wages	5,198,313	4,990,191
Utilities	2,736,581	1,047,522
Contractual services	1,445,210	1,065,781
Insurance	1,151,913	1,132,247
Fuel	737,746	411,414
Employee benefits	619,011	608,015
Repairs and maintenance	603,868	544,948
Supplies	548,579	487,367
Professional fees	295,263	254,728
Travel	104,651	135,769
Promotion and advertising	43,257	39,273
Training	-	9,554
Other	397,474	620,261
Total operating expenses	26,324,848	24,410,514
Operating loss	(4,000,795)	(3,743,449)
Non-operating revenues (expenses):		
Passenger facility charges	2,463,032	2,153,654
Insurance proceeds	1,617,377	-
Recovery of liability due to related party	597,133	-
Interest income	257,444	251,986
Other grant revenues and contributions	239,182	304,045
Settlement of capital project	-	593,880
Interest expense	(2,566,643)	(2,501,915)
Total non-operating revenues, net	2,607,525	801,650
Loss before capital contributions	(1,393,270)	(2,941,799)
Capital contributions	7,671,967	9,155,039
Change in net position	6,278,697	6,213,240
Net position at beginning of year	178,241,558	172,028,318
Net position at end of year	$ 184,520,255	$ 178,241,558

See accompanying notes to financial statements.

COMMONWEALTH PORTS AUTHORITY

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

	2015	2014 (As Restated)
Cash flows from operating activities:		
Cash received from customers	$ 20,112,680	$ 22,205,938
Cash payments to suppliers for goods and services	(9,054,161)	(5,126,284)
Cash payments to employees for services	(5,817,324)	(5,623,440)
Net cash provided by operating activities	5,241,195	11,456,214
Cash flows from noncapital financing activity:		
Other grant revenues and contributions	239,182	304,045
Net cash provided by noncapital financing activity	239,182	304,045
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(9,572,082)	(8,881,691)
Capital and other contributions received	8,384,892	8,262,367
Proceeds from settlement of capital project	-	593,880
Insurance proceeds	1,617,377	-
Passenger facility charge receipts	2,463,032	2,153,654
Principal paid on revenue bond maturities	(1,895,000)	(1,780,000)
Payments on note payable to related party	(257,879)	(249,687)
Interest paid on revenue bonds and note payable to related party	(2,727,503)	(2,837,069)
Net cash used for capital and related financing activities	(1,987,163)	(2,738,546)
Cash flows from investing activities:		
Net investment purchases, restricted	(763,546)	(894,236)
Interest income	257,444	251,986
Net cash used for investing activities	(506,102)	(642,250)
Net change in cash	2,987,112	8,379,463
Cash at beginning of year	20,844,321	12,464,858
Cash at end of year	$ 23,831,433	$ 20,844,321
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	$ (4,000,795)	$ (3,743,449)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	12,442,982	13,063,444
(Recoveries) bad debts	(268,653)	392,797
Recovery of liability due to related party	597,133	-
(Increase) decrease in assets:		
Receivables - operations	(566,669)	(454,618)
Receivables - officers and employees	(1,549)	4,508
Prepaid expenses	(1,119,623)	39,787
Receivables - related parties	(844,796)	(60,857)
Increase (decrease) in liabilities:		
Trade and other payables	152,098	99,079
Due to related parties	1,099,194	288,365
Accrued expenses	(1,711,718)	152,875
Unearned revenue	(536,409)	1,699,517
Compensated absences	-	(25,234)
Net cash provided by operating activities	$ 5,241,195	$ 11,456,214

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. 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, receivables and receivables from related party.

At September 30, 2015 and 2014, 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, 2015 and 2014, concentrations of credit risk result from receivables from significant customers and receivable from a related party which represent 35% and 37%, respectively, of total receivables. Management assesses the risk of loss and provides an allowance for doubtful accounts to compensate for known credit risk.

(2) Summary of Significant Accounting Policies, Continued

Cash

For the purposes of the statements of net position and the statements of cash flows, cash is defined as cash on hand, demand deposits and savings. 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. Eligible interest expense of $215,466 and $375,365 was capitalized during the years ended September 30, 2015 and 2014, respectively. 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 collectability of these accounts and prior collection experience. The allowance is established through an allowance for doubtful accounts charged to bad debts expense. Bad debts are written-off against the allowance based on the specific identification method.

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 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.

(2) Summary of Significant Accounting Policies, Continued

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 position.

Retirement Plan

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

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

On March 11, 2013, Public Law 18-02 was enacted to amend Public Law 17-82 to clarify those provisions necessary to expedite the refunds and to prevent any further frustration of the process. Included in the public law is the amendment of Section 203(a) of Title 1, Division 8, Part 3, which states that the government obligation to withhold and remit the employee's portion to the employee's defined account shall continue with respect to employees who do not terminate membership in the DB Plan. All but four active CPA employees voluntarily terminated membership in the DB Plan and CPA contributed $38,188, $43,263 and $69,371 to the DB Plan during the years ended September 30, 2015, 2014 and 2013, respectively.

For the years ended September 30, 2015, 2014 and 2013, CPA contributed to the U.S. Social Security system benefits of $423,003, $395,422 and $406,670, respectively.

(2) Summary of Significant Accounting Policies, Continued

Defined Contribution Plan (DC Plan)

On June 16, 2006, Public Law No. 15-13 was enacted which created the DC Plan, a multi-employer pension plan and is the single retirement program for all employees whose first time CNMI government employment commences on or after January 1, 2007. Each member of the DC Plan is required to contribute to the member's individual account an amount equal to 10% of the member's compensation. 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, 2015, 2014 and 2013 were $57,618, $57,362 and $65,032, 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 outflow from cost of refunding debt, less outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- Restricted:
  - Nonexpendable - Net position subject to externally imposed stipulations that CPA maintain them permanently. For the years ended September 30, 2015 and 2014, 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. The accumulated vacation leave liability as of September 30, 2015 and 2014 amounted to $546,628.

Unearned Revenues

Unearned revenues arise when federal funds are received in excess of federal funds expended.

(2) Summary of Significant Accounting Policies, Continued

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, financing and investing activities, Passenger Facility Charges and certain recurring income and costs.

Recovery of Liability 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).

At September 30, 2015 and 2014, CPA recorded amounts due to the CNMI government related to the 1% Public Auditor fee totaling $1,735,380 and $2,200,757, respectively. During the year ended September 30, 2015, OPA agreed to apply cumulative external audit fees against the amount due to the CNMI government resulting in a recovery of $597,133 (see note 10).

New Accounting Standards

During fiscal year 2015, the following pronouncements were implemented:

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

- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations,* which improves accounting and financial reporting for state and local governments' combinations and disposals of government operations. Government combinations include mergers, acquisitions, and transfers of operations. A disposal of government operations can occur through a transfer to another government or a sale. The implementation of this statement did not have a material effect on the accompanying financial statements.

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application,* which addresses accounting and financial reporting issues related to fair value measurements and requires entities to expand their fair value disclosures by determining major categories of debt and equity securities within the fair value hierarchy on the basis of the nature and risk of the investment. The provisions in Statement No. 72 are effective for fiscal years beginning after June 15, 2015. Management believes that the implementation of this statement only requires additional disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques and will not have a material effect on the financial statements.

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

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

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

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which eliminates two of the four categories of authoritative GAAP that exist under the existing hierarchy prescribed by Statement No. 55. The two categories that will remain under the new standard are (1) GASB Statements and (2) GASB technical bulletins and implementation guides in addition to AICPA guidance that the GASB clears. The provisions in Statement No. 76 are effective for fiscal years beginning after June 15, 2015. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain 2014 balances in the accompanying financial statements have been reclassified to conform to the 2015 presentation.

(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

As of September 30, 2015 and 2014, total cash was $23,831,433 and $20,844,321, respectively, and the corresponding bank balances were $24,461,673 and $20,908,071, respectively. All bank balances are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. CNMI law does not require component unit funds to be collateralized and thus CPA’s funds, in excess of FDIC insurance, are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

(3) Deposits 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 are summarized as follows:

	2015	2014
Airport Division		
Bond Reserve Fund	$ 1,591,970	$ 1,589,375
Bond Fund	832,110	428,720
Maintenance and Operation	2,001,170	1,908,612
Revenue Fund	724	724
Optional Redemption Fund	12,102	12,101
	4,438,076	3,939,532
Seaport Division		
Bond Reserve Fund	3,479,833	3,479,779
Supplemental Reserve Fund	7,991,935	8,034,239
Reimbursement Fund	5,808	5,809
Bond Fund	1,683,890	916,481
Maintenance and Operation	1,074,295	1,534,451
Construction Fund	7,179	7,179
Revenue Fund	811	811
	14,243,751	13,978,749
	$ 18,681,827	$ 17,918,281

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.

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, 2015 and 2014, there were no investments in any one issuer that exceeded 5% of total investments.

As of September 30, 2015 and 2014, investments at fair value consist of investments in U.S. Government money market placements and mutual funds.

(4) Receivables from Federal Grantor Agencies

Receivables from federal grantor agencies as of September 30, 2015 and 2014 are as follows:

	2015	2014
U.S. Department of Transportation	$ 454,469	$ 1,157,514
U.S. Department of Homeland Security	55,092	91,470
U.S. Department of the Interior - passed through from the CNMI Government	78,866	52,368
Other	27,220	27,220
	$ 615,647	$ 1,328,572

Amounts due from the above agencies represent reimbursements due under grants for costs incurred for improvements of the CNMI airports and public assistance. Generally, under the grant agreements, the grantor agency funds a portion of the allowable costs incurred, ranging from 75% to 100%, with the remainder of project costs, if any, funded by CPA or other sources. Capital contributions amounting to $7,671,967 and $9,155,039 and operating grants amounting to $239,182 and $304,045 were received from grantor agencies during the years ended September 30, 2015 and 2014, respectively.

(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, China and Korea. CPA's accounts receivable from operations as of September 30, 2015 and 2014, are as follows:

	2015	2014
Accounts receivable	$ 5,279,502	$ 4,357,633
Less allowance for doubtful accounts	(1,418,855)	(1,332,308)
	$ 3,860,647	$ 3,025,325

(6) Capital Assets

Capital asset balances consist of the following as of September 30, 2015 and 2014:

(6) Capital Assets, Continued

	Estimated Useful Lives	Balance October 1, 2014	Increases	Decreases	Balance September 30, 2015
Assets not being depreciated:					
Construction in progress		$ 58,206,411	$ 9,552,406	$ -	$ 67,758,817
Land		464,429	-	-	464,429
Total capital assets not being depreciated		58,670,840	9,552,406	-	68,223,246
Capital assets being depreciated:					
Runway and improvements	20 years	113,856,055	-	-	113,856,055
Other improvements	3 - 10 years	26,571,597	209,796	-	26,781,393
Terminal facilities	20 years	101,688,291	22,987	-	101,711,278
Terminal equipment	2 - 10 years	9,533,118	7,465	(21,708)	9,518,875
Harbor facilities	20 years	63,601,422	-	-	63,601,422
Grounds maintenance and shop equipment	2 - 5 years	354,910	15,900	(21,600)	349,210
Fire and rescue equipment	2 - 8 years	11,574,506	16,423	(21,710)	11,569,219
Office furniture and fixtures	2 - 10 years	1,117,289	260,858	(114,381)	1,263,766
General transportation	3 - 5 years	1,275,013	33,537	(155,204)	1,153,346
Other	3 - 5 years	2,670,854	22,754	-	2,693,608
		332,243,055	589,720	(334,603)	332,498,172
Less accumulated depreciation and amortization		(196,442,042)	(12,442,982)	334,603	(208,550,421)
Total capital assets being depreciated		135,801,013	(11,853,262)	-	123,947,751
Total capital assets, net		$ 194,471,853	$ (2,300,856)	$ -	$ 192,170,997

	Estimated Useful Lives	Balance October 1, 2013	Increases	Decreases	Balance September 30, 2014
Assets not being depreciated:					
Construction in progress		$ 47,509,582	$ 11,144,029	$ (447,200)	$ 58,206,411
Land		464,429	-	-	464,429
Total capital assets not being depreciated		47,974,011	11,144,029	(447,200)	58,670,840
Capital assets being depreciated:					
Runway and improvements	20 years	113,856,055	-	-	113,856,055
Other improvements	3 - 10 years	26,598,973	259,330	(286,706)	26,571,597
Terminal facilities	20 years	101,802,939	96,916	(211,564)	101,688,291
Terminal equipment	2 - 10 years	10,301,788	85,885	(854,555)	9,533,118
Harbor facilities	20 years	63,635,195	-	(33,773)	63,601,422
Grounds maintenance and shop equipment	2 - 5 years	388,189	-	(33,279)	354,910
Fire and rescue equipment	2 - 8 years	11,514,281	60,225	-	11,574,506
Office furniture and fixtures	2 - 10 years	1,178,857	256,631	(318,199)	1,117,289
General transportation	3 - 5 years	1,300,004	-	(24,991)	1,275,013
Other	3 - 5 years	2,614,419	131,917	(75,482)	2,670,854
		333,190,700	890,904	(1,838,549)	332,243,055
Less accumulated depreciation and amortization		(185,167,403)	(13,063,444)	1,788,805	(196,442,042)
Total capital assets being depreciated		148,023,297	(12,172,540)	(49,744)	135,801,013
Total capital assets, net		$ 195,997,308	$ (1,028,511)	$ (496,944)	$ 194,471,853

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.

(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 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, 2015 and 2014, consist of the following:

	2015	2014
Special Revenue Bonds, tax exempt, 1998 Senior Series A: interest and annual installments payable to the Bond Trustee between 2016 and 2028 are listed below.	$ 12,260,000	$ 12,860,000
Less current portion	640,000	600,000
Long-term portion	$ 11,620,000	$ 12,260,000

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.

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

Year ending September 30,	Principal	Interest	Total
2016	$ 640,000	$ 746,250	$ 1,386,250
2017	675,000	705,156	1,380,156
2018	730,000	661,250	1,391,250
2019	765,000	614,531	1,379,531
2020	810,000	565,313	1,375,313
2021 - 2025	4,900,000	1,971,563	6,871,563
2026 - 2028	3,740,000	360,313	4,100,313
	$ 12,260,000	$ 5,624,376	$ 17,884,376

(7) Revenue Bonds Payable, Continued

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 outflow from cost of refunding debt and is being amortized over the refunded debt's life, which is shorter than the life of the new debt. At September 30, 2015 and 2014, deferred outflow from cost of refunding debt amounted to $751,892 and $801,719, respectively. 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.

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, 2015 and 2014, consist of the following:

	2015	2014
Special Revenue Bonds, tax exempt, 1998 Senior Series A: interest and annual installments payable to the Bond Trustee between 2016 and 2028 are listed below.	$ 22,135,000	$ 23,210,000
Special Revenue Bonds, tax exempt, 2005 Senior Series A: interest and annual installments payable to the Bond Trustee between 2016 and 2031 are listed below.	5,775,000	5,995,000
Discount on 2005 Senior Series A bonds	(76,474)	(81,253)
	27,833,526	29,123,747
Less current portion	1,370,000	1,295,000
Long-term portion	$ 26,463,526	$ 27,828,747

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.

(7) Revenue Bonds Payable, Continued

Seaport Division, Continued

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

Year ending September 30,	Principal	Interest	Total
2016	$ 1,370,000	$ 1,734,590	$ 3,104,590
2017	1,460,000	1,643,812	3,103,812
2018	1,555,000	1,547,095	3,102,095
2019	1,650,000	1,444,273	3,094,273
2020	1,755,000	1,335,015	3,090,015
2021 - 2025	10,560,000	4,780,023	15,340,023
2026 - 2030	9,035,000	1,157,503	10,192,503
2031	525,000	14,437	539,437
	$ 27,910,000	$ 13,656,748	$ 41,566,748

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, 2015 and 2014, total deposits in the Seaport supplemental reserve fund amounted to $7,991,935 and $8,034,239, respectively.

Bond Redemption

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

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

Redemption Dates	Redemption Prices
March 15, 2013 through March 14, 2014	102%
March 15, 2014 through March 14, 2015	101%
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.

(7) Revenue Bonds Payable, Continued

Bond Redemption, Continued

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

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

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

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:

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%

(7) 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 $20,050,000 and $33,775,000 in 1998 Senior Series A and $7,225,000 of 2005 Senior Series A tax-exempt special revenue bonds. Proceeds from the bonds provided financing for capital assets. The bonds are payable from pledged gross revenues. The bonds are payable through fiscal years 2028, 2028 and 2031, respectively. The total principal and interest payable for the remainder of the life of these bonds are $59,451,124 and $63,951,184 at September 30, 2015 and 2014, respectively. Pledged gross revenues received during the years ended September 30, 2015 and 2014 were $22,055,400 and $21,059,862, respectively. Debt service payments during the years ended September 30, 2015 and 2014 amounted to $4,500,060 and $4,501,958 representing 20% and 22%, respectively, of pledged gross revenues.

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, 2015. 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.

(7) Revenue Bonds Payable, Continued

Pledge of Future Revenues, Continued

Management of CPA has determined that gross revenues consist of total operating revenues, other grant revenue and contributions, interest income and passenger facility charges to meet the indenture requirements. For fiscal years 2015 and 2014, management of CPA determined that 100% of passenger facility charges are considered as gross revenues for these purposes.

The Commonwealth Development Authority subordinated CPA's obligations under the 1992 Loan Agreement, to CPA's obligation on the Seaport bonds. Accordingly, principal and interest payments due during the fiscal year were excluded in the calculation of debt coverage ratio. Management of CPA has determined that Sections (A)(2) and (A)(3) of the Indenture apply to subsequent bond issuances and therefore does not apply at September 30, 2015 and 2014.

Changes in long-term liabilities for the years ended September 30, 2015 and 2014, are as follows:

	Balance October 1, 2014	Additions	Reductions	Balance September 30, 2015	Due Within One Year
Bonds payable:					
Airport 1998 Senior Series A	$ 12,860,000	$ -	$ (600,000)	$ 12,260,000	$ 640,000
Seaport 1998 Senior Series A	23,210,000	-	(1,075,000)	22,135,000	1,140,000
Seaport 2005 Senior Series A	5,995,000	-	(220,000)	5,775,000	230,000
Note payable	4,757,439	-	(257,879)	4,499,560	262,477
Deferred amounts:					
Discount on bonds	(81,253)	-	4,779	(76,474)	-
	46,741,186	-	(2,148,100)	44,593,086	2,272,477
Other:					
Compensated absences	546,628	403,994	(403,994)	546,628	232,125
Accrued interest	546,679	122,443	(122,443)	546,679	-
	$ 47,834,493	$ 526,437	$ (2,674,537)	$ 45,686,393	$ 2,504,602

	Balance October 1, 2013	Additions	Reductions	Balance September 30, 2014	Due Within One Year
Bonds payable:					
Airport 1998 Senior Series A	$ 13,425,000	$ -	$ (565,000)	$ 12,860,000	$ 600,000
Seaport 1998 Senior Series A	24,220,000	-	(1,010,000)	23,210,000	1,075,000
Seaport 2005 Senior Series A	6,200,000	-	(205,000)	5,995,000	220,000
Note payable	5,007,126	-	(249,687)	4,757,439	257,790
Deferred amounts:					
Discount on bonds	(86,033)	-	4,780	(81,253)	-
	48,766,093	-	(2,024,907)	46,741,186	2,152,790
Other:					
Compensated absences	571,862	408,552	(433,786)	546,628	241,658
Accrued interest	546,679	115,111	(115,111)	546,679	-
	$ 49,884,634	$ 523,663	$ (2,573,804)	$ 47,834,493	$ 2,394,448

(8) Note Payable to Related Party

CPA's note payable is as follows:

	2015	2014
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 June 15, 2030. Principal and interest payments in the amount of $31,000 are due monthly beginning June 15, 2010. The payment of accrued interest totaling $546,679 has been deferred until the maturity of the loan or until the loan is paid off, whichever comes first and, accordingly, is presented as long-term in the accompanying financial statements.	$ 4,499,560	$ 4,757,439
Less current portion	262,477	257,790
Long-term portion	$ 4,237,083	$ 4,499,649

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

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

Year ending September 30,	Principal	Interest	Total
2016	$ 262,477	$ 109,433	$ 371,910
2017	269,206	102,794	372,000
2018	276,014	95,986	372,000
2019	282,994	89,006	372,000
2020	290,151	81,849	372,000
2021 - 2025	1,564,597	295,402	1,859,999
2026 - 2030	1,554,121	635,179	2,189,300
	$ 4,499,560	$ 1,409,649	$ 5,909,209

(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 and seaport facilities to which it is exposed. Settled claims have not exceeded this commercial insurance coverage during the past three years.

(10) Related Party Transactions

Total related party transactions for the years ended September 30, 2015 and 2014, and the related receivable and payable balances, are as follows:

	2015			
	Revenues and Capital Contributions	Expenses	Receivables	Payables
Commonwealth Utilities Corporation	$ 211,571	$ 2,736,581	$ 1,351,565	$ 2,047,058
CNMI Government	78,866	131,756	-	1,735,380
Commonwealth Development Authority	-	122,443	-	-
	$ 290,437	$ 2,990,780	$ 1,351,565	$ 3,782,438

	2014 (As Restated)			
	Revenues and Capital Contributions	Expenses	Receivables	Payables
Commonwealth Utilities Corporation	$ 211,571	$ 1,047,522	$ 506,769	$ 482,487
CNMI Government	52,368	127,166	-	2,200,757
Commonwealth Development Authority	-	115,111	-	-
	$ 263,939	$ 1,289,799	$ 506,769	$ 2,683,244

A note payable to CDA amounted to $4,499,560 and $4,757,439 at September 30, 2015 and 2014, respectively. Interest expense on this note for the years ended September 30, 2015 and 2014 amounted to $122,443 and $115,111, respectively.

On June 30, 2008, CPA and the Commonwealth Utilities Corporation (CUC) entered into an amended and superseding MOA for the repayment of wharfage fees due to CPA amounting to $3,385,131 with interest at 6.25%. In accordance with the MOA, CPA has the right to offset utility charges at the Port of Saipan and other ancillary accounts against the receivable from CUC beginning July 1, 2008. Total utility charges offset during the years ended September 30, 2015 and 2014 amounted to $117,934 and $150,713, respectively. Due to the potential uncollectability of the remaining amount due, the remaining receivable has been fully allowed for. At September 30, 2015 and 2014, interest receivable from CUC amounted to $600,406 and $506,769, respectively. In addition, during the year ended September 30, 2015, CPA recorded lease receivable from CUC totaling $751,159 for the rental of water wells situated on CPA property. CPA and CUC are currently negotiating an arrangement to offset the receivable against CPA’s utility charges from CUC. The installation of a master meter at the Saipan airport has resulted in the increase of utilities expense during fiscal year 2015.

Amounts payable to CUC of $2,047,058 and $482,487 represent outstanding utility charges at September 30, 2015 and 2014, respectively.

CPA recorded contributions of $78,866 and $52,368 from the CNMI government during the years ended September 30, 2015 and 2014, respectively. The amount due to the CNMI government relates to the 1% Public Auditor fee of $1,735,380 and $2,200,757 at September 30, 2015 and 2014, respectively. During the year ended September 30, 2015, CPA recognized a recovery related to the 1% Public Auditor fee (see note 2).

(11) Commitment and Contingencies

Commitment

CPA's Airport Division leases rental car concession booths, office space and other ground space. The Seaport Division leases land and warehouse space. Lease terms range from one to forty years and in most instances contain provisions for percentage rent. Concession and lease income for the years ended September 30, 2015 and 2014, amounted to $6,955,113 and $6,686,714, respectively. Minimum future lease income is as follows:

Year ending September 30,	Minimum Lease Income Due
2016	$ 1,700,162
2017	1,639,345
2018	1,599,637
2019	1,589,485
2020	1,645,364
2021 - 2025	5,391,897
2026 - 2030	551,324
2031 - 2035	98,788
2036 - 2037	23,983
	$ 14,239,985

Contingencies

CPA incurred a combined loss before capital contributions from its two divisions of $1,393,270 and $2,941,799 during the years ended September 30, 2015 and 2014, 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 new rates at the airport.

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

In April 2012, a court order was issued by the CNMI Superior Court authorizing autonomous agencies to remit employer contributions of 30% of covered payroll to NMIRF. On September 30, 2013, the United States District Court for the Northern Mariana Islands approved a Settlement agreement in a Class Action Settlement (Settlement), between a retiree (individually and on behalf of similarly-situated persons) and the CNMI, NMIRF and others. The Settlement includes the creation of the Settlement Fund to accept the transfer of NMIRF assets, receive annual contributions and payments by the CNMI and to carry out the consent judgment entered by the District Court. Further, Section 8.1 of the Settlement assigns the CNMI the rights to collect deficient employer contributions and related costs as of August 6, 2013 from autonomous agencies.

CPA has taken the position that 30% is the correct rate and will challenge the matter in court if required to pay the deficient employer contributions. Accordingly, deficient employer contributions of $1,048,784, inclusive of penalties totaling $187,997, are not reflected in the accompanying financial statements at September 30, 2015 and 2014.

(11) Commitment and Contingencies, Continued

Contingencies, Continued

In accordance with 14 CFR Part 158.67(c), at least annually during the period the Passenger Facility Charge (PFC) is collected, held or used, each public agency shall provide for an audit of its PFC account. Cumulative questioned costs of $781,102 have been set forth in CPA's PFC report for the year ended September 30, 2015. The ultimate disposition of these questioned costs can be determined only by final action of the Federal Aviation Administration; 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, as a result of its legal defenses and insurance arrangements, none of these matters will have a material adverse effect on CPA's financial position, change in net position or cash flows.

(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, Russia, China and Korea. Seaport fees received by CPA are primarily comprised of wharfage fees on cargo from the CNMI, Japan, United States, the Philippines and other Asian countries. Lease revenue is derived primarily from Saipan International Airport's prime concessionaire who is located in the CNMI.

During the years ended September 30, 2015 and 2014, three customers accounted for 49% and 54%, respectively, of the total operating revenues of the Airport Division. Two customers accounted for 30% and 31% of the total operating revenues of the Seaport Division during the years ended September 30, 2015 and 2014, respectively.

(13) Typhoon Damages

During the year ended September 30, 2006, CPA received insurance proceeds relating to Typhoon Chaba damages. At September 30, 2014, CPA recorded the proceeds as accrued expenses of $1,617,377. During the year ended September 30, 2015, CPA determined that repairs are no longer applicable due to additional damages incurred and the length of time that has passed since the assessment. Accordingly, CPA recorded insurance proceed income of $1,617,377 during the year ended September 30, 2015 in the accompanying financial statements.

(14) Restatement

During the year ended September 30, 2015, the CNMI Office of the Attorney General determined that the six-year statute of limitations does not apply to CPA's obligation to the CNMI government. Accordingly, due to related parties and recovery of a liability due to a related party were understated and overstated, respectively, at September 30, 2014.

	As Originally Stated	As Restated
Due to related parties	$ 725,561	$ 2,683,244
Recoverability of a liability due to related party	$ 1,475,196	$ -

(15) Subsequent Event

On January 13, 2016, the Board of Directors approved a new rate methodology for airport related fees. The new rates will be effective on October 1, 2016.

COMMONWEALTH PORTS AUTHORITY

Combining Statement of Net Position
September 30, 2015

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Airport Division	Seaport Division	Elimination	Total
Current assets:				
Cash	$ 17,538,010	$ 6,293,423	$ -	$ 23,831,433
Receivables:				
Grantor agencies	614,329	1,318	-	615,647
Operations, net	3,055,352	805,295	-	3,860,647
Related party, net	751,159	600,406	-	1,351,565
Due from Seaport Division	49,434	-	(49,434)	-
Officers and employees	5,987	3,034	-	9,021
Prepaid expenses	1,373,979	10,077	-	1,384,056
Investments, restricted for debt service and other purposes	4,438,076	14,243,751	-	18,681,827
Total current assets	27,826,326	21,957,304	(49,434)	49,734,196
Nondepreciable capital assets	67,576,277	646,969	-	68,223,246
Depreciable capital assets, net of accumulated depreciation and amortization	90,937,825	33,009,926	-	123,947,751
Deferred outflows from cost of refunding debt	-	751,892	-	751,892
Total assets and deferred outflows of resources	$186,340,428	$ 56,366,091	$ (49,434)	$242,657,085
LIABILITIES AND NET POSITION				
Current liabilities:				
Revenue bonds payable, current portion	$ 640,000	$ 1,370,000	$ -	$ 2,010,000
Note payable to related party, current portion	-	262,477	-	262,477
Contractors payable	6,421,569	-	-	6,421,569
Trade and other payables	429,958	9,286	-	439,244
Due to related parties	3,550,782	231,656	-	3,782,438
Due to Airport Division	-	49,434	(49,434)	-
Accrued expenses	315,410	248,622	-	564,032
Unearned revenues	1,243,154	-	-	1,243,154
Compensated absences, current portion	207,587	24,538	-	232,125
Total current liabilities	12,808,460	2,196,013	(49,434)	14,955,039
Noncurrent liabilities:				
Accrued interest payable	-	546,679	-	546,679
Compensated absences, net of current portion	275,420	39,083	-	314,503
Revenue bonds payable, net of current portion	11,620,000	26,463,526	-	38,083,526
Note payable to related party, net of current portion	-	4,237,083	-	4,237,083
Total noncurrent liabilities	11,895,420	31,286,371	-	43,181,791
Total liabilities	24,703,880	33,482,384	(49,434)	58,136,830
Net position:				
Net investment in capital assets	146,254,102	2,075,701	-	148,329,803
Restricted	4,438,076	14,243,751	-	18,681,827
Unrestricted	10,944,370	6,564,255	-	17,508,625
Total net position	161,636,548	22,883,707	-	184,520,255
	$186,340,428	$ 56,366,091	$ (49,434)	$242,657,085

See Accompanying Independent Auditors' Report.

COMMONWEALTH PORTS AUTHORITY

Combining Statement of Revenues, Expenses and Changes in Net Position
Year Ended September 30, 2015

	Airport Division	Seaport Division	Elimination	Total
Operating revenues:				
Aviation fees	$ 7,713,993	$ -	$ -	$ 7,713,993
Concession and lease income	5,368,253	1,586,860	-	6,955,113
Seaport fees	-	5,536,134	-	5,536,134
Other	1,390,832	459,328	-	1,850,160
	14,473,078	7,582,322	-	22,055,400
Recoveries (bad debts)	272,703	(4,050)	-	268,653
Operating revenues, net	14,745,781	7,578,272	-	22,324,053
Operating expenses:				
Depreciation and amortization	9,545,722	2,897,260	-	12,442,982
Salaries and wages	4,561,787	636,526	-	5,198,313
Utilities	2,618,647	117,934	-	2,736,581
Contractual services	1,342,436	102,774	-	1,445,210
Insurance	687,258	464,655	-	1,151,913
Fuel	705,431	32,315	-	737,746
Employee benefits	544,350	74,661	-	619,011
Repairs and maintenance	549,842	54,026	-	603,868
Supplies	503,165	45,414	-	548,579
Professional fees	276,645	18,618	-	295,263
Travel	86,631	18,020	-	104,651
Promotion and advertising	43,257	-	-	43,257
Other	363,084	34,390	-	397,474
Total operating expenses	21,828,255	4,496,593	-	26,324,848
Operating (loss) income	(7,082,474)	3,081,679	-	(4,000,795)
Non-operating revenues (expenses):				
Passenger facility charges	2,463,032	-	-	2,463,032
Insurance proceeds	-	1,617,377	-	1,617,377
Recovery of liability due to related party	477,170	119,963	-	597,133
Interest income	21,499	235,945	-	257,444
Other grant revenues and contributions	219,923	19,259	-	239,182
Interest expense	(569,534)	(1,997,109)	-	(2,566,643)
Total non-operating revenues (expenses), net	2,612,090	(4,565)	-	2,607,525
(Loss) income before capital contributions	(4,470,384)	3,077,114	-	(1,393,270)
Capital contributions	7,654,905	17,062	-	7,671,967
Change in net position	3,184,521	3,094,176	-	6,278,697
Net position at beginning of year	158,452,027	19,789,531	-	178,241,558
Net position at end of year	$ 161,636,548	$ 22,883,707	$ -	$ 184,520,255

See Accompanying Independent Auditors' Report.

COMMONWEALTH PORTS AUTHORITY

Combining Statement of Cash Flows
Year Ended September 30, 2015

	Airport Division	Seaport Division	Elimination	Total
Cash flows from operating activities:				
Cash received from customers	$ 12,861,051	$ 7,251,629	$ -	$ 20,112,680
Cash payments to suppliers for goods and services	(6,628,828)	(2,425,333)	-	(9,054,161)
Cash payments to employees for services	(5,106,137)	(711,187)	-	(5,817,324)
Net cash provided by operating activities	1,126,086	4,115,109	-	5,241,195
Cash flows from noncapital financing activity:				
Other grant revenues and contributions	219,923	19,259	-	239,182
Net cash provided by noncapital financing activity	219,923	19,259	-	239,182
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(9,196,111)	(375,971)	-	(9,572,082)
Capital and other contributions received	8,369,148	15,744	-	8,384,892
Insurance proceeds	-	1,617,377	-	1,617,377
Passenger facility charge receipts	2,463,032	-	-	2,463,032
Principal paid on revenue bond maturities	(600,000)	(1,295,000)	-	(1,895,000)
Payments on note payable to related party	-	(257,879)	-	(257,879)
Interest paid on revenue bonds and note payable to related party	(785,000)	(1,942,503)	-	(2,727,503)
Net cash provided by (used for) capital and related financing activities	251,069	(2,238,232)	-	(1,987,163)
Cash flows from investing activities:				
Net investment purchases, restricted	(498,544)	(265,002)	-	(763,546)
Interest income	21,499	235,945	-	257,444
Net cash used for investing activities	(477,045)	(29,057)	-	(506,102)
Net change in cash	1,120,033	1,867,079	-	2,987,112
Cash at beginning of year	16,417,977	4,426,344	-	20,844,321
Cash at end of year	$ 17,538,010	$ 6,293,423	$ -	$ 23,831,433
Reconciliation of operating (loss) income to net cash provided by operating activities:				
Operating (loss) income	$ (7,082,474)	$ 3,081,679	$ -	$ (4,000,795)
Adjustments to reconcile operating (loss) income to net cash provided by operating activities:				
Depreciation and amortization	9,545,722	2,897,260	-	12,442,982
(Recoveries) bad debts	(272,703)	4,050	-	(268,653)
Recovery of liability due to related party	477,170	119,963	-	597,133
(Increase) decrease in assets:				
Receivables - operations	(329,491)	(237,178)	-	(566,669)
Interdivisional accounts	6,703	(6,703)	-	-
Receivables - officers and employees	(1,671)	122	-	(1,549)
Prepaid expenses	(1,200,692)	81,069	-	(1,119,623)
Receivables - related parties	(751,159)	(93,637)	-	(844,796)
Increase (decrease) in liabilities:				
Trade and other payables	152,748	(650)	-	152,098
Due to related parties	1,201,891	(102,697)	-	1,099,194
Accrued expenses	(83,549)	(1,628,169)	-	(1,711,718)
Unearned revenues	(536,409)	-	-	(536,409)
Net cash provided by operating activities	$ 1,126,086	$ 4,115,109	$ -	$ 5,241,195

See Accompanying Independent Auditors' Report.