MARIANAS VISITORS AUTHORITY
(A Component Unit of the CNMI Government)

REPORTS ON THE AUDIT OF FINANCIAL STATEMENTS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Years Ended September 30, 2006 and 2005

MARIANAS VISITORS AUTHORITY
(A Component Unit of the CNMI Government)

INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS

Years Ended September 30, 2006 and 2005

MARIANAS VISITORS AUTHORITY
(A Component Unit of the CNMI Government)

ANNUAL FINANCIAL REPORT

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September 30, 2006

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Marianas Visitors Authority

I have audited the accompanying financial statements of governmental activities and governmental funds of the Marianas Visitors Authority (MVA), a component unit of the Commonwealth of the Northern Mariana Islands, as of September 30, 2006 and 2005, and for the years then ended. These financial statements are the responsibility of MVA's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 of America. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the MVA's internal control over financial reporting. Accordingly, I express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and governmental funds of MVA as of September 30, 2006 and 2005, and the respective changes in financial position thereof, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with the *Government Auditing Standards*, I have also issued my report dated December 29, 2006 on my consideration of the MVA's internal control over financial reporting and on my tests of its compliances with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis *(MD&A)* pages 3 to 12 are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. This supplementary information is the responsibility of the management of MVA. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit this information and express no opinion on it.

My audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the MVA's basic financial statements. The introductory section and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. This supplementary information is the responsibility of the management of MVA. This introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on them.

J. Scott Magliari & Company
Commonwealth of the Northern Mariana Islands
December 29, 2006

MARIANAS VISITORS AUTHORITY
(A Component Unit of the CNMI Government)

Management's Discussion and Analysis
September 30, 2006

The following discussion and analysis is presented to provide the reader with an overview of the financial activity and overall financial condition of the Marianas Visitors Authority (MVA).

FINANCIAL HIGHLIGHTS

- Appropriations from the CNMI government for Public Law 13-24 was reduced by $1.2 million for the CNMI budget reduction.
- However, supplemental appropriation was given to MVA amounting to $1.1 million. Of this appropriation $700,000 was uncollected as of September 30, 2006.
- Due to the reduction in the appropriations and the uncollected receivables from the CNMI government, current liability increased to $1.2 million, a $742,902 or 149% increase from last year's liabilities. If MVA will fail to collect from the CNMI government, the agency does not have enough current resources to pay its current liabilities.
- MVA received $1,426,184 contributions from the private sector; $181,000 in cash and $1,245,184 in-kind. This is a $790,409 or 124% increase from last years contribution received of $635,775.
- In August 30, 2005, then Governor signed Public Law 14-86, appropriating $800,000 to MVA from fees collected for the Managaha Island landing fees and Users fees, currently held in trust by Marianas Public Lands Authority (MPLA), to be used for costs associated with promotions and advertisements. MVA have not collected from the said appropriation and have not included any revenue and receivable for this since the same MPLA revenue has been already appropriated by Public Law 13-16 to Tasi Tours for the preservation and maintenance of Managaha Island.

BASIC FINANCIAL STATEMENTS

GASB Statement No. 34 requires the presentation the Management Discussion and Analysis (MD&A) and the basic financial statements. The basic financial statements consist of agency-wide statements, fund financial statements, notes to the financial statements, and a budgetary comparison statement for the general fund.

MD&A

The MD&A is intended to be a "plain English" narrative section that introduces the basic financial statements. It should give readers an objective and easily readable analysis of the MVA's financial performance for the year.

Agency-Wide Statements

The first two financial statements presented are highly condensed and are based (somewhat) on the accounting model used by private sector businesses.

Statement of Net Assets

The Statement of Net Assets is, in substance, the balance sheet. It includes not just current assets and liabilities, but also capital assets and long-term debt. All funds are reported with a consolidated total.

Statement of Activities

The Statement of Activities is the operating statement for the MVA as a whole. It is based on full accrual accounting rather than the traditional modified accrual. Depreciation of capital assets is recognized as an expense. The format focuses on the net cost of a government's individual functions and is intended to answer the typical question "How much did it cost and how is it being paid for?"

Fund Financial Statements

Following the agency-wide statements is a section containing the fund financial statements. Fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. A fund is a grouping of related accounts that is used to maintain control over specific activities.

The MVA, like other state and local governments, uses fund accounting to demonstrate and ensure compliance with finance related legal requirements.

Balance Sheet
Statement of Revenues, Expenditures, and Changes in Fund Balance

These statements present MVA's major funds. MVA only has one fund account, the general fund. The capital projects fund is not presented as major fund and is consolidated in MVA's general fund because it does not qualify for disclosure as major fund. MVA has no debt service fund.

The fund statements are prepared using the traditional government model of modified accrual basis, which measures cash and all other financial assets that can be readily converted to cash. These statements provide a detailed short-term view of the MVA's operations.

Reconciliation from Agency-wide to Fund Statements

Because the numbers on these statements do not agree to the numbers on the agency-wide statements, a reconciliation schedule is presented.

Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual

A budgetary comparison statement for the general fund is considered to be required supplementary information and is included in the basic financial statements. The new thing to look for on these schedules is the addition of a column containing the original budget.

MARIANAS VISITORS AUTHORITY
(A Component Unit of the CNMI Government)

Management's Discussion and Analysis
September 30, 2006

CONDENSED COMPARATIVE DATA

Assets, Liabilities and Net Assets

The MVA's net assets, on the agency-wide basis, decreased by $443,547 from the previous year. The decrease was the result of excess expenses over revenues in FY 2006.

MVA has not experienced a negative change in net assets prior to fiscal year 2007.

Change in Net Assets (Statements of Activities)

	FY 2006	FY 2005	Increase (decrease)
Net assets beginning	$ 2,084,019	$ 1,857,926	$ 226,093
Revenues	7,460,875	6,742,663	718,212
Expenditures	7,904,422	6,516,570	1,387,852
Increase (decrease) in net assets	(443,547)	226,093	(669,640)
	$ 1,640,472	$ 2,084,019	$ (443,547)

Change in Net Assets

	FY 2005	FY 2004	Increase (decrease)
Net assets beginning	$ 1,857,926	$ 1,506,669	$ 351,257
Revenues	6,742,663	6,867,909	(125,246)
Expenditures	6,516,570	6,545,622	(29,052)
Increase in net assets	226,093	322,287	(96,194)
Prior year restatement	-	28,970	(28,970)
	$ 2,084,019	$ 1,857,926	$ 226,093

As seen in the preceding table, net assets were $1,640,472 at September 30, 2006. The largest portion of net assets (95%) reflects the MVA's unrestricted assets.

Net Assets

	September 30, 2006		September 30, 2005		September 30, 2004	
Current assets	$ 3,039,216		$ 2,729,674		$ 2,352,314	
Capital assets	78,300		116,776		136,114	
Total assets	3,117,516		2,846,450		2,488,428	
Current liabilities	1,307,604		588,628		511,073	
Noncurrent liabilities	169,440		173,803		148,399	
Total liabilities	1,477,044		762,431		659,472	
Net Assets	$ 1,640,472		$ 2,084,019		$ 1,828,956	
Net Assets						
Investments in capital assets	$ 78,300	5%	$ 116,776	6%	$ 136,114	7%
Unrestricted	1,562,172	95%	1,917,243	92%	1,642,842	90%
Restricted	-	0%	50,000	2%	50,000	3%
	$ 1,640,472	100%	$ 2,084,019	100%	$ 1,828,956	100%

The $1,562,172 in unrestricted net assets represents the accumulated results of all past years' operations. It means that if we are able to collect all our receivables and pay off all of our bills today, including all of our non-capital liabilities, compensated absences, we would have $1,562,172 of unrestricted assets left.

However if the receivable from the CNMI government is uncollected, MVA would have deficit fund balance of $499,488 as reflected in the fund balance sheet and statements of revenues, expenditures, and changes in fund balance.

Revenues

Total revenues for FY 2006 amounted to $7,460,875, a $718,212 or 11% increase from FY 2005. The increase in revenue despite reduction in the PL 13-24 appropriation is due to supplemental funding of $1,100,000 received from the CNMI government and in-kind contributions of $1,245,184 received from the private sectors to support MVA marketing initiatives.

	September 30, 2006	September 30, 2005	September 30, 2004
General Revenues			
CNMI appropriation	$ 4,755,487	$ 5,957,546	$ 5,961,426
CNMI supplemental appropriation	1,100,000	-	360,000
Other income	62,990	45,327	112,549
Royalty income - Saipanda	67,181	56,013	18,740
Interest income	133	190	2,800
Subtotal	5,985,791	6,059,076	6,455,515
Program Revenues			
Grants and contributions	1,426,184	635,775	354,688
Membership fees	18,300	22,700	20,350
Special events	30,600	25,112	37,356
Subtotal	1,475,084	683,587	412,394
Total Revenues	$ 7,460,875	$ 6,742,663	$ 6,867,909

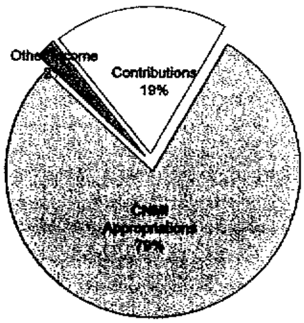
Revenues are classified as either general or program.

Program revenues are those directly generated by a function or activity of the government entity. Program revenues pertains to membership dues, special events revenues for sale of goods during special events and other fees that MVA charges for the specific events, and contributions from private sectors to support MVA programs.

Grants and contributions, usually in-kind are given to MVA in form of accommodations and free use of hotel facilities, among others, are classified as marketing or special events revenue when the donor specifies to which MVA activities the donation is for or general revenue for unrestricted contribution.

The increase in program revenues over the three year period is from increased contributions from the private sector, primarily MVA member organizations. The collaboration with MVA members is an important aspect to maintaining the CNMI's global competitiveness as a premier leisure destination in the Asia Pacific region. With the support and assistance from MVA members, this destination has continually expanded media exposure, advertising and publicity coverage with print media and trade journalists.

The general revenue classification includes appropriations, royalty, interest and other income not identifiable to specific activities.



This graph shows MVA's revenues are primary from appropriations from the CNMI government, making MVA a component unit of the government engaged in governmental activities.

The MVA has no business-type activities from which to generate revenues and relies on cash and in-kind contributions from members to bridge operational costs that can not be fully covered by the appropriations received.

Expenses

Total agency-wide expenses by function were as follows:

	September 30, 2006	September 30, 2005	September 30, 2004
General government	$ 1,510,682	$ 1,721,923	$ 1,797,171
Marketing	3,804,999	2,212,314	1,836,731
Advertising	1,822,601	2,311,431	2,597,837
Special events	723,070	229,186	274,095
Depreciation	43,070	41,716	39,787
Total Expenditures	$ 7,904,422	$ 6,516,570	$ 6,545,621

From the $6.5 million total expenditures for fiscal years ending September 2005 and 2004, total expenditures for fiscal year ending September 30, 2006 increased by $1.4 million. This is due to increased efforts to promote the CNMI by providing program support to various marketing activities in countries where MVA wants to increase awareness of the CNMI as a tourist destination.

In fiscal year 2007, MVA focused its limited resources to specific target markets not only in Japan, but also in Korea, China, Taiwan, Russia, and the Philippines. The limited budget from the CNMI appropriations were supplemented by the strong support MVA is getting from its member organizations.

OVERALL FINANCIAL POSITION

The overall financial position of the MVA dropped by 21% from the 11.7% improvement during FY 2005. The in-kind contribution generated by MVA was not enough to offset the decrease in general revenue to support its activities.

Given the right level of funding, invested wisely to promote and build demand in key market along with a targeted plan for destination enhancement MVA believes that the CNMI tourism industry will improve along with the financial position of the MVA.

MVA must take the lead in funding overseas promotions and continue to encourage support from private funds from tourism industry stakeholders.

FUND ANALYSIS

MVA's fund balance in FY 2004 decreased dramatically by $1,921,756 in FY 2005 due to the CNMI appropriations recorded as deferred revenue. Generally accepted accounting principles in the United States of America requires that for revenues to be recorded it should be both measurable and available to finance current operations. Since CNMI appropriations were uncollected, revenues from these were reclassified to deferred revenue, thus reducing the fund balance to a deficit. For FY 2006, the fund deficit further increased by $418,973.

	General Fund
Fund deficit, 9/30/05	$ (80,515)
Fund deficit, 9/30/06	(499,488)
Increase in fund deficit	$ (418,973)
Fund balance, 9/30/04	$ 1,841,241
Fund deficit, 9/30/05	(80,515)
Decrease in fund balance	$ (1,921,756)

MARIANAS VISITORS AUTHORITY
(A Component Unit of the CNMI Government)

Management's Discussion and Analysis
September 30, 2006

GENERAL FUND BUDGETARY HIGHLIGHTS

	Budgeted Amounts		Actual	Variance with Final Budget- Positive
	Original	Final	Amounts	(Negative)
REVENUES:				
CNMI appropriation	$ 7,000,000	$ 5,855,586	$ 5,845,948	$ (9,638)
In-kind contributions	-	-	1,245,184	1,245,184
Contributions	-	-	181,000	181,000
Charges for service	-	-	48,900	48,900
Miscellaneous	-	-	133,474	133,474
TOTAL REVENUES	7,000,000	5,855,586	7,454,506	1,598,920
EXPENDITURES:				
Current operations:				
General government	2,423,164	1,501,876	1,515,045	(13,169)
Marketing and advertising	3,876,836	3,785,156	5,627,600	(1,842,444)
Special events	700,000	568,554	723,070	(154,516)
	7,000,000	5,855,586	7,865,715	(2,010,129)
Capital Outlay:				
Equipment and vehicles	-	-	7,764	(7,764)
TOTAL EXPENDITURES	7,000,000	5,855,586	7,873,479	(2,017,893)
DEFICIENCY OF REVENUES OVER EXPENDITURES	-	-	(418,973)	(418,973)
FUND BALANCE, beginning of year	(80,515)	(80,515)	(80,515)	-
FUND BALANCE, end of year	$ (80,515)	$ (80,515)	$ (499,488)	$ (418,973)

Actual revenues totaled $7,454,506 exceeding the final budget by $1,598,920 or 25%. Total actual general fund expenditures amounted to $7,873,479, which is $2,017,893 or 34% more than the final revised budget. Most of those variances were in the Marketing and Operations operating budgets. Aside from the appropriations for FY 06, MVA also expended approximately $1.5 million from the $2.2 million collected from FY 05 appropriations, approximately $600 thousand were used to pay FY 05 obligations.

MVA's unfavorable expense variance exceeds its favorable revenue variance. This is due to further reduction in the Public Law 13-24 appropriations due to CNMI government budget reduction.

CAPITAL ASSETS

The MVA's investment in capital assets as of September 30, 2006 amounts to $78,300, net of accumulated depreciation. Depreciation expense for the year was $43,070.

Capital assets, net of accumulated depreciation	September 30, 2006	September 30, 2005	September 30, 2004
Maintenace equipment	$ 6,141	$ 7,663	$ 4,886
Furniture and fixtures	33,575	45,657	45,618
Vehicles	21,579	35,462	49,341
Leasehold improvements	17,004	27,994	36,269
	$ 78,300	$ 116,776	$ 136,114

You can find more detailed information on capital assets on Note 6 in the notes to the financial statements.

FUTURE PLANS

In May 2006, the Ad Hoc Tourism Committee, Strategic Economic Development Council issued the *"Northern Mariana Islands Strategic Initiatives for 2006 – 2010"*.

This publication summarizes the strategies the MVA, the CNMI government and other tourism stakeholders have to embark to meet the established vision for CNMI tourism, which is:

> *By 2011, the Northern Marianas will be recognized as an authentic tropical island paradise: an active destination that protects its natural beauty and clean environment, provides opportunities for cultural exchange, and offers sustainable economic growth for the benefit of the local community.*

Among the strategies to improve tourism is to upgrade the CNMI marketing position from low-cost destination to a medium-priced. The clear advantage of positioning the CNMI as a medium-priced destination is that it puts us in the same bracket as our competitors, albeit in the lower range. Being in the lower range of the mid-priced bracket serves as an impetus for the CNMI and gives adequate room to greatly improve its tourism product.

Summarized below are MVA's strategy statements:

- The MVA should set a clear direction towards positioning the Northern Mariana Islands as a quality destination, simultaneously promoting and spearheading destination enhancement and marketing initiatives.

- The MVA must continually review its current resources and budget, making note of the expenditures of competing destinations that seek to attract the same markets. It should communicate the crucial importance of investing in marketing and advertising to obtain the right level of budget allocation.

- The MVA must provide accurate and timely information to tourism industry stakeholders and the government, coordinating the contributory roles that each play in tourism development.

- MVA should conduct annual surveys for its major markets in order to gain valuable feedback on visitor perceptions and level of satisfaction in their visits to the Northern Marianas. That feedback should be made available to industry stakeholders and be utilized in developing marketing and advertising campaigns.

- MVA must work closely with other government agencies and sectors to solve critical issues that have a bearing on the reputation of the Northern Marianas as a destination.

- MVA should work with tourism industry stakeholders to develop a Code of Ethics for Responsible Tourism - highlighting the responsibilities of industry players in the development, promotion and protection of the tourism product; and of the tourists, in the respect towards CNMI's culture, resources, people and the laws of the land.

- MVA should work closely with the Northern Marianas College to develop education and an accreditation system for tour operators to ensure that professionalism, safety and value is provided to island visitors.

- A new brand should be developed and launched for the Northern Marianas to ensure that a unique identity is provided to help distinguish the islands from competing destinations. The new brand should be used in all new development and promotional efforts, ensuring consistency and recall.

- MVA should promote destination enhancement projects that offer more attractions and opportunities for visitors to interact with local residents.

ADDITIONAL FINANCIAL INFORMATION

The notes to the financial statements, located on pages 20 through 32, are a source of additional information about the MVA and its financial operations.

The MVA's financial statements are designed to present users (citizens, taxpayers, customers, and members) with a general overview of the MVA's finances and to demonstrate accountability.

If you have any questions or comments about the report, please contact the MVA's Chief Accountant at (670) 664-3200 or visit MVA's office on Beachroad, San Jose, Saipan.

MARIANAS VISITORS AUTHORITY
(A Component Unit of the CNMI Government)

Statements of Net Assets - Governmental Activities
September 30, 2006 and 2005

	2006	2005 (as restated)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 34,684	$ 350,111
Receivable from CNMI	2,986,564	2,221,561
Other receivables	17,968	105,052
Prepaid expenses	-	2,950
Other assets	-	50,000
Total current assets	3,039,216	2,729,674
Noncurrent assets:		
Capital assets, net of accumulated depreciation	78,300	116,776
TOTAL ASSETS	$ 3,117,516	$ 2,846,450
LIABILITIES		
Current liabilities:		
Accounts payable	$ 1,242,200	$ 499,298
Accrued payroll and others	48,499	67,400
Deferred revenues	1,600	900
Other liabilities	15,305	21,030
Total current liabilities	1,307,604	588,628
Noncurrent liabilities:		
Due within one year		
Accrued leave liability	6,140	33,418
Due in more than one year		
Accrued leave liability	163,300	140,385
Total noncurrent liabilities	169,440	173,803
TOTAL LIABILITIES	1,477,044	762,431
NET ASSETS		
Investment in capital assets	78,300	116,776
Restricted	-	50,000
Unrestricted	1,562,172	1,917,243
TOTAL NET ASSETS	1,640,472	2,084,019
TOTAL LIABILITIES AND NET ASSETS	$ 3,117,516	$ 2,846,450

See accompanying notes to financial statements.

MARIANAS VISITORS AUTHORITY
(A Component Unit of the CNMI Government)

Statements of Activities
For the Year Ended September 30, 2006
(With comparative totals for the year ended September 30, 2005)

		Program Revenue		Net (Expenses) Revenues and Change in Net Assets	
				Governmental Activities	
	Expenses	Charges for Service	Grants and Contributions	2006	2005 (as restated)
Governmental Activities:					
General government	$ 1,510,682	$ 18,300	$ 5,409	$ (1,486,973)	$ (1,699,223)
Marketing	3,804,999	-	664,444	(3,140,555)	(1,579,129)
Advertising	1,822,601	-	551,471	(1,271,130)	(2,311,431)
Special events	723,070	30,600	204,860	(487,610)	(201,484)
Depreciation*	43,070	-	-	(43,070)	(41,716)
Total governmental activities	$ 7,904,422	$ 48,900	$ 1,426,184	(6,429,338)	(5,832,983)
General revenues:					
CNMI Appropriations				5,855,487	5,957,546
Royalty income				67,181	56,013
Other income				66,160	45,860
Loss from disposal of assets				(3,170)	(533)
Interest income				133	190
Total general revenues				5,985,791	6,059,076
Changes in net assets				(443,547)	226,093
Restatements - net assets, beginning				-	28,970
Net assets, beginning				2,084,019	1,828,956
Net assets, ending				$ 1,640,472	$ 2,084,019

* All capital assets essentially serves all functions, no direct depreciation expense is charged to specific program.

See accompanying notes to financial statements.

MARIANAS VISITORS AUTHORITY
(A Component Unit of the CNMI Government)

Balance Sheets
Governmental Funds
September 30, 2006 and 2005

	General Fund	
	2006	2005 (as restated)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 34,684	$ 350,111
Receivables from CNMI	2,986,564	2,227,188
Other receivables	17,968	99,425
Prepaid expenses	-	2,950
Other assets	-	50,000
TOTAL ASSETS	$ 3,039,216	$ 2,729,674
LIABILITIES AND FUND BALANCES		
LIABILITIES:		
Accounts payable	$ 1,242,200	$ 499,298
Accrued payroll and others	48,499	67,400
Deferred revenues	2,232,700	2,222,461
Other liabilities	15,305	21,030
TOTAL LIABILITIES	3,538,704	2,810,189
FUND BALANCES (DEFICIT):		
Restricted	-	50,000
Unrestricted	(499,488)	(130,515)
TOTAL FUND DEFICIT	(499,488)	(80,515)
TOTAL LIABILITIES AND FUND BALANCES	$ 3,039,216	$ 2,729,674

Total fund deficit		$ (499,488)	$ (80,515)
Long-term liability that are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liability at year-end pertains to:			
Annual leave liability		(169,440)	(173,803)
Deferred revenues for receivable from CNMI that are not available within 30 days after year-end		2,231,100	2,221,561
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.			
Cost of capital assets	$ 580,966		
Accumulated depreciation	502,666	78,300	116,776
Total net assets - governmental activities		$ 1,640,472	$ 2,084,019

See accompanying notes to financial statements.

MARIANAS VISITORS AUTHORITY
(A Component Unit of the CNMI Government)

Statements of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Years Ended September 30, 2006 and 2005

	General Fund	
	2006	2005 (as restated)
REVENUES:		
CNMI appropriation	$ 5,845,948	$ 3,735,985
In-kind contributions	1,245,184	635,775
Contributions	181,000	-
Charges for service	48,900	47,812
Miscellaneous	133,474	102,063
TOTAL REVENUES	7,454,506	4,521,635
EXPENDITURES:		
Current operations:		
General government	1,515,045	1,696,519
Marketing	3,804,999	2,212,314
Advertising	1,822,601	2,311,431
Special events	723,070	229,186
	7,865,715	6,449,450
Capital outlay:		
Equipment and vehicles	7,764	22,911
TOTAL EXPENDITURES	7,873,479	6,472,361
DEFICIENCY OF REVENUES OVER EXPENDITURES	(418,973)	(1,950,726)
Restatements - net assets, beginning	-	28,970
FUND BALANCE (DEFICIT), beginning of year	(80,515)	1,841,241
FUND DEFICIT, end of year	$ (499,488)	$ (80,515)

See accompanying notes to financial statements.

MARIANAS VISITORS AUTHORITY
(A Component Unit of the CNMI Government)

Reconciliation of the Governmental Funds Statements of Revenues, Expenditures And Changes in Fund Balance with the Agency-wide Statements of Activities
For the Years Ended September 30, 2006 and 2005

		2006	2005 (as restated)
Net change in fund balances - governmental funds		$ (418,973)	$ (1,950,726)
Amounts reported for governmental activities in the statement of activities is different because:			
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore not reported as expenditures.			
Compensated absences - net		4,363	(25,404)
Some revenues reported in the statements of activities are not available for current financial obligations and therefore not reported as income - net			
Collections from 2005 deferred revenue	$ (2,163,381)		
2006 CNMI Appropriations	5,855,487		
Less: Collections for 2006 appropriations	(2,927,103)		
Collections for 2006 appropriations 30 days after year-end	(755,464)	9,539	2,221,561
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statements of net assets and allocated over their estimated useful lives as annual depreciation expense in the statements of activities. This is the amount by which capital outlays exceed depreciation in the period.			
Capital outlays	$ 7,764		
Depreciation expense	(43,070)		
Loss on disposal of assets	(3,170)	(38,476)	(19,338)
Changes in net assets of governmental activities		$ (443,547)	$ 226,093

See accompanying notes to financial statements.

MARIANAS VISITORS AUTHORITY
(A Component Unit of the CNMI Government)

Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended September 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget- Positive
	Original	Final	Amounts	(Negative)
REVENUES:				
CNMI appropriation	$ 7,000,000	$ 5,855,586	$ 5,845,948	$ (9,638)
In-kind contributions	-	-	1,245,184	1,245,184
Contributions	-	-	181,000	181,000
Charges for service	-	-	48,900	48,900
Miscellaneous	-	-	133,474	133,474
TOTAL REVENUES	7,000,000	5,855,586	7,454,506	1,598,920
EXPENDITURES:				
Current operations:				
General government	2,423,164	1,501,876	1,515,045	(13,169)
Marketing and advertising	3,876,836	3,785,156	5,627,600	(1,842,444)
Special events	700,000	568,554	723,070	(154,516)
	7,000,000	5,855,586	7,865,715	(2,010,129)
Capital Outlay:				
Equipment and vehicles	-	-	7,764	(7,764)
TOTAL EXPENDITURES	7,000,000	5,855,586	7,873,479	(2,017,893)
DEFICIENCY OF REVENUES OVER EXPENDITURES	-	-	(418,973)	(418,973)
FUND DEFICIT, beginning of year	(80,515)	(80,515)	(80,515)	-
FUND DEFICIT, end of year	$ (80,515)	$ (80,515)	$ (499,488)	$ (418,973)

See accompanying notes to financial statements.

MARIANAS VISITORS AUTHORITY
(A Component Unit of the CNMI Government)

Supplemental Schedule
Schedule of Functional Expenditures - Statements of Activities
For the Year Ended September 30, 2006

(With comparative totals for the year ended September 30, 2005)

	General Government	Marketing	Advertising	Special Events	Depreciation	Total 2006	Total 2005
Advertising and marketing	$ -	$ 2,869,915	$ 1,271,130	$ 483,040	$ -	$ 4,624,085	$ 3,600,119
Personnel service and related expenses	956,954	270,640	-	216,170	-	1,443,764	1,588,875
In kind contributions	5,409	664,444	551,471	23,860	-	1,245,184	635,775
Repairs and maintenance	159,068	-	-	-	-	159,068	168,679
Rentals	99,865	-	-	-	-	99,865	111,036
Travel	74,828	-	-	-	-	74,828	89,555
Depreciation	-	-	-	-	43,070	43,070	58,653
Professional fees	39,958	-	-	-	-	39,958	54,274
Communications	28,603	-	-	-	-	28,603	41,716
Dues and subscriptions	28,130	-	-	-	-	28,130	31,648
Printing and copying	26,146	-	-	-	-	26,146	29,194
Insurance	24,628	-	-	-	-	24,628	23,137
Fuel and lubrication	20,582	-	-	-	-	20,582	19,663
Utilities	20,034	-	-	-	-	20,034	18,705
Office supplies	14,858	-	-	-	-	14,858	17,363
Postage and freight	6,631	-	-	-	-	6,631	11,314
Personnel training cost	2,758	-	-	-	-	2,758	11,153
Bank charges	2,230	-	-	-	-	2,230	5,711
	$ 1,510,682	$ 3,804,999	$ 1,822,601	$ 723,070	$ 43,070	$ 7,904,422	$ 6,516,570

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

The financial statements of the Marianas Visitors Authority (MVA) have been prepared in conformity with accounting principles generally accepted in the United States of America (US-GAAP). The Governmental Accounting Standards Board (GASB) is the primary source of governmental accounting and financial reporting principles. Some of the MVA's more significant accounting policies are summarized below, along with some of the practices that are unique to the governments.

A. Reporting Entity

On June 17, 1998, Public Law No. 11-15 was enacted and deleted in its entirety Section 302(b) of the Executive Order 94-3 and the Marianas Visitors Bureau (MVB) was abolished to establish the MVA, a non-stock/nonprofit public corporation organized for the purpose of promoting the visitors industry in the Commonwealth of the Northern Mariana Islands (CNMI).

Pursuant to Public Law 11-15, all corporate powers are held and exercised by or under authority of the Board of the Directors, subject to the limitations of the Organization's by-laws and the laws of the Northern Marianas Island. The Board is composed of nine members, of which, five members are appointed by the Governor with the advice and consent of the Senate and four members chosen by the members of MVA.

B. Agency-wide and Fund Financial Statements

Agency-wide financial statements display information about the reporting government as a whole.

The Statement of Activities' purpose is to allow financial statement users to determine operating results of the MVA in its entirety over a period of time. It demonstrates the degree to which the direct expenses are offset by program revenues.

Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to customers who purchase or use goods and services provided by a given function. The MVA's program revenues include, but are not limited to, charges to customers from sales during events, fees collected from participants of special events and contributions in cash and in-kind from the private sector.

In-kind contributions restricted for special events and, advertising and marketing activities are classified as revenues and expenses of these activities.

Appropriations from the CNMI and other items not included among program revenues are reported instead as general revenue.

The Statement of Net Assets is intended to present a snapshot of the financial position of MVA as a whole as of year end. It displays the difference between assets and liabilities as net assets.

(1) Summary of Significant Accounting Policies, continued

B. Agency-wide and Fund Financial Statements, continued

Governmental fund financial statements are separate financial statements for governmental funds.

MVA maintains only one fund, the general fund.

Governmental fund financial statements are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Governmental fund types are used to account for the general governmental activities. The operating fund of the MVA is the general fund. MVA has no capital projects and debt service fund.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended September 30, 2006, from which the summarized information was derived.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of measurement focus.

Agency-wide financial statements are presented on a full accrual basis of accounting with an economic resource measurement focus. An economic resource focus concentrates on a fund's net assets. All transactions and events that affect the total economic resources (net assets) during the period are reported. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of the timing of related cash inflows and outflows.

Governmental fund financial statements are presented using a modified accrual basis and the current financial resources measurement focus. Earned revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and other expenditures having a due date are recorded only when payment is due.

(1) Summary of Significant Accounting Policies, continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation, continued

Since the fund financial statements are presented on a different measurement focus and basis of accounting than the agency-wide statements' governmental column, reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the agency-wide presentation. This reconciliation is part of the financial statements.

The financial transactions of the MVA are recorded in the general fund. The operations of this fund are accounted for with self-balancing accounts comprised of assets, liabilities, fund equity, revenues and expenditures.

The new GASB 34 model sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures of either fund category or the government combined) for the determination of major funds for financial reporting purposes. GASB 34 also gives governments the discretion to include as major funds those having particular importance.

D. Assets, Liabilities and Equity

1. Receivables and Payables

For agency-wide financial statements, receivables and related revenues are recognized as soon as they are earned, whereas for governmental fund financial statement purposes, receivables and related revenues are recognized only when they are both measurable and available. Appropriations from the CNMI government, the MVA's major revenue source, are considered measurable and available when they can be collected within 30 days after year-end.

Receivables are reported at gross value and, if appropriate, are reduced by any significant amounts expected to be uncollectible.

2. Prepaid expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses. A fund balance reserve indicates that the amount is not available for appropriation.

(1) Summary of Significant Accounting Policies, continued

D. Assets, Liabilities and Equity, continued

3. Capital assets

Capital assets, which include property, plant and equipment, are accounted for in the applicable columns in the agency-wide section of the financial statements. All capital assets are valued at historical cost.

Donated assets are valued at their fair value on the date of gift.

Costs incurred for normal repairs and maintenance that do not add to the value of assets or materially extend asset lives are expensed as incurred.

Depreciation on exhaustible assets is recorded in the Statement of Activities, while accumulated depreciation is reflected in the Statement of Net Assets. Depreciation is computed on a straight-line basis over the following estimated useful lives:

Asset Description	Years
Maintenance equipment	2-10
Furniture and fixtures	3-10
Vehicles	3-5
Building and leasehold improvements	10-20

4. Compensated Absences

Vested or accumulated vacation leave is recorded as an expense and liability as the benefits accrue to employees. In accordance with the provisions of Governmental Accounting Standards Board Statement No. 16 – Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. Unused leave is payable to employees upon resignation or termination of employment if the employee has completed one year or more of service. At September 30, 2006 and 2005, accrued annual leave was $169,440 and $173,803, respectively.

An employee cannot carry over to the following calendar year accumulated annual leave in excess of three hundred sixty (360) hours. However, any annual leave accumulated in excess of 360 hours as of the end of the calendar year can be converted to sick leave on the last day of such calendar year.

(1) Summary of Significant Accounting Policies, continued

E. Use of Estimates

The preparation of the 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 disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

F. GASB 40 Implementation

MVA implemented, as of September 30, 2005, Governmental Accounting Standards Board (GASB) Statement No. 40, "Deposit and Investment Risk Disclosures", an amendment of GASB Statement No. 3. GASB 40 modifies previous custodial credit risk disclosure requirements and establishes more comprehensive risk disclosure requirements relating to other common risks of investments, such as credit risk, concentration of credit risk, interest rate risk and foreign currency risk. As of September 30, 2006 and 2005, MVA is not exposed to any risks required to be disclosed under GASB 40 as all its deposits are under MVA name and are fully covered by FDIC insured limits (Note 4).

G. Accounting Pronouncements

MVA adopted Governmental Accounting Standards Board (GASB) Statement No. 42, *"Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries"*, which establishes accounting and financial reporting standards for impairment of capital assets. There is no financial impact to MVA for the fiscal year ended September 30, 2006 as a result of the implementation of this statement.

MVA also adopted GASB Statement No. 47, *"Accounting for Termination Benefits"*, which provides guidance on how employers should account for benefits associated with either voluntary or involuntary terminations. There is no financial impact to MVA for the fiscal year ended September 30, 2006 as a result of the implementation of this statement.

(2) Reconciliation Of Agency-Wide And Fund Financial Statements

A. Explanation of certain differences between the governmental fund balance sheet and the agency-wide statement of net assets.

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the agency-wide statement of net assets. The net adjustments for 2006 and 2005 consist of several elements as follows:

Description	2006	2005
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on agency-wide statement in governmental activities column):	$ 580,966	$ 680,585
less accumulated depreciation	(502,666)	(563,809)
Net capital assets	78,300	116,776
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:		
Annual leave liability	(169,440)	(173,803)
Receivable from CNMI that are not available within 30 days after yearend	2,231,100	2,221,561
Total adjustment	$ 2,139,960	$ 2,164,534

(2) Reconciliation Of Agency-Wide And Fund Financial Statements, continued

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the agency-wide statement of activities

The governmental statements of revenues, expenditures and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the agency-wide statements of activities. The total adjustments of 2006 and 2005 pertain to the following:

Description	2006	2005
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore not required as expenditures.		
Compensated absences – net	$ 4,363	$(25,404)
Some revenues reported in the statement of activities are not available for current financial obligations and therefore not reported as income.		
CNMI Appropriation	9,539	2,221,561
Capital outlay expenditures recorded in the Statement of Activities.	7,764	22,911
Loss on disposal of assets	(3,170)	(533)
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements.	(43,070)	(41,716)
Total adjustments	$(24,574)	$ 2,176,819

(3) Stewardship, Compliance and Accountability

A. *Budgetary Information*

Accounting principles used in developing data on a budgetary basis differ from those used in preparing financial statements in conformity with accounting principles generally accepted in the United States of America. Amounts included in the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund (which are presented on a non-GAAP budgetary basis) reconcile to the unreserved fund balance on the accompanying Balance Sheet.

MVA has no authority to impose taxes to generate revenue. MVA as an autonomous agency and a component unit of the CNMI government, receives annual appropriation from the government. The CNMI legislative budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. An annual appropriated budget is adopted by the Legislature for MVA through an Annual Appropriations Act.

B. *Excess Expenditures over Appropriations*

In fiscal year 2006, MVA current operations' expenses exceeded appropriations by $2,017,892. However, MVA was able to generate program revenues of $1,608,558, which reduced the deficit to just $418,973. MVA has deferred revenue for uncollected CNMI appropriations amounting to $2,231,100 which if collected are sufficient to cover the deficit.

(4) Cash and Cash Equivalent

As of September 30, 2006 and 2005 cash balance consists of the following:

	2006	2005
Petty cash	$ 1,394	$ 1,381
Cash on deposits	17,866	323,421
Restricted deposits	15,424	25,309
	$ 34,684	$ 350,111

At September 30, 2006, the carrying value of MVA's bank deposits were $33,290 and the bank balance was $114,691. The difference represents outstanding checks not yet cleared by the bank. All deposits are with federally insured banks, all of the bank balance as of September 30, 2006 is subject to coverage by Federal Deposit Insurance Corporation (FDIC).

Restricted deposits pertain to cash held for the Department of Lands and Natural Resources for maintenance of memorial site.

(5) Due from the CNMI Government

The CNMI government appropriated total of $5,855,487 and $5,957,546, for MVA's operational use for the years 2006 and 2005, respectively under the continuing appropriation act (Public Law 11-41).

The following is a summary of the changes in the due from CNMI government account group for the fiscal years ended September 30, 2006 and 2005:

	2006	2005
Due from CNMI government, beginning	$2,221,561	$1,855,966
CNMI Appropriation	4,755,487	5,957,546
Supplemental CNMI appropriations	1,100,000	-
Subtotal	8,077,048	7,813,512
Less collections:		
For prior year's appropriation	2,163,381	1,777,717
For current year's appropriation	2,927,103	3,814,234
Due from CNMI government, end	$2,986,564	$2,221,561

On the fiscal year ending September 30, 2006 receivable due from the CNMI government, $58,180 pertains to FY 2005 appropriations.

Deferred revenue of $2,336,564 and $2,221,561 for September 30, 2006 and 2005, respectively, were recognized under the governmental fund financial statements for due from CNMI that are not available for MVA use within 30 days after yearend. This resulted in a fund deficit of $499,488 and $80,515 as of September 30, 2006 and September 30, 2005, respectively.

(6) Capital Assets

The following is a summary of the changes in the general fixed assets account group for the fiscal year ended September 30, 2006 and 2005:

September 30, 2006

	Balance October 1, 2005	Additions/ Transfers	Deletions/ Retirements	Balance September 30, 2006
Vehicles and equipment	$ 227,041	$ -	$(60,589)	$ 166,452
Office furniture, fixtures and equipment	203,147	4,962	(3,088)	205,021
Leasehold improvements	184,803	-	(32,290)	152,513
Maintenance equipment	65,594	2,802	(11,416)	56,980
	680,585	7,764	(107,383)	580,966
Less accumulated depreciation and amortization for:				
Vehicles and equipment	191,579	13,879	(60,585)	144,873
Office furniture, fixtures and equipment	157,490	16,600	(2,645)	171,445
Leasehold improvements	156,809	8,274	(29,574)	135,509
Maintenance equipment	57,931	4,317	(11,409)	50,839
	563,809	43,070	(104,213)	502,666
Governmental activities, Capital assets, net	$ 116,776	$(35,306)	$(3,170)	$ 78,300

September 30, 2005

	Balance October 1, 2004	Additions/ Transfers	Deletions/ Retirements	Balance September 30, 2005
Vehicles and equipment	$ 227,041	$ -	$ -	$ 227,041
Office furniture, fixtures & equipment	323,307	16,998	(137,158)	203,147
Leasehold improvements	184,803	-	-	184,803
Maintenance equipment	59,681	5,913	-	65,594
	794,832	22,911	(137,158)	680,585
Less accumulated depreciation and amortization for:				
Vehicles and equipment	177,700	13,879	-	191,579
Office furniture, fixtures & equipment	277,688	16,427	(136,625)	157,490
Leasehold improvements	148,535	8,274	-	156,809
Maintenance equipment	54,795	3,136	-	57,931
	658,718	41,716	(136,625)	563,809
Governmental activities, Capital assets, net	$ 136,114	$(18,805)	$(533)	$ 116,776

Most capital assets are not directly identifiable to specific governmental activities, thus depreciation expense is presented as unallocated in the statement of activities.

(7) Deferred Revenues

Revenues collected in advance of the fiscal year in which they are earned are recorded as deferred revenues in the agency-wide and fund financial statements. Deferred revenues in the fund financial statements also include revenues that are measurable but not available.

The balances in deferred revenues at September 30, 2006 are as follows:

	Agency-wide Statements of Net Assets	Fund Balance Sheets
CNMI appropriation	$ -	$ 1,631,100
CNMI supplemental appropriations	-	600,000
Membership fees for fiscal year 2007	1,600	1,600
	$ 1,600	$ 2,232,700

(8) Commitment and Contingencies

MVA is leasing its office on Saipan, CNMI, under a five-year lease with initial expiration of May 14, 2002, with an option to renew for additional five-year term. The lease provides minimum increase of 10% in the monthly rental from $7,700 to $8,470.

On January 19, 2001, MVA exercised the option to renew for another five-year term which will expire on May 14, 2007. The lessor and MVA mutually agreed to waive the increase and retain the monthly rental of $7,700. Total lease payments for fiscal year 2006 and 2005 were $92,400 for each year.

Future minimum lease payments for year ending September 30, 2007 is $57,750.

(9) Noncurrent Liabilities

MVA's noncurrent liabilities are consists of accrued annual leave summarized as follows:

	2006	2005
Beginning balance	$ 173,803	$ 148,399
Additional accruals	11,285	25,404
Used	(15,648)	-
Ending balance	169,440	173,803
Due within one year	6,140	33,418
Due in more that one year	$ 163,300	$ 140,385

The amounts due within one year are estimated using projected turnover of employees and may differ from actual number of employees separated during the subsequent year.

(10) Risk Management

The MVA is exposed to various risks of loss related to thefts of, damage to, and destruction of assets; injuries to employees and third parties; and natural disasters. These risks are covered by commercial insurance purchased from independent third party.

(11) Retirement Plan

MVA contributes to the Northern Mariana Islands Retirement Fund (NMIRF), a defined benefit, cost-sharing multi-employer pension plan established and administered by the CNMI. NMIRF provides retirement, security and other benefits to employees of the CNMI government and CNMI agencies, instrumentalities and public corporations, and to their spouses and dependents. Benefits are based on the average annual salary over the term of credited service. Generally, benefits vest after three years of credited service. For early retirement, after 10 years of vesting service and members is at least 52 years of age. Members, who retire at or after age 60, or with 25 years of vesting service, are entitled to retirement benefits. CNMI Public Law 6-17, the Northern Mariana Islands Retirement Fund Act of 1988, is the authority under which benefit provisions are established.

As a result of the Fund's actuarial valuation report (as of October 1, 2003), it has been determined that for the year ending beginning September 30, 2005, the funding requirement for employer is 36.7727% of covered payroll, and funding requirements for employees are 6.5% and 9.0% of covered payroll for Class I and Class II members, respectively.

The funding requirement is calculated as that percentage of total payroll, which is necessary to accumulate sufficient assets to pay benefits when due. The Fund uses the level percentage of payroll method to amortize the unfunded liability over a period not to exceed 40 years from October 1980. Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the pension benefit obligation.

The Fund utilizes the actuarial cost method termed "entry age normal cost" with actuarial assumptions used to compute the pension benefit obligation as follows: (a) a rate of return of 7.5% per year on the investment of present and future assets, (b) a 5% increase in employee salaries compounded annually until retirement, (c) expenses at 1.1% of total payroll, and (d) retirement age of the earlier of age 62 and 3 years of vesting service (not including 5 additional years granted after 20 years of service) for Class I or age 60 and 25 years of service for Class II members (including 5 additional years granted after 20 years of service).

Required contributions and the percentage actually contributed for the current year and for the preceding two years are as follows:

Fiscal Year Ended	Required Contribution	Percentage of Required Contribution Paid
9/30/06	$ 286,000	65%
9/30/05	286,000	65%
9/30/04	294,000	100%

(12) Medical and life insurance benefits

In addition to providing pension benefits, the CNMI Government also ensures that employees are provided with medical and life insurance benefits. The CNMI Government created the Group Health and Life Insurance Trust Fund ("Trust Fund"), held in trust and administered by the Northern Mariana Islands Retirement Fund (NMIRF). MVA contributes to the Group Health and Life Insurance program. This is open to active employees who work at least 20 hours per week and retired CNMI government employees who retire as a result of length of service, disability or age, as well as their dependents. Further, these eligible persons must have elected to enroll during the period permitted in the Emergency Regulations adopted on September 6, 1996. Life insurance coverage is to be provided by a private carrier. Contributions from employees and employers are based on rates as determined by NMIRF Board of Trustees. Employee deductions are made through payroll or pension benefit withholdings.

(13) Reclassification of Accounts

Certain reclassifications have been made to the prior year's financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported net assets in the agency-wide financial statement.

(14) Restatement

During the year ended September 30, 2006, MVA determined that CNMI Youth Foundation, Inc. failed to meet the condition for the conditional contribution from MVA of $50,000 recorded as reduction to net assets in fiscal year ending 1997. Consequently, this amount was added back to net asset for the year ended September 30, 2006 as restatement of fiscal year 2005 beginning net assets.

Also, MVA recorded as revenue donations from the Japanese government for the Department of Lands and Natural Resources (DLNR). Management of such funds was transferred from MVA to DLNR in fiscal year 2003. Since the revenue was recorded in prior year, MVA restated fiscal year 2005 beginning net assets for the $21,030 balance of the funds held for DLNR and recorded a corresponding payable to DLNR.

In fiscal year ending September 30, 2006, MVA determined the appropriations from the CNMI government could not be realized in time to finance current obligations, thus applied the modified accrual basis of accounting. Consequently, revenues for CNMI Appropriations for fiscal year 2005 in the general fund financial statements were also restated for deferred portion amounting to $2,221,561.

MARIANAS VISITORS AUTHORITY
(A Component Unit of the CNMI Government)

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Year Ended September 30, 2006

J. Scott Magliari
COMPANY

CERTIFIED PUBLIC ACCOUNTANT

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Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors
Marianas Visitors Authority

I have audited the financial statements of the Marianas Visitors Authority (MVA), a component unit of the Commonwealth of the Northern Mariana Islands, as of and for the year ended September 30, 2006 and have issued my report thereon dated December 29, 2006. I conducted my audit 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.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered MVA's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting audits operation that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MVA's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the management of MVA, the Board of Directors, and the cognizant audit and is not intended to be and should not be used by anyone other than these specified parties.

J. Scott Magliari & Company

Commonwealth of the Northern Mariana Islands
December 29, 2006

Current Year Findings

I noted no financial and compliance weakness material to justify inclusion in my audit report.

Prior Year Findings

Finding No. 05-1

MVA conducts an annual count of capital assets for Tinian and Rota. However, for capital assets in Saipan, MVA last conducted physical count in FY 2003 during the transfer of its field office operations to the Department of Lands and Natural Resources.

Due to change in government after the November 2005 elections, MVA was required by the transition team to conduct a physical count of all its capital assets.

The physical count conducted resulted to the following variance in capital assets.

	Per Books	Per Count	Loss
Furniture and fixtures,			
Acquisition costs	$ 340,305	$ 203,147	$ 137,158
Accumulated depreciation	(294,115)	(157,490)	(136,625)
Net Book Value	$ 46,190	$ 45,657	$ 533

Status
Resolved. MVA conducted physical count of fixed assets for the year ended September 30, 2006 and updated the asset listing.

To improve internal control over fixed assets MVA is preparing a capital assets policy for Board approval and immediate implementation to prevent recurrence of missing capital assets and ensure that monitoring controls are in place.