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

REPORT ON THE AUDIT OF FINANCIAL
STATEMENTS IN ACCORDANCE
WITH THE UNIFORM GUIDANCE

YEAR ENDED SEPTEMBER 30, 2021

Deloitte.

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, 2021 AND 2020

Deloitte & Touche LLC
Isa Drive, Capitol Hill
P.O. Box 500308
Saipan, MP 96950-0308
CNMI

Tel: (670) 322-7337/8
Fax: (670) 322-7340
www.deloitte.com

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, 2021 and 2020, 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.

Deloitte.

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 net pension asset or liability, deferred inflows of resources and deferred outflows of resources as of and for the years ended September 30, 2021 and 2020. GASB Statement No. 68 requires an employer to recognize its proportionate share of the collective pension expense, as well as the net pension asset or liability, deferred outflows of resources and deferred inflows of resources. The amount by which this departure would affect the assets and deferred outflows of resources, liabilities and deferred inflows of resources, net position and expenses of CPA has 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, 2021 and 2020, 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

COVID-19

Economic uncertainties as a result of the COVID-19 coronavirus pandemic may negatively impact CPA's future financial results as described in note 12 to the financial statements.

Restatement

As discussed in note 13 to the financial statements, management has determined that revenues earned in prior years were not recorded and has restated net position beginning of year and grantor agencies receivable.

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 14 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.

Deloitte.

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, 2021 (pages 39 through 41) 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 July 22, 2022 on our consideration of CPA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CPA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CPA's internal control over financial reporting and compliance.

Deloitte & Touche LLC

July 22, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED SEPTEMBER 30, 2021

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, 2021, with selected comparative information for the fiscal years ended September 30, 2020 and 2019. Please read it in conjunction with the detailed information contained within the accompanying financial statements.

INTRODUCTION

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

CPA is tasked with the responsibility to operate, maintain and improve all airports and seaports within the CNMI. Airport and seaport facilities currently exist on the islands of Saipan, Tinian and Rota with 144 employees on Saipan, 22 employees on Rota and 28 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.

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, unrestricted and net investment in capital assets.

OVERVIEW OF FINANCIAL STATEMENTS, CONTINUED

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 by 1% or $1,404,621 from $276,262,112 in FY2020 to $277,666,733 in FY2021 and decreased by 2% or $5,272,091 from $281,534,203 in FY2019 to $276,262,112 in FY2020.

Net position for the airport and seaport operations combined increased by 3% or $5,411,965 from $212,300,914 in FY2020 to $217,712,879 in FY2021 and decreased by less than 1% or $137,816 from $212,438,730 in FY2019 to $212,300,914 in FY2020. Net position represents the amount that total assets exceed total liabilities.

Operating revenues for the airport and seaport operations combined decreased by 39% or $5,483,227 from $14,029,504 in FY2020 to $8,546,277 in FY2021 and by 37% or $8,237,983 from $22,267,487 in FY2019 to $14,029,504 in FY2020. Operating revenues for the Airport Division decreased by 81% or $5,741,243 from $7,056,884 in FY2020 to $1,315,641 in FY2021 and by 48% or $6,421,566 from $13,478,450 in FY2019 to $7,056,884 in FY2020. Operating revenues for the Seaport Division increased by 4% or $258,016 from $6,972,620 in FY2020 to $7,230,636 in FY2021 and decreased by 21% or $1,816,417 from $8,789,037 in FY2019 to $6,972,620 in FY2020.

Operating expenses (excluding depreciation and amortization) for the airport and seaport operations combined decreased by 4% or $652,409 from $15,081,582 in FY2020 to $14,429,173 in FY2021 and by 15% or $2,619,265 from $17,700,847 in FY2019 to $15,081,582 in FY2020, mainly due to the austerity measures implemented.

The Airport Division aviation revenue decreased by $3,222,122 due to the reduction of flight activity resulting from the COVID-19 coronavirus pandemic. The Airport Division was in compliance with its Bond Indenture for FY2021 and expects to be in compliance with the Agreement for FY2022.

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 FY2021, the Seaport Division seaport fees decreased by $624,406 due to a decrease in revenue tonnage. The Seaport Division was in compliance with its 1998 and 2005 Bond Indenture Agreements (the Agreements) for FY2021. CPA expects the Seaport Division to be in compliance with the Agreement for FY2022.

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, 2021 follows, with comparative information as of and for the years ended September 30, 2020 and 2019:

FINANCIAL HIGHLIGHTS, CONTINUED

Statements of Net Position

	2021	2020 (As Restated)	2019 (As Restated)
Assets and Deferred Outflows of Resources			
Current assets:			
Cash	$ 28,038,772	$ 30,898,686	$ 33,351,620
Receivables	3,674,448	6,225,199	5,981,070
Prepaid expenses	566,805	456,079	728,149
Investments, restricted for debt service and other purposes	70,507,820	58,081,467	54,843,349
Total current assets	**102,787,845**	**95,661,431**	**94,904,188**
Nondepreciable capital assets	48,000,349	55,518,112	52,938,082
Depreciable capital assets, net of accumulated depreciation and amortization	126,481,147	124,618,762	133,164,819
Deferred outflows from cost of refunding debt	397,392	463,807	527,114
Total assets and deferred outflows of resources	**$ 277,666,733**	**$ 276,262,112**	**$ 281,534,203**
Liabilities and Net Position			
Current liabilities:			
Revenue bonds payable, current portion	$ 2,900,000	$ 2,730,000	$ 2,565,000
Contractors payable	3,901,265	6,434,790	6,396,121
Trade and other payables	64,408	1,145,331	525,808
Due to related parties	4,527,162	4,624,127	3,858,569
Accrued expenses	1,173,381	665,474	772,315
Unearned revenues	3,529,281	1,050,391	4,489,951
Compensated absences, current portion	309,536	271,304	290,313
Total current liabilities	**16,405,033**	**16,921,417**	**18,898,077**
Noncurrent liabilities:			
Compensated absences, net of current portion	461,143	504,598	384,714
Revenue bonds payable, net of current portion	23,058,306	25,958,306	28,688,306
Unearned revenues, net of current portion	20,029,372	20,576,877	21,124,376
Total noncurrent liabilities	**43,548,821**	**47,039,781**	**50,197,396**
Total liabilities	**59,953,854**	**63,961,198**	**69,095,473**
Net position:			
Net investment in capital assets	148,920,586	151,912,374	155,376,709
Restricted	70,507,820	58,081,467	54,843,349
Unrestricted	(1,715,527)	2,307,073	2,218,672
Total net position	**217,712,879**	**212,300,914**	**212,438,730**
Total liabilities and net position	**$ 277,666,733**	**$ 276,262,112**	**$ 281,534,203**

Statements of Revenues, Expenses and Changes in Net Position

	2021	2020 (As Restated)	2019 (As Restated)
Operating revenues:			
Aviation fees	$ 174,567	$ 3,396,689	$ 6,854,861
Seaport fees	4,950,798	5,575,204	6,874,308
Concession and lease income	2,579,104	3,796,768	6,783,029
Other	841,808	1,260,843	1,755,289
	8,546,277	14,029,504	22,267,487
Bad debts	(94,709)	(334,264)	(874,724)
Operating revenues, net	**8,451,568**	**13,695,240**	**21,392,763**

FINANCIAL HIGHLIGHTS, CONTINUED

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

	2021	2020 (As Restated)	2019 (As Restated)
Operating expenses:			
Depreciation and amortization	13,413,176	13,157,977	12,916,905
Salaries and wages	5,190,876	5,900,834	6,320,006
Utilities	1,979,327	2,113,911	4,534,904
Contractual services	1,163,492	1,178,173	1,561,570
Employee benefits	1,278,398	1,297,506	1,279,599
Insurance	2,844,427	2,652,051	1,112,765
Supplies	410,957	394,234	542,867
Repairs and maintenance	550,907	599,109	626,923
Penalties and interest	249,935	1,272	-
Fuel	91,308	267,424	254,729
Travel	56,838	114,006	253,494
Professional fees	163,687	166,278	211,659
Promotion and advertising	28,078	45,006	34,592
Training	-	-	8,345
Other	420,943	351,778	959,394
Total operating expenses	**27,842,349**	**28,239,559**	**30,617,752**
Operating loss	**(19,390,781)**	**(14,544,319)**	**(9,224,989)**
Non-operating revenues (expenses):			
Passenger facility charges	235,150	1,086,945	2,368,264
Interest income	31,079	467,079	580,980
Other grant revenues and contributions	10,733,674	5,791,968	180,060
Water utility charges offset	33,939	87,595	-
Loss on disposal of equipment	(141,302)	(549,641)	-
Insurance proceeds from typhoon-related damages	11,133,897	-	16,746,477
Typhoon-related damages	(1,427,353)	(2,708,597)	(2,465,487)
Interest expense	(1,690,437)	(1,829,621)	(1,517,163)
Total non-operating revenues (expenses), net	**18,908,647**	**2,345,728**	**15,893,131**
(Loss) income before capital contributions	**(482,134)**	**(12,198,591)**	**6,668,142**
Capital contributions	5,894,099	8,417,783	9,110,401
Special items:			
Permanent easement rights granted to water wells	-	3,642,992	-
Change in net position	**5,411,965**	**(137,816)**	**15,778,543**
Net position at beginning of year, as restated	212,300,914	212,438,730	196,660,187
Net position at end of year	**$ 217,712,879**	**$ 212,300,914**	**$ 212,438,730**

Statements of Cash Flows

	2021	2020	2019 (As Restated)
Cash flows from operating activities:			
Cash received from customers	$ 10,649,888	$ 11,722,253	$ 47,882,991
Cash payments to suppliers for goods and services	(10,280,388)	(5,768,969)	(20,930,875)
Cash payments to employees for services	(6,474,497)	(7,097,465)	(7,598,898)
Net cash (used for) provided by operating activities	**(6,104,997)**	**(1,144,181)**	**19,353,218**
Cash flows from noncapital financing activity:			
Other grant revenues and contributions	10,733,674	5,791,968	180,060
Net cash provided by noncapital financing activity	**10,733,674**	**5,791,968**	**180,060**

FINANCIAL HIGHLIGHTS, CONTINUED

Statements of Cash Flows, Continued

	2021	2020	2019 (As Restated)
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(10,183,549)	(7,019,267)	(11,887,940)
Capital and other contributions received	8,182,986	6,067,968	7,178,851
Proceeds from insurance settlement	11,133,897	-	16,746,477
Passenger facility charge receipts	235,150	1,086,945	2,368,264
Principal paid on revenue bond maturities	(2,730,000)	(2,565,000)	(2,415,000)
Payments on note payable to related party	-	-	(3,695,607)
Interest paid on revenue bonds and notes payable to related party	(1,731,801)	(1,900,328)	(2,119,298)
Net cash provided by (used for) capital and related financing activities	**4,906,683**	**(4,329,682)**	**6,175,747**
Cash flows from investing activities:			
Net investment purchases, restricted	(12,426,353)	(3,238,118)	(30,003,288)
Interest income	31,079	467,079	580,980
Net cash used for investing activities	(12,395,274)	(2,771,039)	(29,422,308)
Net change in cash	**(2,859,914)**	**(2,452,934)**	**(3,713,283)**
Cash at beginning of year	30,898,686	33,351,620	37,064,903
Cash at end of year	**$ 28,038,772**	**$ 30,898,686**	**$ 33,351,620**

CAPITAL ASSETS

At September 30, 2021, CPA had $174,481,496 net investment in capital assets, net of depreciation where applicable, including land, runways, terminal and harbor facilities and equipment, fire and rescue equipment, general transportation, other machinery and equipment and numerous projects under construction. This represents a net decrease of $5,655,378 or 3% from the last fiscal year.

	2021	2020	2019
Runway and improvements	$ 123,452,740	$ 120,406,374	$ 119,224,577
Other improvements	28,408,628	29,758,609	29,934,149
Terminal facilities and equipment	124,713,459	124,934,548	128,252,542
Harbor facilities	64,029,877	64,520,013	64,520,013
Grounds maintenance and shop equipment	1,856,589	1,841,292	1,726,667
Fire and rescue equipment	34,959,651	35,551,203	36,331,622
Office furniture and fixtures	3,984,991	4,018,042	3,352,522
General transportation	1,251,905	1,306,240	1,492,812
Other	2,739,514	2,739,514	2,739,514
	385,397,354	385,075,835	387,574,418
Less accumulated depreciation and amortization	(258,916,207)	(260,457,073)	(254,409,599)
Total capital assets being depreciated	126,481,147	124,618,762	133,164,819
Construction in progress	47,535,920	55,053,683	52,473,653
Land	464,429	464,429	464,429
Total capital assets, net	$ 174,481,496	$ 180,136,874	$ 186,102,901

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, 2021, 2020 and 2019 are as follows:

	2021	**2020**	**2019**
Airport			
Bond Reserve Fund	$ 1,685,184	$ 1,683,579	$ 1,665,020
Bond Fund	615,782	588,135	554,160
Maintenance and Operation	7,906,457	4,870,678	2,155,757
Revenue Fund	754	754	748
Optional Redemption Fund	12,603	12,602	12,509
Insurance and Condemnation Proceeds Fund - Yutu	21,398,922	12,428,860	12,403,516
Insurance and Condemnation Proceeds Fund - Mangkhut	1,712,823	1,712,651	1,700,015
Stonecastle Fund	10,073,242	10,069,179	10,010,292
	43,405,767	31,366,438	28,502,017
Seaport			
Bond Reserve Fund	3,514,313	3,517,215	3,492,296
Supplemental Reserve Fund	8,024,194	8,032,258	7,975,806
Reimbursement Fund	6,049	6,048	6,003
Bond Fund	1,316,207	1,258,952	1,190,825
Maintenance and Operation	4,158,220	3,822,619	3,657,852
Construction Fund	7,476	7,475	7,420
Reserve Fund	845	845	838
Stonecastle Fund	10,074,749	10,069,617	10,010,292
	27,102,053	26,715,029	26,341,332
Total	**$ 70,507,820**	**$ 58,081,467**	**$ 54,843,349**

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 $920,000. The long-term portion of the bond balance as of September 30, 2021 is $6,855,000.

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 $1,660,000. The long-term portion of the bond balance as of September 30, 2021 is $12,425,000.

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 and ends in the year 2031.

Payments for the 2005 Seaport bond are current. The current portion of the 2005 Seaport bond principal is $320,000. The long-term portion of the bond balance as of September 30, 2021 is $3,850,000.

A summary of CPA's long-term debt balances as of September 30, 2021, 2020 and 2019 is as follows:

	2021	2020	2019
1998 Senior Series A Bonds - Airport	$ 7,775,000	$ 8,640,000	$ 9,450,000
1998 Senior Series A Bonds - Seaport	$ 14,085,000	$ 15,645,000	$ 17,110,000
2005 Senior Series A Bonds - Seaport	$ 4,170,000	$ 4,475,000	$ 4,765,000

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

REVENUE AND EXPENSE ANALYSIS

Airport and Seaport Combined Operating Revenues

	2021	2020	2019
Airport	$ 1,315,641	$ 7,056,884	$ 13,478,450
Seaport	7,230,636	6,972,620	8,789,037
	$ 8,546,277	$ 14,029,504	$ 22,267,487

The Airport Division operating revenues decreased by 81% in FY2021 as compared to FY2020. The decrease was due to the suspension of international flights due to the COVID-19 coronavirus pandemic. The Seaport Division operating revenues increased by 4% as compared to FY2020. The increase was due to a slight increase in inbound revenue tonnage.

REVENUE AND EXPENSE ANALYSIS, CONTINUED

The CPA Board of Directors implemented an increase of fees for the Airports that took effect in June 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

	2021	2020	2019 (As Restated)
Airport			
Personnel expense	$ 5,291,871	$ 5,987,842	$ 6,491,362
Maintenance and operations expense	6,295,959	6,493,969	8,979,232
	11,587,830	12,481,811	15,470,594
Seaport			
Personnel expense	1,177,403	1,210,498	1,108,243
Maintenance and operations expense	1,663,940	1,389,273	1,122,010
	2,841,343	2,599,771	2,230,253
Combined operating expenses	**$ 14,429,173**	**$ 15,081,582**	**$ 17,700,847**

SPECIAL ITEM

On November 1, 2019, CPA entered into an omnibus agreement with CUC which gave CUC a permanent easement over water wells, water lines, sand filtration, a 20 million gallon tank, and power poles and transmission lines to power the water wells, located on CPA property. CUC is responsible for maintenance of the permanent easement and for maintaining a continuous water supply to CPA. CUC will not charge CPA for water up to $600,000 annually on an indefinite basis beginning November 1, 2019 and CPA will recognize revenue up to this amount annually as water expense is incurred. Permanent easement rights granted for the water wells resulted in revenues of $3,642,992 in fiscal year 2020. Please refer to note 9 to the financial statements for additional information regarding CPA's special item.

RESTATEMENT

During the year ended September 30, 2021, CPA determined that revenues earned in prior years were not recorded. Accordingly, net position at beginning of year and grantor agencies receivable were understated at September 30, 2020.

	As Originally Stated	As Restated
Net position at beginning of year	$ 212,196,525	$ 212,438,730
Grantor agencies receivable	$ 5,152,552	$ 5,394,757

Please refer to note 13 to the financial statements for additional information regarding CPA's restatement.

FY 2021 BOND INDENTURE/DEBT RATIO COMPLIANCE

	Airport			Seaport		
	2021	2020	2019	2021	2020	2019
Required revenues for bond compliance	$ 13,310,291	$ 14,200,952	$ 16,979,008	$ 6,695,767	$ 6,462,290	$ 6,098,094
Actual revenues collected:						
Revenues and other income	1,315,641	7,056,884	13,478,450	7,230,636	6,972,620	8,789,037
Insurance proceeds from typhoon-related damages	11,133,897	-	16,746,477	-	-	-
Other grant revenues and contributions	10,733,674	5,791,968	180,060	-	-	-
Special item	-	3,642,992	-	-	-	-
Interest income	13,890	232,163	209,840	17,189	234,916	371,140
Passenger facility charge	235,150	1,086,945	2,368,264	-	-	-
	23,432,252	17,810,952	32,983,091	7,247,825	7,207,536	9,160,177
Variance (noncompliance)	**$ 10,121,961**	**$ 3,610,000**	**$ 16,004,083**	**$ 552,058**	**$ 745,246**	**$ 3,062,083**

As illustrated in the above table, for FY2021, FY2020 and FY2019, CPA was able to generate sufficient revenues for the Airport and Seaport to meet its Bond Indenture requirements. A key factor contributing to CPA Airport's ability to meet these requirements is the FAA opinion allowing passenger facility charges to be considered as revenues for compliance calculations and the inclusion of insurance proceeds from typhoon-related damages and operating grant reimbursements in the bond indenture definition of gross revenues. As stated previously, revenues and expenses are being monitored on a monthly basis so that steps can be taken to ensure compliance. The results from this activity were used to construct budgets for FY2022 and FY2023. 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 2019	517,433	469,981	680,938,846
FY 2020	265,675	232,230	372,886,229
FY 2021	47,576	15,928	99,080,340
Rota			
FY 2019	11,530	No data	23,051,154
FY 2020	6,945	No data	20,729,624
FY 2021	9,933	No data	22,323,158
Tinian			
FY 2019	39,128	No data	53,265,172
FY 2020	21,464	No data	30,910,024
FY 2021	18,335	No data	26,946,492
All Airports			
FY 2019	568,091	469,981	757,255,172
FY 2020	294,084	232,230	424,525,877
FY 2021	75,844	15,928	148,349,990

REVENUE-BASED STATISTICS, CONTINUED

AIRPORT DIVISION, CONTINUED

In FY2021, consolidated airport enplanements (air passenger departures) decreased by 74% and consolidated deplanements (air passenger arrivals) decreased by 93% from FY 2020. These decreases are due to the suspension of flights resulting from the COVID-19 coronavirus pandemic.

SEAPORT DIVISION

	Revenue Tons		
	Inbound	**Outbound**	**Total**
Saipan			
FY 2019	513,922	27,799	541,721
FY 2020	403,997	15,842	419,839
FY 2021	379,902	14,835	394,737
Rota			
FY 2019	4,535	683	5,218
FY 2020	8,535	627	9,162
FY 2021	10,237	614	10,851
Tinian			
FY 2019	18,052	3,499	21,551
FY 2020	20,786	2,011	22,797
FY 2021	19,303	2,457	21,760
All Seaports			
FY 2019	536,509	31,981	568,490
FY 2020	433,318	18,480	451,798
FY 2021	409,442	17,906	427,348

In FY2021, seaport inbound cargo decreased by 6% and outbound cargo decreased by 3% for the three seaports combined from FY2020.The decrease in revenue tonnage is due to the decrease in shipping activity resulting from the COVID-19 coronavirus pandemic.

ECONOMIC OUTLOOK

The Airport aviation traffic for 2022 is forecasted to slightly increase as flights return to operations. The COVID-19 coronavirus pandemic continues to have a detrimental impact on CPA's financial outlook and has significantly declined passenger traffic and corresponding revenue at CPA and its airports.

CPA was able to fund its airport operations and debt service requirements mainly due to the receipt of a Coronavirus Aid, Relief, and Economic Security Act grant from the Federal Aviation Administration. The grant was awarded in May 2020 in the amount of $22,759,818. In addition, CPA has been awarded grants under the Coronavirus Response and Relief Supplemental Appropriations Act in the consolidated amount of $5,690,792 and grants under the American Rescue Plan Act in the consolidated amount of $8,558,676. These grants have four-year performance periods and are available at a 100% federal share. These funds can be used for any purpose which airport revenues may be lawfully used.

ECONOMIC OUTLOOK, CONTINUED

The Seaport gross revenue tons for 2022 is forecasted to remain steady. Management will continue to closely monitor the Airport and Seaport operating expenses in order to maintain a level to comply with the respective Bond Indentures.

Management's Discussion and Analysis for the year ended September 30, 2020 is set forth in CPA's report on the audit of financial statements, which is dated December 13, 2021. That Discussion and Analysis explains the major factors impacting the 2020 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 Mrs. Skye Lynn L. Aldan Hofschneider, Comptroller, P.O. Box 501055, Saipan, MP 96950-1055, or call (670) 237-6500 or email at skye.hofschneider@cnmiports.com.

COMMONWEALTH PORTS AUTHORITY

Statements of Net Position
September 30, 2021 and 2020

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2021	2020 (As Restated)
Current assets:		
Cash	$ 28,038,772	$ 30,898,686
Receivables:		
Grantor agencies	3,105,870	5,394,757
Operations, net	566,940	829,770
Officers and employees	1,638	672
Prepaid expenses	566,805	456,079
Investments, restricted for debt service and other purposes	70,507,820	58,081,467
Total current assets	102,787,845	95,661,431
Nondepreciable capital assets	48,000,349	55,518,112
Depreciable capital assets, net of accumulated depreciation and amortization	126,481,147	124,618,762
Deferred outflows from cost of refunding debt	397,392	463,807
Total assets and deferred outflows of resources	$ 277,666,733	$ 276,262,112
LIABILITIES AND NET POSITION		
Current liabilities:		
Revenue bonds payable, current portion	$ 2,900,000	$ 2,730,000
Contractors payable	3,901,265	6,434,790
Trade and other payables	64,408	1,145,331
Due to related parties	4,527,162	4,624,127
Accrued expenses	1,173,381	665,474
Unearned revenues	3,529,281	1,050,391
Compensated absences, current portion	309,536	271,304
Total current liabilities	16,405,033	16,921,417
Noncurrent liabilities:		
Compensated absences, net of current portion	461,143	504,598
Revenue bonds payable, net of current portion	23,058,306	25,958,306
Unearned revenues, net of current portion	20,029,372	20,576,877
Total noncurrent liabilities	43,548,821	47,039,781
Total liabilities	59,953,854	63,961,198
Commitment and contingencies		
Net position:		
Net investment in capital assets	148,920,586	151,912,374
Restricted	70,507,820	58,081,467
Unrestricted	(1,715,527)	2,307,073
Total net position	217,712,879	212,300,914
Total liabilities and net position	$ 277,666,733	$ 276,262,112

See accompanying notes to financial statements.

Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2021 and 2020

	2021	2020 (As Restated)
Operating revenues:		
Seaport fees	$ 4,950,798	$ 5,575,204
Concession and lease income	2,579,104	3,796,768
Aviation fees	174,567	3,396,689
Other	841,808	1,260,843
	8,546,277	14,029,504
Bad debts	(94,709)	(334,264)
Operating revenues, net	8,451,568	13,695,240
Operating expenses:		
Depreciation and amortization	13,413,176	13,157,977
Salaries and wages	5,190,876	5,900,834
Insurance	2,844,427	2,652,051
Utilities	1,979,327	2,113,911
Employee benefits	1,278,398	1,297,506
Contractual services	1,163,492	1,178,173
Repairs and maintenance	550,907	599,109
Supplies	410,957	394,234
Professional fees	163,687	166,278
Fuel	91,308	267,424
Travel	56,838	114,006
Promotion and advertising	28,078	45,006
Penalties and interest	249,935	1,272
Other	420,943	351,778
Total operating expenses	27,842,349	28,239,559
Operating loss	(19,390,781)	(14,544,319)
Non-operating revenues (expenses):		
Insurance proceeds from typhoon-related damages	11,133,897	-
Other grant revenues and contributions	10,733,674	5,791,968
Passenger facility charges	235,150	1,086,945
Water utility charges offset	33,939	87,595
Interest income	31,079	467,079
Loss on disposal of equipment	(141,302)	(549,641)
Typhoon-related damages	(1,427,353)	(2,708,597)
Interest expense	(1,690,437)	(1,829,621)
Total non-operating revenues (expenses), net	18,908,647	2,345,728
Loss before capital contributions and special item	(482,134)	(12,198,591)
Capital contributions	5,894,099	8,417,783
Special item:		
Permanent easement rights granted to water wells	-	3,642,992
Change in net position	5,411,965	(137,816)
Net position at beginning of year, as restated	212,300,914	212,438,730
Net position at end of year	$ 217,712,879	$ 212,300,914

See accompanying notes to financial statements.

Statements of Cash Flows
Years Ended September 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Cash received from customers	$ 10,649,888	$ 11,722,253
Cash payments to suppliers for goods and services	(10,280,388)	(5,768,969)
Cash payments to employees for services	(6,474,497)	(7,097,465)
Net cash used for operating activities	(6,104,997)	(1,144,181)
Cash flows from noncapital financing activity:		
Other grant revenues and contributions	10,733,674	5,791,968
Net cash provided by noncapital financing activity	10,733,674	5,791,968
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(10,183,549)	(7,019,267)
Capital and other contributions received	8,182,986	6,067,968
Passenger facility charge receipts	235,150	1,086,945
Principal paid on revenue bond maturities	(2,730,000)	(2,565,000)
Proceeds from insurance settlement	11,133,897	-
Interest paid on revenue bonds and note payable to related party	(1,731,801)	(1,900,328)
Net cash provided by (used for) capital and related financing activities	4,906,683	(4,329,682)
Cash flows from investing activities:		
Net investment purchases, restricted	(12,426,353)	(3,238,118)
Interest income	31,079	467,079
Net cash used for investing activities	(12,395,274)	(2,771,039)
Net change in cash	(2,859,914)	(2,452,934)
Cash at beginning of year	30,898,686	33,351,620
Cash at end of year	$ 28,038,772	$ 30,898,686
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	$ (19,390,781)	$ (14,544,319)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation and amortization	13,413,176	13,157,977
Water utility charges offset	33,939	87,595
Permanent easement rights granted to water wells	-	3,642,992
Loss on disposal of equipment	(141,302)	(549,641)
Typhoon-related damages	(1,427,353)	(2,708,597)
Bad debts	94,709	334,264
(Increase) decrease in assets:		
Receivables - operations	168,121	1,761,802
Receivables - officers and employees	(966)	9,620
Prepaid expenses	(110,726)	272,070
Increase (decrease) in liabilities:		
Trade and other payables	(1,080,923)	619,523
Due to related parties	(96,965)	765,558
Accrued expenses	507,907	(106,841)
Unearned revenue	1,931,390	(3,987,059)
Compensated absences	(5,223)	100,875
Net cash used for operating activities	$ (6,104,997)	$ (1,144,181)

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 a related party.

At September 30, 2021 and 2020, 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, 2021 and 2020, concentrations of credit risk result from receivables from significant customers and receivables from a related party which represent 6% and 4%, 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. CPA has elected to record these investments as current as they may satisfy its debt service requirements at any time.

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 $107,774 and $134,014 was capitalized during the years ended September 30, 2021 and 2020, respectively. No interest is capitalized for projects financed with grant proceeds or Passenger Facility Charges.

Investments

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

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.

Passenger Facility Charges

Passenger Facility Charges (PFCs) generate revenue to be expended by CPA for eligible projects and the payment of debt service on the General Revenue Bonds as determined by applicable federal legislation. PFC revenues are recorded as non-operating income in the statements of revenues, expenses and changes in net position.

(2) Summary of Significant Accounting Policies, Continued

Retirement Plan

CPA contributed to the Northern Mariana Islands Retirement Fund's (NMIRF) defined benefit plan (DB Plan), a 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 two active CPA employees voluntarily terminated membership in the DB Plan and CPA contributed $30,165 and $24,932 to the DB Plan during the years ended September 30, 2021 and 2020, respectively.

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, 2021 and 2020 were $77,069 and $88,754, 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.

(2) Summary of Significant Accounting Policies, Continued

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, 2021 and 2020, 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, 2021 and 2020 amounted to $770,679 and $775,902, respectively.

Unearned Revenues

Unearned revenues arise when federal funds are received in excess of federal funds expended as of September 30, 2021 and 2020 and from CPA granting rights to CUC to access certain assets as of September 30, 2020.

Additionally, CPA has recorded unearned revenues related to $20,900,000 received from the U.S. Department of Defense on May 9, 2019 for a 40-year lease of the Tinian divert airfield. CPA has elected to recognize lease revenue over the term of the lease and recorded $522,500 for the years ended September 30, 2021 and 2020. Unearned revenues of $19,637,292 and $20,159,792, respectively, have been recorded as of September 30, 2021 and 2020 of which $522,500 is current.

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, PFCs and certain recurring income and costs.

(2) Summary of Significant Accounting Policies, Continued

Operating and Non-Operating Revenues and Expenses, Continued

During the years ended September 30, 2021 and 2020, CPA incurred losses of $1,427,353 and $2,708,597, respectively, as a result of Supertyphoon Yutu and received insurance proceeds of $11,133,897 and $-0-, respectively, from damages sustained.

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, 2021 and 2020, CPA recorded amounts due to the CNMI government related to the 1% Public Auditor fee totaling $2,696,480 and $2,525,760, respectively.

GASB Statement No. 68

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* which revised and established new financial reporting requirements for most governments that provide their employees with pension benefits through plans that are administered through trusts. 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 years ended September 30, 2021 and 2020 as amounts were not available.

New Accounting Standards

In 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postponed the effective dates of GASB Statement Nos. 84, 89, 90, 91, 92 and 93 by one year and GASB Statement No. 87 by 18 months; however, earlier application of the provisions addressed in GASB Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued. In accordance with GASB Statement No. 95, management has elected to postpone implementation of these statements.

During the year ended September 30, 2021, CPA implemented the following pronouncements:

- GASB Statement No. 84, *Fiduciary Activities*, which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

- GASB Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and 61*, which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

- GASB Statement No. 93, *Replacement of Interbank Offered Rates*, which establishes accounting and reporting requirements related to the replacement of Interbank Offered Rates such as the London Interbank Offered Rate (LIBOR) for hedging derivative instruments. The provision removing LIBOR as an appropriate benchmark interest rate for the evaluation of the effectiveness of derivative instruments is effective for the year ended September 30, 2022.

The implementation of these Statements did not have a material effect on the accompanying financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. Management believes that this Statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 87 will be effective for fiscal year ending September 30, 2022.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Management does not believe that this Statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 89 will be effective for fiscal year ending September 30, 2022.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Management does not believe that this Statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 91 will be effective for fiscal year ending September 30, 2023.

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports, the terminology used to refer to derivative instruments and the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefits. The requirements related to the effective date of GASB Statement No. 87 and Implementation Guide 2019-3, reissuance recoveries and terminology used to refer to derivative instruments are effective upon issuance. In accordance with GASB Statement No. 95, the remaining requirements of GASB Statement No. 92 are effective for the fiscal year ending September 30, 2022.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. Management does not believe that this Statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 94 will be effective for fiscal year ending September 30, 2023.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Management does not believe that this Statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 96 will be effective for fiscal year ending September 30, 2023.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32.* The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. GASB Statement No. 97 will be effective for fiscal year ending September 30, 2022.

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In October 2021, GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. Management does not believe that this Statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 98 will be effective for fiscal year ending September 30, 2022.

Estimates

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

(3) Deposits and Investments

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

Deposits

As of September 30, 2021 and 2020, total cash was $28,038,772 and $30,898,686, respectively, and the corresponding bank balances were $28,361,359 and $31,001,601, 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.

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:

(3) Deposits and Investments, Continued

Investments, Continued

	2021	2020
Airport Division		
Bond Reserve Fund	$ 1,685,184	$ 1,683,579
Bond Fund	615,782	588,135
Maintenance and Operation	7,906,457	4,870,678
Revenue Fund	754	754
Optional Redemption Fund	12,603	12,602
Insurance and Condemnation Proceeds Fund - Yutu	21,398,922	12,428,860
Insurance and Condemnation Proceeds Fund - Mangkhut	1,712,823	1,712,651
Stonecastle Fund	10,073,242	10,069,179
	43,405,767	31,366,438
Seaport Division		
Bond Reserve Fund	3,514,313	3,517,215
Supplemental Reserve Fund	8,024,194	8,032,258
Reimbursement Fund	6,049	6,048
Bond Fund	1,316,207	1,258,952
Maintenance and Operation	4,158,220	3,822,619
Construction Fund	7,476	7,475
Revenue Fund	845	845
Stonecastle Fund	10,074,749	10,069,617
	27,102,053	26,715,029
	$ 70,507,820	$ 58,081,467

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, 2021 and 2020, there were no investments in any one issuer that exceeded 5% of total investments.

As of September 30, 2021 and 2020, investments at fair value consist of investments in U.S. government money market placements and mutual funds.

(3) Deposits and Investments, Continued

Fair Value Measurement of the Investments

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

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

(4) Receivables from Federal Grantor Agencies

Receivables from federal grantor agencies as of September 30, 2021 and 2020 are as follows:

	2021	2020
U.S. Department of Transportation	$ 1,547,203	$ 3,557,972
U.S. Department of Homeland Security	1,558,667	1,836,785
	$ 3,105,870	$ 5,394,757

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 $5,894,099 and $8,417,783 and operating grants amounting to $10,733,674 and $5,791,968 were received from grantor agencies during the years ended September 30, 2021 and 2020, 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, 2021 and 2020, are as follows:

	2021	2020
Accounts receivable	$ 6,374,847	$ 7,364,561
Less allowance for doubtful accounts	(5,807,907)	(6,534,791)
	$ 566,940	$ 829,770

(6) Capital Assets

Capital asset balances consist of the following as of September 30, 2021 and 2020:

	Estimated Useful Lives	Balance October 1, 2020	Increases	Decreases	Balance September 30, 2021
Assets not being depreciated:					
Construction in progress		$ 55,053,683	$ 7,236,412	$ (14,754,175)	$ 47,535,920
Land		464,429	-	-	464,429
Total capital assets not being depreciated		55,518,112	7,236,412	(14,754,175)	48,000,349
Capital assets being depreciated:					
Runway and improvements	20 years	120,406,374	6,028,633	(2,982,267)	123,452,740
Other improvements	3 - 10 years	29,758,609	371,907	(1,721,888)	28,408,628
Terminal facilities	20 years	116,378,402	8,760,132	(8,179,287)	116,959,247
Terminal equipment	2 - 10 years	8,556,146	1,951	(803,885)	7,754,212
Harbor facilities	20 years	64,520,013	-	(490,136)	64,029,877
Grounds maintenance and shop equipment	2 - 5 years	1,841,292	19,997	(4,700)	1,856,589
Fire and rescue equipment	2 - 8 years	35,551,203	47,449	(639,001)	34,959,651
Office furniture and fixtures	2 - 10 years	4,018,042	186,791	(219,842)	3,984,991
General transportation	3 - 5 years	1,306,240	-	(54,335)	1,251,905
Other	3 - 5 years	2,739,514	-	-	2,739,514
		385,075,835	15,416,860	(15,095,341)	385,397,354
Less accumulated depreciation and amortization		(260,457,073)	(13,413,176)	14,954,042	(258,916,207)
Total capital assets being depreciated		124,618,762	2,003,684	(141,299)	126,481,147
Total capital assets, net		$ 180,136,874	$ 9,240,096	$ (14,895,474)	$ 174,481,496

	Estimated Useful Lives	Balance October 1, 2019	Increases	Decreases	Balance September 30, 2020
Assets not being depreciated:					
Construction in progress		$ 52,473,653	$ 7,548,065	$ (4,968,035)	$ 55,053,683
Land		464,429	-	-	464,429
Total capital assets not being depreciated		52,938,082	7,548,065	(4,968,035)	55,518,112
Capital assets being depreciated:					
Runway and improvements	20 years	119,224,577	1,181,797	-	120,406,374
Other improvements	3 - 10 years	29,934,149	404,982	(580,522)	29,758,609
Terminal facilities	20 years	118,929,998	2,524,569	(5,076,165)	116,378,402
Terminal equipment	2 - 10 years	9,322,544	25,045	(791,443)	8,556,146
Harbor facilities	20 years	64,520,013	-	-	64,520,013
Grounds maintenance and shop equipment	2 - 5 years	1,726,667	125,572	(10,947)	1,841,292
Fire and rescue equipment	2 - 8 years	36,331,622	-	(780,419)	35,551,203
Office furniture and fixtures	2 - 10 years	3,352,522	899,601	(234,081)	4,018,042
General transportation	3 - 5 years	1,492,812	-	(186,572)	1,306,240
Other	3 - 5 years	2,739,514	-	-	2,739,514
		387,574,418	5,161,566	(7,660,149)	385,075,835
Less accumulated depreciation and amortization		(254,409,599)	(13,157,977)	7,110,503	(260,457,073)
Total capital assets being depreciated		133,164,819	(7,996,411)	(549,646)	124,618,762
Total capital assets, net		$ 186,102,901	$ (448,346)	$ (5,517,681)	$ 180,136,874

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, 2021 and 2020, consist of the following:

	2021	2020
Special Revenue Bonds, tax exempt, 1998 Senior Series A: interest and annual installments payable to the Bond Trustee between 2022 and 2028 are listed below.	$ 7,775,000	$ 8,640,000
Less current portion	920,000	865,000
Long-term portion	$ 6,855,000	$ 7,775,000

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
2022	$ 920,000	$ 457,188	$ 1,377,188
2023	975,000	397,969	1,372,969
2024	1,035,000	335,156	1,370,156
2025	1,105,000	268,281	1,373,281
2026	1,170,000	197,188	1,367,188
2027 - 2028	2,570,000	163,125	2,733,125
	$ 7,775,000	$ 1,818,907	$ 9,593,907

(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, 2021 and 2020, deferred outflow from cost of refunding debt amounted to $397,392 and $463,807, 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, 2021 and 2020, consist of the following:

	2021	2020
Special Revenue Bonds, tax-exempt, 1998 Senior Series A: interest and annual installments payable to the Bond Trustee between 2022 and 2028 are listed below.	$ 14,085,000	$ 15,645,000
Special Revenue Bonds, tax-exempt, 2005 Senior Series A: interest and annual installments payable to the Bond Trustee between 2022 and 2031 are listed below.	4,170,000	4,475,000
Discount on 2005 Senior Series A bonds	(71,694)	(71,694)
	18,183,306	20,048,306
Less current portion	1,980,000	1,865,000
Long-term portion	$ 16,203,306	$ 18,183,306

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
2022	$ 1,980,000	$ 1,095,380	$ 3,075,380
2023	2,105,000	964,205	3,069,205
2024	2,235,000	824,835	3,059,835
2025	2,375,000	676,775	3,051,775
2026	2,525,000	519,365	3,044,365
2027 - 2031	7,035,000	652,575	7,687,575
	$ 18,255,000	$ 4,733,135	$ 22,988,135

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, 2021 and 2020, total deposits in the Seaport Supplemental Reserve Fund amounted to $8,024,194 and $8,032,258, 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 $32,582,042 and $37,043,839 at September 30, 2021 and 2020, respectively. Pledged gross revenues received during the years ended September 30, 2021 and 2020 were $30,694,867 and $25,076,483, respectively. Debt service payments during the years ended September 30, 2021 and 2020 amounted to $4,461,796 and $4,465,328 representing 15% and 18%, 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, 2021 and 2020. 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, PFCs and insurance proceeds to meet the indenture requirements. For fiscal years 2021 and 2020, management of CPA determined that 100% of PFCs are considered as gross revenues for these purposes.

Changes in long-term liabilities for the years ended September 30, 2021 and 2020, are as follows:

	Balance October 1, 2020	Additions	Reductions	Balance September 30, 2021	Due Within One Year
Bonds payable:					
Airport 1998 Senior Series A	$ 8,640,000	$ -	$ (865,000)	$ 7,775,000	$ 920,000
Seaport 1998 Senior Series A	15,645,000	-	(1,560,000)	14,085,000	1,660,000
Seaport 2005 Senior Series A	4,475,000	-	(305,000)	4,170,000	320,000
Deferred amounts:					
Discount on bonds	(71,694)	-	-	(71,694)	-
	28,688,306	-	(2,730,000)	25,958,306	2,900,000
Other:					
Compensated absences	775,902	512,092	(517,315)	770,679	309,536
	$ 29,464,208	$ 512,092	$ (3,247,315)	$ 26,728,985	$ 3,209,536

	Balance October 1, 2019	Additions	Reductions	Balance September 30, 2020	Due Within One Year
Bonds payable:					
Airport 1998 Senior Series A	$ 9,450,000	$ -	$ (810,000)	$ 8,640,000	$ 865,000
Seaport 1998 Senior Series A	17,110,000	-	(1,465,000)	15,645,000	1,560,000
Seaport 2005 Senior Series A	4,765,000	-	(290,000)	4,475,000	305,000
Deferred amounts:					
Discount on bonds	(71,694)	-	-	(71,694)	-
	31,253,306	-	(2,565,000)	28,688,306	2,730,000
Other:					
Compensated absences	675,027	518,061	(417,186)	775,902	271,304
	$ 31,928,333	$ 518,061	$ (2,982,186)	$ 29,464,208	$ 3,001,304

Events of Default and Remedies of Bondholders

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

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

(7) Revenue Bonds Payable, Continued

Events of Default and Remedies of Bondholders, Continued

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

(c) an event of bankruptcy. Upon the occurrence of an event of default, the Trustee may, and upon the written request of the owners of not less than a majority in aggregate principal amount of Bonds then outstanding shall, declare the principal of all Bonds then outstanding and the interest accrued thereon due and payable on a date specified in such declaration (not less than fiver nor more than nine days after such declaration), and such principal and interest shall thereupon become and be immediately due and payable on such specified date, and interest shall cease to accrue on the Bonds from and after such date. The entire principal amount of the Bonds and such accrued interest shall become due and payable on the date of acceleration set forth in such notice of declaration, and interest shall cease to accrue on the Bonds from and after such date, provided moneys are held by the Trustee as of such date sufficient to pay such principal and accrued interest to such date. If an event of default shall occur and be continuing, all revenues, gross revenue and any other funds then held or thereafter received by the Trustee or the Depository under any of the provisions of the indenture shall be under the control of and apply by the Trustee as dictated by the Indenture.

(8) Risk Management

CPA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. CPA has elected to purchase commercial insurance from independent third parties for the risks of losses at its airport and seaport facilities to which it is exposed. Settled claims have not exceeded commercial insurance coverage during the past three years.

(9) Related Party Transactions

Total related party transactions for the years ended September 30, 2021 and 2020, and the related receivable and payable balances, are as follows:

	2021			
	Revenues and Capital Contributions	Expenses	Unearned Revenues	Due to Related Parties
Commonwealth Utilities Corporation	$ 33,939	$ 1,979,327	$ -	$ 1,830,682
CNMI Government	99,000	170,721	-	2,696,480
	$ 132,939	$ 2,150,048	$ -	$ 4,527,162

(9) Related Party Transactions, Continued

	2020			
	Revenues and Capital Contributions	Expenses	Unearned Revenues	Due to Related Parties
Commonwealth Utilities Corporation	$ 87,595	$ 2,113,911	$ -	$ 2,098,367
CNMI Government	-	175,756	-	2,525,760
	$ 87,595	$ 2,289,667	$ -	$ 4,624,127

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, 2021 and 2020 amounted to $33,939 and $87,595, respectively. In addition, during the years ended September 30, 2021 and 2020, CPA recorded lease receivables from CUC for the rental of water wells situated on CPA property. In June 2018, CPA and CUC agreed to offset CPA's electric utility charges for the Airport Division against receivables from CUC for the Seaport Division of $4,533,909 comprising wharfage fees of $3,385,131 and related interest of $1,148,778 through June 30, 2018, which resulted in a recovery of the Seaport Division of $3,434,497, net of accrued interest.

On November 1, 2019, CPA entered into an omnibus agreement with CUC which gave CUC a permanent easement over water wells, water lines, sand filtration, a 20 million gallon tank, and power poles and transmission lines to power the water wells, located on CPA property. CUC is responsible for maintenance of the permanent easement and for maintaining a continuous water supply to CPA. CUC will not charge CPA for water up to $600,000 annually on an indefinite basis beginning November 1, 2019 and CPA will recognize revenue up to this amount annually as water expense is incurred. Permanent easement rights granted for the water wells resulted in a special item of $3,642,992 in fiscal year 2020.

CPA recorded contributions of $99,000 and $-0- and from the CNMI government during the years ended September 30, 2021 and 2020, respectively. The amount due to the CNMI government relates to the 1% Public Auditor fee of $2,696,480 and $2,525,760 at September 30, 2021 and 2020, respectively.

(10) 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, 2021 and 2020, amounted to $2,579,104 and $3,796,768, respectively. Minimum future lease income is as follows:

(10) Commitment and Contingencies, Continued

Commitment, Continued

Year ending September 30,	Minimum Lease Income Due
2022	$ 2,119,536
2023	2,220,120
2024	2,039,188
2025	1,762,585
2026	1,574,550
2027 - 2031	6,937,324
2032 - 2036	6,129,518
2037 - 2041	2,897,987
2042 - 2046	2,821,234
2047 - 2051	2,837,980
2052 - 2056	2,790,320
2057 - 2059	1,414,375
	$ 35,544,717

Contingencies

CPA participates in a number of federally assisted grant programs funded by the United States Government. These programs are subject to financial and compliance audits to ascertain if Federal laws and guidelines have been followed. Cumulative questioned costs of $24,763 have been set forth in CPA's Single Audit Report for the year ended September 30, 2021. The ultimate disposition of these questioned costs can be determined only by final action of the respective grantor agencies. Therefore, no provision for any liability that may result upon resolution of this matter has been made in the accompanying financial statements.

In accordance with 14 CFR Part 158.67(c), at least annually during the period the PFC is collected, held or used, each public agency shall provide for an audit of its PFC account. Cumulative questioned costs of $879,477 have been set forth in CPA's PFC report for the year ended September 30, 2021. The ultimate disposition of these questioned costs can be determined only by final action of the Federal Aviation Administration (FAA); therefore, no provision for any liability that may result from this matter has been made in the accompanying financial statements.

CPA is involved in certain legal actions and claims that arise in the ordinary course of business resulting in material litigation outstanding; however, no indication as yet has come to management's attention that would require a related liability in the accompanying financial statements. Management believes that, as a result of its legal defenses and insurance arrangements, none of these matters will have an adverse effect on CPA's financial position, change in net position or cash flows.

(11) Major Customers

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

During the years ended September 30, 2021 and 2020, one customer accounted for 10% and 12% of total Airport Division operating revenues, respectively. One customer accounted for 21% and 21% of total operating revenues of the Seaport Division during the years ended September 30, 2021 and 2020, respectively.

(12) COVID-19 Pandemic

Economic uncertainties have arisen as a result of the COVID-19 coronavirus pandemic. CPA expects this matter to negatively impact its future financial results; however, the related financial impact cannot be reasonably estimated at this time. Other financial impacts could occur though such potential impact is unknown.

(13) Restatement

During the year ended September 30, 2021, CPA determined that revenues earned in prior years were not recorded. Accordingly, net position at beginning of year and grantor agencies receivable were understated at September 30, 2020.

	As Originally Stated	As Restated
Net position at beginning of year	$ 212,196,525	$ 212,438,730
Grantor agencies receivable	$ 5,152,552	$ 5,394,757

(14) Subsequent Event

On June 24, 2022, the Governor of the CNMI signed Public Law 22-18 that exempts CPA from paying the 1% Public Auditor fee with respect to Airport revenues; however, the public law does not specifically state that CPA's outstanding liability of approximately $2.3 million to the Office of the Public Auditor is waived. Management has elected to maintain the recorded liability as extinguishment was not referred to in Public Law 22-18.

COMMONWEALTH PORTS AUTHORITY

Combining Statement of Net Position
September 30, 2021

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Airport Division	Seaport Division	Elimination	Total
Current assets:				
Cash	$ 18,443,586	$ 9,595,186	$ -	$ 28,038,772
Receivables:				
Grantor agencies	3,103,488	2,382	-	3,105,870
Operations, net	69,947	496,993	-	566,940
Due from other division	126,435	-	(126,435)	-
Officers and employees	1,638	-	-	1,638
Prepaid expenses	351,744	215,061	-	566,805
Investments, restricted for debt service and other purposes	43,405,767	27,102,053	-	70,507,820
Total current assets	65,502,605	37,411,675	(126,435)	102,787,845
Nondepreciable capital assets	45,659,980	2,340,369	-	48,000,349
Depreciable capital assets, net of accumulated depreciation and amortization	105,963,574	20,517,573	-	126,481,147
Deferred outflows from cost of refunding debt	-	397,392	-	397,392
Total assets and deferred outflows of resources	$ 217,126,159	$ 60,667,009	$ (126,435)	$ 277,666,733
LIABILITIES AND NET POSITION				
Current liabilities:				
Revenue bonds payable, current portion	$ 920,000	$ 1,980,000	$ -	$ 2,900,000
Contractors payable	3,746,063	155,202	-	3,901,265
Trade and other payables	26,132	38,276	-	64,408
Due to related parties	4,072,685	454,477	-	4,527,162
Due to other division	-	126,435	(126,435)	-
Accrued expenses	545,959	627,422	-	1,173,381
Unearned revenues	3,417,148	112,133	-	3,529,281
Compensated absences, current portion	274,062	35,474	-	309,536
Total current liabilities	13,002,049	3,529,419	(126,435)	16,405,033
Noncurrent liabilities:				
Compensated absences, net of current portion	407,534	53,609	-	461,143
Revenue bonds payable, net of current portion	6,855,000	16,203,306	-	23,058,306
Unearned revenues, net of current portion	19,114,793	914,579	-	20,029,372
Total noncurrent liabilities	26,377,327	17,171,494	-	43,548,821
Total liabilities	39,379,376	20,700,913	(126,435)	59,953,854
Net position:				
Net investment in capital assets	143,848,553	5,072,033	-	148,920,586
Restricted	43,405,767	27,102,053	-	70,507,820
Unrestricted	(9,507,537)	7,792,010	-	(1,715,527)
Total net position	177,746,783	39,966,096	-	217,712,879
Total liabilities and net position	$ 217,126,159	$ 60,667,009	$ (126,435)	$ 277,666,733

See Accompanying Independent Auditors' Report.

COMMONWEALTH PORTS AUTHORITY

Combining Statement of Revenues, Expenses and Changes in Net Position
Year Ended September 30, 2021

	Airport Division	Seaport Division	Total
Operating revenues:			
Seaport fees	$ -	$ 4,950,798	$ 4,950,798
Concession and lease income	1,060,515	1,518,589	2,579,104
Aviation fees	174,567	-	174,567
Other	80,559	761,249	841,808
	1,315,641	7,230,636	8,546,277
Bad debts	(29,909)	(64,800)	(94,709)
Operating revenues, net	1,285,732	7,165,836	8,451,568
Operating expenses:			
Depreciation and amortization	10,670,585	2,742,591	13,413,176
Salaries and wages	4,268,925	921,951	5,190,876
Insurance	1,818,033	1,026,394	2,844,427
Utilities	1,704,394	274,933	1,979,327
Employee benefits	1,022,946	255,452	1,278,398
Contractual services	1,034,632	128,860	1,163,492
Repairs and maintenance	486,926	63,981	550,907
Supplies	378,474	32,483	410,957
Professional fees	154,575	9,112	163,687
Fuel	82,547	8,761	91,308
Travel	54,241	2,597	56,838
Promotion and advertising	27,236	842	28,078
Penalties and interest	249,935	-	249,935
Other	304,966	115,977	420,943
Total operating expenses	22,258,415	5,583,934	27,842,349
Operating (loss) income	(20,972,683)	1,581,902	(19,390,781)
Non-operating revenues (expenses):			
Insurance proceeds from typhoon-related damages	11,133,897	-	11,133,897
Other grant revenues and contributions	10,733,674	-	10,733,674
Passenger facility charges	235,150	-	235,150
Water utility charges offset	33,939	-	33,939
Interest income	13,890	17,189	31,079
Loss on disposal of equipment	(2,985)	(138,317)	(141,302)
Typhoon-related damages	(1,427,353)	-	(1,427,353)
Interest expense	(428,222)	(1,262,215)	(1,690,437)
Total non-operating revenues (expenses), net	20,291,990	(1,383,343)	18,908,647
(Loss) income before capital contributions	(680,693)	198,559	(482,134)
Capital contributions	5,879,309	14,790	5,894,099
Change in net position	5,198,616	213,349	5,411,965
Net position at beginning of year	172,548,167	39,752,747	212,300,914
Net position at end of year	$ 177,746,783	$ 39,966,096	$ 217,712,879

See Accompanying Independent Auditors' Report.

COMMONWEALTH PORTS AUTHORITY

Combining Statement of Cash Flows
Year Ended September 30, 2021

	Airport Division	Seaport Division	Total
Cash flows from operating activities:			
Cash received from customers	$ 3,282,019	$ 7,367,869	$ 10,649,888
Cash payments to suppliers for goods and services	(8,887,103)	(1,393,285)	(10,280,388)
Cash payments to employees for services	(5,294,126)	(1,180,371)	(6,474,497)
Net cash (used for) provided by operating activities	(10,899,210)	4,794,213	(6,104,997)
Cash flows from noncapital financing activity:			
Other grant revenues and contributions	10,733,674	-	10,733,674
Net cash provided by noncapital financing activity	10,733,674	-	10,733,674
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(9,643,002)	(540,547)	(10,183,549)
Capital and other contributions received	8,112,583	70,403	8,182,986
Passenger facility charge receipts	235,150	-	235,150
Principal paid on revenue bond maturities	(865,000)	(1,865,000)	(2,730,000)
Proceeds from insurance settlement	11,133,897	-	11,133,897
Interest paid on revenue bonds and note payable to related party	(512,972)	(1,218,829)	(1,731,801)
Net cash provided by (used for) capital and related financing activities	8,460,656	(3,553,973)	4,906,683
Cash flows from investing activities:			
Net investment purchases, restricted	(12,039,329)	(387,024)	(12,426,353)
Interest income	13,890	17,189	31,079
Net cash used for investing activities	(12,025,439)	(369,835)	(12,395,274)
Net change in cash	(3,730,319)	870,405	(2,859,914)
Cash at beginning of year	22,173,905	8,724,781	30,898,686
Cash at end of year	$ 18,443,586	$ 9,595,186	$ 28,038,772
Reconciliation of operating (loss) income to net cash (used for) provided by operating activities:			
Operating (loss) income	$ (20,972,683)	$ 1,581,902	$ (19,390,781)
Adjustments to reconcile operating (loss) income to net cash (used for) provided by operating activities:			
Depreciation and amortization	10,670,585	2,742,591	13,413,176
Water utility charges offset	33,939	-	33,939
Loss on disposal of equipment	(2,985)	(138,317)	(141,302)
Typhoon-related damages	(1,427,353)	-	(1,427,353)
Bad debts	29,909	64,800	94,709
(Increase) decrease in assets:			
Receivables - operations	(20,791)	188,912	168,121
Interdivisional accounts	5,056	(5,056)	-
Receivables - officers and employees	(966)	-	(966)
Prepaid expenses	99,337	(210,063)	(110,726)
Increase (decrease) in liabilities:			
Trade and other payables	(1,112,717)	31,794	(1,080,923)
Due to related parties	(193,638)	96,673	(96,965)
Accrued expenses	12,279	495,628	507,907
Unearned revenues	1,983,073	(51,683)	1,931,390
Compensated absences	(2,255)	(2,968)	(5,223)
Net cash (used for) provided by operating activities	$ (10,899,210)	$ 4,794,213	$ (6,104,997)

See Accompanying Independent Auditors' Report.