MARIANAS VISITORS AUTHORITY
(A Component Unit of the CNMI Government

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED SEPTEMBER 30, 2011 AND 2010

WITH INDEPENDENT AUDITORS' REPORT THEREON

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

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YEARS ENDED SEPTEMBER 30, 2011 AND 2010

BURGER & COMER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of Marianas Visitors Authority

We have audited the accompanying financial statements of the governmental activities, the governmental funds of the Marianas Visitors Authority (MVA), a component unit of the Commonwealth of the Northern Mariana Islands government, as of September 30, 2011 and 2010, and for the years then ended. These financial statements are the responsibility of MVA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our 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 the MVA as of September 30 2011 and 2010, and the respective changes in financial position thereof, and the respective budgetary comparison for the general fund for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated May 31, 2012, on our consideration of the MVA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 is important for assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) and budgetary comparison information on pages 3 through 9 and 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the MVA's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Burger & Comer, P.C.

Commonwealth of the Northern Mariana Islands
May 31, 2012

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COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS OFFICIAL SEAL

MARIANAS VISITORS AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

The objective of management's discussion and analysis (MD&A) is to provide readers of the Marianas Visitors Authority (MVA) financial statements an overview and better understanding of its financial position and results of activities for the fiscal year ended September 30, 2011. Management has prepared this overview as required supplemental information to the financial statements and the footnotes that follow. This MD&A should be read in conjunction with the financial statements and accompanying footnotes.

FINANCIAL HIGHLIGHTS

- Pursuant to Budget Authority Act of 2011 Public Law 17-21, the MVA's budgeted appropriation for fiscal year 2011 is $6,448,027. The budgeted appropriation was reduced by $197,976 or 7.85% per OMB FY 2011 Revised Funding Level (Revised Public Law 17-21). The net appropriations for FY 2011 will amount to $6,225,900 further reduced by a 1% allocation for the Office of the Public Auditor (OPA) in the amount of $24,151.

- MVA's total assets exceeded liabilities at the end of FY 2011 by $2,130,698 compared to $279,261 and $185,959 at the end of FY 2010 and 2009, respectively. Unrestricted net assets for the fiscal years 2011, 2010 and 2009 were $2,103,967, $223,597 and $138,959 respectively.

- MVA experienced an increase in net assets in fiscal year 2011. This is due primarily to a baseline budget adopted by the MVA Board of Directors on advertising and marketing programs.

- MVA received of $3,697,590 of Hotel and Container Tax Earmark, $313,328 in grant income from Office of Insular Affairs under the U.S. Department of Interior and $120,000, supplemental budget appropriations from CNMI Legislature.

- MVA received $230,396 of in-kind contributions in 2011. In-kind contributions decreased by approximately 22% or $51,263 compared to the previous year.

BASIC FINANCIAL STATEMENTS

Governmental Accounting Standards Board (GASB) Statement No. 34 requires the presentation of the Management's 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 a narrative section that introduces the basic financial statements. It should give readers an objective and easily understood, readable analysis of the MVA's financial performance for the year.

Agency-Wide Statements

The MVA's agency-wide financial report includes two financial statements: the Statement of Net Assets and the Statement of Activities. The Marianas Visitors Authority prepared these financial statements in accordance with Governmental Accounting Standards Board (GASB) principles.

Statement of Net Assets

The Statement of Net Assets presents information similar to a balance sheet. It reflects the MVA's assets, liabilities and the resources remaining after liabilities are satisfied. The statement is an indicator of overall financial condition, and whether the entity's financial health has improved or deteriorated during the fiscal year.

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 basis. Depreciation of capital assets is recognized as an expense.

Fund Financial Statements

The financial reporting package includes the fund financial statements. Fund reporting focuses on showing how money flows into and out of funds and the balance left at year-end that is 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 has only one fund, the general fund. The fund statements are prepared using the traditional government model of modified accrual basis, which measures cash and all 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.

Statements 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.

COMPARISON OF RESULTS

Assets, Liabilities and Net Assets

The MVA's net assets on an agency-wide basis increased by $1,851,437 from the previous year. The increase was the result of baseline budget for marketing and promotional expenditures.

SUMMARY OF CHANGE IN NET ASSETS (STATEMENT OF ACTIVITIES)

	2011	2010	2009
Net assets, beginning	$ 279,261	$ 185,959	$ 710,709
Revenues	6,808,379	6,421,772	7,078,947
Expenditures	4,956,942	6,328,470	7,603,697
Increase (decrease) in net assets	1,851,437	93,302	(524,750)
Net assets, ending	$ 2,130,698	$ 279,261	$ 185,959

SUMMARY OF STATEMENT OF NET ASSETS

	2011	2010	2009
Current assets	$ 4,970,205	$ 2,810,278	$ 3,141,500
Capital assets	26,731	55,664	47,000
Total assets	$ 4,996,936	$ 2,865,942	$ 3,188,500
Current liabilities	$ 2,759,533	$ 2,470,261	$ 2,858,539
Non-current liabilities	106,705	116,420	144,002
Total liabilities	$ 2,866,238	$ 2,586,681	$ 3,002,541
Invested in capital assets	$ 26,731	$ 55,664	$ 47,000
Unrestricted	2,103,967	223,597	138,959
Total net assets	$ 2,130,698	$ 279,261	$ 185,959
Total liabilities and net assets	$ 4,996,936	$ 2,865,942	$ 3,188,500

The $2,103,967 in unrestricted net assets represents the accumulated results of all past years' operations. It means that if MVA is able to collect all its receivables and pay off all of its bills today, including all of its non-capital liabilities and compensated absences, it would have $2,103,967of unrestricted assets left.

Assets. Assets consist primarily of cash and cash equivalents (8%) and receivables, which include local government appropriations (90%), others (1%) and capital assets (1%).

Liabilities. These are composed primarily of accounts payable for marketing activities, deferred revenue, accrued employee annual and sick leave and others. The net increase in liabilities of $279,557 is due primarily for marketing, advertising and airline promotion activities.

Net assets. Net assets represent the MVA's residual interest in its assets net of liabilities. The unrestricted component of net assets increased by $1,851,437. At the end of FY 2011, net assets increased by $1,851,437 primarily due to collection of CNMI appropriation deferred in prior year, additional grant income and supplemental appropriation from legislature and reduced of expenditures for marketing and advertising to supports its activity for the fiscal year 2011.

Revenues

Total revenues for FY 2011 amounted to $6,808,379, a 422,842 or 6% increase from FY 2010. The increase in revenue is due primarily from collection of CNMI appropriation deferred in prior year, additional grant income from Office of Insular Affairs under the U.S. Department of Interior and supplemental appropriations from the CNMI legislature.

	2011	2010	2009
General Revenues			
CNMI appropriation	$ 6,064,582	6,020,390	6,610,831
Grant and contribution	543,724	281,659	358,860
Supplemental appropriation	120,000	-	-
Other income	10,780	9,869	7,805
Royalty income	28,286	30,382	38,689
Interest income	17	20	27
Subtotal	6,767,389	6,343,320	7,016,212
Program Revenues			
Membership fees	32,490	16,600	20,200
Special events	8,500	26,607	42,535
Subtotal	40,990	43,207	62,735
Total Revenues	$ 6,808,379	6,385,527	7,078,947

Revenues are classified as either general or program.

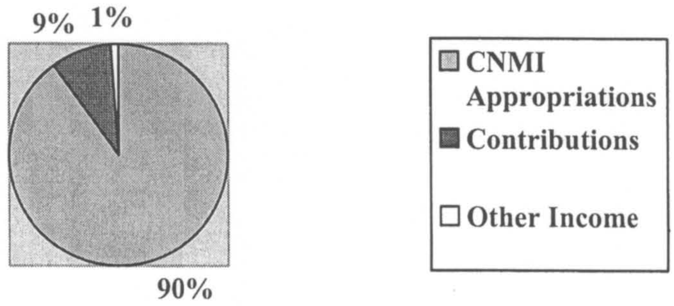
Program revenues are those directly generated by a function or activity of the government entity. These revenues include membership dues, special events revenues for sale of goods during special events and other fees that MVA charges for the specific events, and contributions from the private sector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

Grants and contributions, (primarily in-kind contributions) include accommodations and free use of hotel facilities, among others, and are classified as marketing or special events revenue when the donor specifies to which MVA activities the donation is to be used or as general revenue for unrestricted contributions.

The decrease in program revenues over the three year period is from decreased 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 of MVA members, this destination has continually expanded media exposure, advertising and publicity coverage with print media and trade journals.

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

REVENUES



This graph shows MVA's fiscal year 2011 revenues are primarily from appropriations from the CNMI government, making MVA a component unit of the CNMI 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 cannot be fully covered by the appropriations received.

Expenses

Total agency-wide expenses by function were as follows:

	2011	2010	2009
General government	$ 1,305,273	$ 1,675,266	$ 1,948,655
Marketing	2,306,788	2,677,296	4,119,913
Advertising	1,050,804	818,797	1,247,469
Special events	271,932	246,897	260,195
Depreciation	13,326	18,078	27,465
Bad debts	8,819	855,891	-
Total expenditures	$ 4,956,942	$ 6,292,225	$ 7,603,697

Total expenditures for the fiscal year ending September 30, 2011 decreased by $1,335,283 against fiscal year 2010. This is due primarily to continuing a baseline budget adopted by the MVA Board of Directors and management.

In fiscal year 2011, MVA focused its limited resources to specific target markets not only in Japan, but also in Korea, China, and Russia. The limited budget from CNMI appropriations was supplemented by the strong support MVA receives from its member organizations.

OVERALL FINANCIAL POSITION

The overall financial position (net assets) increased by approximately $1,851,000, due to a decrease in expenditures for marketing and advertising activity for fiscal year 2011. The grant income, supplemental appropriation and in-kind contributions received by MVA also helped to support its activities.

Given the right level of funding, invested wisely to promote and build demand in key markets 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

At the governmental fund level, MVA's fund balance in FY 2011 increased by approximately $2,300,000 primarily due to MVA's adopted baseline budget for advertising, marketing and promotional expenditures, collection of CNMI appropriations deferred from prior years, grant income from Office of Insular Affairs under the U.S. Department of Interior and supplemental budget appropriations from the CNMI legislature. In FY 2010 the fund balance decreased by $40,000. Over the past years, MVA's fund balance has gradually increased by approximately $700,000. The CNMI government is continuing to experience declining revenues due to lower tourist arrivals, which results in a lower percentage of average hotel occupancy.

CAPITAL ASSETS

The MVA's investment in capital assets as of September 30, 2011 amounts to $26,731, net of accumulated depreciation. Depreciation expense for the year was $13,326.

Capital assets, net of accumulated depreciation are as follows:

	2011	2010	2009
Maintenance equipment	$ 17,329	$ 44,827	$ 36,163
Furniture and fixtures	9,402	7,090	7,090
Leasehold improvements	-	3,747	3,747
	$ 26,731	$ 55,664	$ 47,000

FUTURE PLANS

In FY 2011, we will be receiving the final copy of the CNMI Tourism Master Plan covering 2012-2016. The plan will addressed a myriad of issues that is affecting the current performance of the tourism. It will include an in-depth analysis of our market mix through the exit survey results and series of meeting with our tourism partners/stakeholders from the public and private sectors. The MVA Board and Management will be placing priorities on proposed action items and initiatives that are listed on the plan. Like the Strategic Initiatives for 2006-2010, the MVA will be soliciting the assistance and participation of the other government entities and community organization to help implement the plan.

Another development we are looking forward is to the stabilization of funding source for the MVA. Due to cash flow problems within the government and delays in allotments for the MVA, we have been operating in base-line mode. Under baseline mode, the MVA has been forced to cease the work of the market ad hoc committees – of which many of you were participating- and stop nearly all promotions, relying primarily on representation services of our off-shore offices in Japan and Korea to try to keep our destination at least present in the minds of the travelling public. This is proven a severe disadvantage in our competition with other beach resort destinations that *have* and *do* spend money to attract visitors. We will be working closely with the Administration and tourism partners to identify funding source for the MVA which will require legislative action.

CONTACTING MVA

This financial report is designed to provide CNMI residents and taxpayers with an overview of MVA's finances and to show MVA's accountability for the money it receives. If you have questions about this report or need additional financial information, contact MVA at (670) 664-3200 or visit our office on Beach Road, next to the San Jose intersection.

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

Governmental Activities - Statements of Net Assets

September 30, 2011 and 2010

		2011	2010
ASSETS			
Current assets:			
Cash and cash equivalents	$	453,375	147,797
Receivable from CNMI government - appropriations, net of allowance for doubtful accounts of $855,891 in 2010		4,481,678	2,633,544
Other receivables		29,388	22,993
Prepaid expenses		5,764	5,944
Total current assets		4,970,205	2,810,278
Noncurrent assets:			
Capital assets, net of accumulated depreciation and amortization		26,731	55,664
	$	4,996,936	2,865,942
LIABILITIES			
Current liabilities:			
Accounts payable		1,928,389	1,711,918
Accrued payroll and benefits		831,059	758,258
Other liabilities		85	85
Total current liabilities		2,759,533	2,470,261
Noncurrent liabilities:			
Due within one year			
Accrued compensated absences		3,129	1,129
Due in more than one year			
Accrued compensated absences		103,576	115,291
Total liabilities		2,866,238	2,586,681
NET ASSETS			
Invested in capital assets		26,731	55,664
Unrestricted		2,103,967	223,597
Total net assets		2,130,698	279,261
	$	4,996,936	2,865,942

See accompanying notes to financial statements.

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

Statements of Activities

For the Years Ended September 30, 2011 and 2010

		Program Revenue		Net (Expenses) Revenues and Change in Net Assets Governmental Activities	
	Expenses	Charges for Services	Grants and Contributions	2011	2010
Governmental activities:					
General government	$ 1,305,273	32,490	-	(1,272,783)	(1,658,666)
Marketing	2,306,788	-	59,076	(2,247,712)	(2,395,637)
Advertising	1,050,804	-	165,229	(885,575)	(818,797)
Special events	271,932	8,500	6,091	(257,341)	(220,290)
Depreciation	13,326	-	-	(13,326)	(18,078)
Bad debts	8,819	-	-	(8,819)	(855,891)
Total governmental activities	$ 4,956,942	40,990	230,396	(4,685,556)	(5,967,359)
General revenues:					
CNMI appropriations				6,064,582	6,020,390
Grant income				313,328	-
Supplemental appropriation				120,000	-
Royalty income				28,286	30,382
Other income				10,780	9,869
Interest income				17	20
Total general revenues				6,536,993	6,060,661
Change in net assets				1,851,437	93,302
Net assets, beginning				279,261	185,959
Net assets, ending				$ 2,130,698	279,261

See accompanying notes to financial statements.

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

Governmental Funds - Balance Sheets

September 30, 2011 and 2010

		2011	2010
ASSETS			
Current assets:			
Cash and cash equivalents	$	453,375	147,797
Receivable from CNMI government - appropriations, net of allowance for doubtful accounts of $855,891 in 2010		4,481,678	2,633,544
Other receivables		29,388	22,993
Prepaid expenses		5,764	5,944
Total current assets	$	4,970,205	2,810,278
LIABILITIES AND FUND BALANCE			
Current liabilities:			
Accounts payable		1,928,389	1,711,918
Accrued payroll and benefits		831,058	758,257
Deferred revenues		930,731	1,440,824
Other liabilities		85	85
Total current liabilities		3,690,263	3,911,084
Fund balances:			
Nonspendaple - not in spendable form		5,764	5,944
Assigned		1,274,178	-
Unassigned		-	(1,106,750)
Total fund balance (deficit)		1,279,942	(1,100,806)
	$	4,970,205	2,810,278

See accompanying notes to financial statements.

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

Governmental Funds - Statements of Revenues, Expenditures, and Changes in Fund Balance

For the Years Ended September 30, 2011 and 2010

		2011	2010
Revenues:			
CNMI appropriation	$	6,064,582	4,615,811
CNMI appropriation deferred in prior year		510,093	1,316,620
Grant income		313,328	-
In-kind contributions		230,396	281,659
Supplemental appropriation		120,000	-
Charges for services		69,276	73,589
Miscellaneous		10,797	9,889
Total revenues		7,318,472	6,297,568
Expenditures:			
General government		1,326,988	1,702,848
Marketing		2,306,788	2,677,296
Advertising		1,050,804	818,797
Special events		271,932	246,897
Bad debts		8,819	855,891
Capital outlay-current expenditures		18,342	26,742
Total expenditures		4,983,673	6,328,471
Excess (deficiency) of revenues over expenditures		2,334,799	(30,903)
Unassigned fund balance (deficit), beginning of year		1,279,942	(1,069,903)
Unassigned fund balance (deficit), end of year	$	3,614,741	(1,100,806)

See accompanying notes to financial statements.

MARIANAS VISITORS AUTHORITY
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Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets

For the Years Ended September 30, 2011 and 2010

		2011	2010
Unreserved fund balance (deficit)	$	1,279,942	(1,100,806)
Amounts reported for governmental activities in the Balance Sheet differ from the amounts reported in the Statements of Net Assets because:			
Long-term liabilities that are not due and payable in the current period and therefore are not reported as liabilities in the funds.			
Accrued compensated absences		(106,706)	(116,421)
Deferred revenues for receivables from CNMI that are not available within 60 days after the year-end.		930,731	1,440,824
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		26,731	55,664
Total net assets - governmental activities	$	2,130,698	279,261

See accompanying notes to financial statements.

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

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance with the Agency-Wide Statement of Activities

For the Years Ended September 30, 2011 and 2010

		2011	2010
Net change in fund balance - governmental funds		$ 2,334,799	(30,903)
Amounts reported for governmental activities in the Statement of Revenues, Expenditures and Changes in Fund Balance differ from amounts reported in the Statement of Activities because:			
Deferred revenues for receivables from CNMI that are not available within 60 days after the year-end.	930,731		
Collections for 2010 appropriations that were deferred in prior year	(1,440,824)	(510,093)	87,960
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		21,715	27,581
Capital outlays to purchase or build capital assets are reported in governmental fund 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	18,342		
Depreciation expense	(13,326)	5,016	8,664
Changes in net assets of governmental activities		$ 1,851,437	93,302

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 (GAAP). The Governmental Accounting Standards Boards (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 governments.

A. Reporting Entity

On June 17, 1998, Public Law No. 11-15 was enacted and this law deleted in its entirety Section 302(b) of Executive Order 94-3 and abolished the Marianas Visitors Bureau (MVB) 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 Directors, subject to the limitations of the Organization's by-laws and the laws of the Northern Mariana Islands. 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.

In accordance with its enabling legislation and subsequent amendments, MVA receives an appropriation of the hotel room occupancy taxes and alcoholic beverage container taxes collected by the CNMI Government.

B. Agency-wide and Fund Financial Statements

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

The purpose of the Statement of Activities 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 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.

(1) Summary of Significant Accounting Policies, Continued

B. Agency-Wide and Fund Financial Statements, Continued

In-kind contributions restricted for special events or 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 revenues.

Governmental fund financial statements are separate financial statements for government 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 or debt service funds.

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, 2011, 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.

(1) Summary of Significant Accounting Policies, Continued

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

Agency-wide financial statements are presented on a full accrual basis of accounting with an economic resources 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 flows.

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.

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 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.

(1) Summary of Significant Accounting Policies, Continued

D. Assets, Liabilities and Equity, Continued

Appropriations from the CNMI Government, the MVA's major revenue source, are considered measurable and available when they can be collected within 60 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.

3. Capital Assets

Capital assets, which include property and equipment, are accounted for in the agency-wide section of the financial statements. All capital assets are valued at historical cost. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Donated assets are valued at their fair value on the date of gift.

Capital assets purchased or acquired with original cost of $500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of assets are capitalized. The cost of normal repairs and maintenance that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in the Statement of Net Assets.

Estimated useful lives, in years, for depreciable assets are as follows:

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

(1) Summary of Significant Accounting Policies, Continued

4. Compensated Absences

Compensated absences represent the accumulated liability to be paid under MVA's current annual leave policy.

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. 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. At September 30, 2011 and 2010, accrued annual leave was $106,705 and$116,421, respectively.

5. Fund Balances

MVA's board of directors is authorized to assign amounts to a specific purpose. MVA's board of directors has established a policy to provide such authority to the board of directors

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 Implementation

MVA implemented, as of September 30, 2005, 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, 2011, MVA is not exposed to any risks required to be disclosed under GASB 40 as all its deposits are under MVA's name and are fully covered by FDIC insured limits (Note 4).

(1) Summary of Significant Accounting Policies, Continued

G. New Pronouncements, Continued

GASB Statement No. 54 – In March 2009, the GASB issued Statement No. 54, *"Fund Balance Reporting and Governmental Fund Type Definitions."* This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This Statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010. The MVA has adopted and applied this Statement in their financial statements.

GASB Statement No. 56 – In April 2009 GASB issued Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards.* This Statement incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants (AICPA) auditing literature into the GASB's accounting and financial reporting literature for state and local governments. The Statement 56 guidance addresses three issues from the AICPA's literature—related party transactions, going concern considerations, and subsequent events.

This Statement brings existing guidance (to the extent appropriate in a governmental environment) without substantive changes into the GASB's body of standards. Statement 56 is part of the GASB's effort to codify all generally accepted accounting principles for state and local governments so that they derive from a single source. This is intended to make it easier for preparers of state and local government financial statements to identify and apply relevant accounting guidance. Statement 56 is effective immediately.

GASB Statement No. 57 – In December 2009, the GASB issued Statement No. 57, *"OPEB Measurement by Agent Employers and Agent Multiple-Employer Plans"* The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers).

This Statement amends Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* to permit an agent employer that has an individual-employer OPEB plan with fewer than 100 total plan members to use the alternative measurement method, at its option, regardless of the number of total plan members in the agent multiple-employer OPEB plan in which it participates. Consistent with this change to the employer-reporting requirements, this Statement also amends a Statement

(1) Summary of Significant Accounting Policies, Continued

G. New Pronouncements, Continued

No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* requirement that a defined benefit OPEB plan obtain an actuarial valuation. The amendment permits the requirement to be satisfied for an agent multiple-employer OPEB plan by reporting an aggregation of results of actuarial valuations of the individual-employer OPEB plans or measurements resulting from use of the alternative measurement method for individual-employer OPEB plans that are eligible.

In addition, this Statement clarifies that when actuarially determined OPEB measures are reported by an agent multiple-employer OPEB plan and its participating employers, those measures should be determined as of a common date and at a minimum frequency to satisfy the agent multiple-employer OPEB plan's financial reporting requirements. This statement is effective for periods beginning after June 15, 2011. The MVA does not believe the implementation of this Statement will have a material effect on its financial statements.

GASB Statement No. 58 – In December 2009, the GASB issued Statement No. 58 *"Accounting and Financial Reporting for Chapter 9 Bankruptcies"* The objective of this Statement is to provide accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms (that is, approves) a new payment plan. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009. There is no financial impact to MVA for the fiscal year ended September 30, 2011 as a result of the implementation of this statement.

GASB Statement No. 59 – In June 2010, the GASB issued Statement No. 5 *"Financial Instruments Omnibus".* The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The requirements of this Statement will improve financial reporting by providing more complete information, by improving consistency of measurements, and by providing clarifications of existing standards. Applying the reporting provisions of Statement 31 for interest-earning investment contracts to unallocated insurance contracts improves consistency of investment measurements that are reported by pension and other postemployment benefit plans. Emphasizing the applicability of SEC requirements to 2a7-like external investment pools provides practitioners with improved guidance. Limiting interest rate risk disclosures for investments in mutual funds, external investment pools, and other pooled investments to debt investment pools provides better guidance regarding the applicability of interest rate risk disclosures.

(1) Summary of Significant Accounting Policies, Continued

G. New Pronouncements, Continued

Finally, addressing the applicability of Statement 53 to certain financial instruments refines which financial instruments are within the scope of that Statement. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2010. The MVA has not determined its effect on the financial statements.

GASB Statement No. 60 – In November 2010, the GASB issued Statement No. 60 *"Accounting and Financial Reporting for Service Concession Arrangements"* The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. This Statement is effective for financial statements for periods beginning after December 15, 2011. The provisions of this Statement generally are required to be applied retroactively for all periods presented. There is no financial impact to MVA for the fiscal year ended September 30, 2011 as a result of the implementation of this statement.

GASB Statement No. 61 – In November 2010, the GASB issued Statement No. 61 *"The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No.34.* The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments,* were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The amendments to the criteria for including component units allow users of financial statements to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. This Statement is effective for financial statements for periods beginning after June 15, 2012.

(1) Summary of Significant Accounting Policies, Continued

G. New Pronouncements, Continued

GASB Statement No. 62 – In November 2010, the GASB issued Statement No. 62 *"Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASN and AICPA Pronouncements"* This Statement was established to improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. This effort brings the authoritative accounting and financial reporting literature together in one place, with that guidance modified as necessary to appropriately recognize the governmental environment and the needs of governmental financial statement users. It will eliminate the need for financial statement preparers and auditors to determine which FASB and AICPA pronouncement provisions apply to state and local governments, thereby resulting in a more consistent application of applicable guidance in financial statements of state and local governments.

In addition, all FASB and AICPA pronouncements became nonauthoritative literature for the private sector on July 1, 2009, the effective date of the *FASB Accounting Standards Codification*™. Although certain FASB and AICPA pronouncements are still available in the archive section of the FASB's Codification on a limited basis, this Statement will make accessible in the GASB's authoritative literature all applicable accounting and financial reporting guidance previously residing only in the FASB and AICPA pronouncements. This Statement is effective for financial statements for periods beginning after June 15, 2012. Earlier adoption is encouraged. The MVA has adopted and applied this Statement in their financial statements.

GASB Statement No. 63 – In June 2011, the GASB issued Statement No. 63 *"Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position."* This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements,* introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. This Statement is effective for financial statements for periods beginning after December 15, 2011. There is no financial impact to MVA for the fiscal year ended September 30, 2011 as a result of the implementation of this statement.

(1) Summary of Significant Accounting Policies, Continued

G. New Pronouncements, Continued

GASB Statement No. 64 – In June 2011, the GASB issued Statement No. 64 *"Derivative Instruments: Application of Hedge accounting Termination Provisions – an amendment of GASB Statements No. 53"*. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. This Statement is effective for financial statements for periods beginning after June 15, 2011. The MVA does not believe the implementation of this Statement will have a material effect on its financial statements.

GASB Statement No. 65 – In March 2012, the GASB issued Statement 65. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4, *Elements of Financial Statements,* introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4.

This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

(1) Summary of Significant Accounting Policies, Continued

G. New Pronouncements, Continued

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. There is no financial impact to MVA for the fiscal year ended September 30, 2011 as a result of the implementation of this statement.

GASB Statement No. 66 – In March 2012, the GASB issued Statement 66 "Technical Corrections – 2012 – an amendment of GASB statements No. 10 and No. 62" The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*

This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,* by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments.*

This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases,* and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues,* respectively. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The MVA has adopted and applied this Statement in their financial statements.

(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 a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the agency-wide statements of net assets. The net adjustments for 2011 and 2010 consist of the following:

Description	2011	2010
Capital assets used in governmental activities are not financial resources and are therefore not reported in the fund (total capital assets on agency-wide statement in governmental activities column):	$ 567,441	564,807
Less accumulated depreciation	(540,710)	(509,143)
Net capital assets	26,731	55,664
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	(106,705)	(116,421)
Receivable from CNMI that is not available within 60 days after year end	930,731	1,440,824
Net adjustment	$ 850,757	1,380,067

(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 fund statement of revenues, expenditures and changes in fund balance includes a reconciliation between net changes in fund balance - total governmental funds and changes in net assets of governmental activities as reported in the agency-wide statement of activities. The adjustments are as follows.

Description	2011	2010
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures.		
Compensated absences – net	$ 9,716	27,581
Some revenues reported in the Statement of Activities are not available for current financial obligations and therefore not reported as income.		
CNMI appropriation	510,093	87,960
Capital outlays reported in the fund statements	18,342	26,742
Depreciation expense, the allocation of capital outlays over useful lives of the assets, that is recorded on the Statement of Activities but not in the fund statements.	(13,326)	(18,078)
Net adjustments	$ 524,825	124,205

(3) 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 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 and Statement of Net Assets.

(3) Budgetary Information, Continued

MVA has no authority to impose taxes to generate revenue. MVA is an autonomous agency and a component unit of the CNMI government and it receives annual appropriations 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.

(4) Cash and Cash Equivalents

As of September 30, 2011 and 2010 cash and cash equivalents consist of the following:

	2011	2010
Petty cash	$ 700	1,462
Cash in bank	452,675	146,335
	$ 453,375	147,797

At September 30, 2011 and 2010, the carrying amount of MVA's total cash and cash equivalents (excluding petty cash) was $452,675 and $146,335, respectively. The corresponding bank balances as of September 30, 2011 and 2010 were $532,829 and $595,768, respectively, of which the entire balance was within Federal Deposit Insurance Corporation (FDIC) insurance limits.

(5) Receivable from the CNMI Government

The CNMI Government appropriated a total of $4,481,678 and $6,056,635, for MVA's operational use for the years 2011 and 2010, respectively, under the Budget Authority Act of 2011 (Public Law 17-21).

The following is a summary of the changes in the due from CNMI government account group for the fiscal years September 30, 2011 and 2010:

	2011	2010
Due from CNMI government, beginning	$ 3,489,435	3,074,432
CNMI appropriation	6,064,581	6,056,635
Supplemental appropriations	120,000	-
Others	100,000	-
Subtotal	9,774,016	9,131,067

(5) Receivable from the CNMI Government, Continued

Collections:		
For prior year's appropriation	(199,986)	(5,441,646)
For current year's appropriation	(4,236,461)	(199,986)
Subtotal	5,337,569	3,489,435
Allowance for doubtful accounts	(855,891)	(855,891)
Due from CNMI government, net of	$ 4,481,678	2,633,544

MVA confirmed the amount due from the CNMI Government at September 30, 2009, with no exception noted by the CNMI Department of Finance. When MVA attempted to confirm the balance due from the CNMI Government at September 30, 2010 the CNMI Department of Finance responded to MVA that their records reflected a payable to MVA that was $855,891 less than what MVA's records show as a receivable. This difference relates to the balance due at September 30, 2009, which was confirmed by the CNMI Department of Finance. Accordingly, MVA believes that its balance is correct and that the Department of Finance's confirmed balance at September 30, 2010 is in error.

Even though MVA's balance is correct, nearly 24 months have elapsed since the amount should have been remitted to MVA. Accordingly, MVA has recorded a bad debt expense of $855,891 and has established a reserve for uncollectible receivables in the same amount as of September 30, 2011.

MVA will still attempt to collect the entire receivable balance. If MVA is able to collect this $855,891, the reserve for uncollectible receivables will be eliminated.

(6) Changes in Capital Assets

The following is a summary of changes in capital assets for the fiscal year ended September 30, 2011 (with comparative figures for fiscal year 2009):

	September 30, 2011			
	Balance October 1, 2010	Additions Transfers	Deletions Retirements	Balance September 30, 2011
Vehicle and equipment	$ 136,007	-	-	136,007
Office furniture, fixtures and equipment	199,605	999	-	200,604
Leasehold improvements	152,512	0	-	152,512
Maintenance equipment	76,683	1,635	-	78,318
	564,807	2,634	-	567,441

(6) Changes in Capital Assets, Continued

Less accumulated depreciation and amortization:				
Vehicle and equipment	136,000	-	-	136,000
Office furniture, fixtures and equipment	187,604	3,611	-	191,215
Leasehold improvements	152,508	-	-	152,508
Maintenance equipment	51,273	9,714	-	60,987
	527,385	13,325	-	540,710
Governmental activities capital assets, net	$ 37,422	10,691	-	26,731

		September 30, 2010		
	Balance October 1, 2009	Additions Transfers	Deletions Retirements	Balance September 30, 2010
Vehicle and equipment	$ 136,000	-	-	136,000
Office furniture, fixtures and equipment	178,940	8,664	-	187,604
Leasehold improvements	152,508		-	152,508
Maintenance equipment	51,273	-	-	51,273
	518,721	8,664	-	527,385
Less accumulated depreciation and amortization:				
Vehicle and equipment	136,000	-	-	136,000
Office furniture, fixtures and equipment	127,541	4,399	-	131,940
Leasehold improvements	148,772	3,736	-	152,508
Maintenance equipment	41,330	9,943	-	51,273
	453,643	18,078	-	471,721
Governmental activities capital assets, net	$ 65,078	9,414	-	55,664

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 Revenue

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.

At September 30, 2011 and 2010, deferred revenues balance totaled $930,731 and $1,440,824, respectively as reported in the accompanying fund financial statements.

(8) Noncurrent Liabilities

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

	2011	2010
Beginning balance	$ 115,291	136,263
Additional accrual	9,715	1,595
Used	(18,301)	(21,438)
Ending balance	106,705	116,420
Due within one year	3,129	1,129
Due in more than one year	$ 103,576	115,291

(9) 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 disaster. These risks are covered by commercial insurance purchased from independent third parties.

(10) Commitments and Contingencies

MVA entered into a non-cancelable lease agreement covering their office in Saipan with an initial term of five years expiring on April 16, 2013 with an option to renew for an additional five years with the same terms. The lease agreement calls for payment of $4,700 per month.

Future minimum lease payments are as follows:

Years ending September 30:

2012	$ 56,400
2013	32,900
	$ 89,300

(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. Early retirement is available after 10 years of vesting service if the member 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, 2009), issued in May 2011, the actuarially determined contribution rate for the fiscal year ended September 30, 2009 was 60.8686% of covered payroll. At September 30, 2011 and 2010, the established statutory rate was 37.3909% of covered payroll.

Public Law No. 15-126, authorizes the CNMI Government to remit only 18.667% of covered payroll and accrue the balance as liability to the NMIRF. The employer contribution remittance was further reduced by public Law No. 16-2 to 11% of covered payroll. Class I Members who are active employees contribute 7.5% of salary for fiscal year 2008 and will increase their rate of contribution by 1.0% per year until it reaches 10.5%. Refund is made on termination with less than 10 years of service. Class II Members who are active employees contribute 10% of salary for the fiscal year 2008 and will increase their rate of contribution by 1.0% per year until it reaches 11.0%. Members who terminate with less than 3 years of service will receive a refund of their accumulated contribution with interest.

The Class I and Class II refunds stated above are subject to an early withdrawal penalty of 10% of the total contributions, excluding interest. Class II Members who terminate with 3 but less than 20 years of service may request a refund of their accumulated contributions with interest in lieu of their termination benefits. If a member or survivor dies before receiving annuity payments which equal or exceed 1/3 of the member's accumulated contributions with interest, the balance will be paid to the beneficiary. The Fund uses the level percentage of payroll method to amortize the unfunded liability over a period not to exceed 40 years from October 1, 1980, amended through Public 6-17 effective May 7, 1989 as amended through June 14, 2007. Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the pension benefit obligation.

(11) Retirement Plan, Continued

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 3% increase in employee salaries compounded annually until retirement, (c) expenses at 1.1% of total payroll, and (d) for actives, earlier of age of 62, if eligible, and 25 years of membership service, for inactives, age 62 for Class I and age 60 for Class II.

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

Fiscal Year Ended	Required Contribution	Percentage of Required Contribution Paid
09/30/11	$ 197,000	37.3909%
09/30/10	283,000	37.3909%
09/30/09	334,500	37.3909%

(12) Life and Health Insurance

Annuitants may elect to continue their CNMI Government life and health insurance coverage under the same terms and conditions in-force at the time of retirement. Half of the life insurance premium will be paid by the Fund. The fund will pay the same portion of the health insurance premium as paid for active employees by the government. 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 or benefit withholdings.

(13) Reclassifications of Accounts

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

(14) Subsequent Events

In preparing the accompanying financial statements and these footnotes, management has evaluated subsequent events through May 31, 2012, which is the date the financial statements were available to be issued. There were no such events requiring disclosure.

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

Budgetary Comparison Schedule

For the Year Ended September 30, 2011

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
CNMI appropriation	$ 6,448,027	6,188,169	6,064,582	(123,587)
CNMI appropriation, collected from prior year	-	-	510,093	510,093
Grant income	-	-	313,328	313,328
Supplemental budget	120,000	120,000	120,000	-
In-kind contributions	-	-	230,396	230,396
Royalty income	-	-	28,286	28,286
Membership dues	-	-	18,000	18,000
Concession vendor fees	-	-	14,490	14,490
Memorial trust income	-	-	8,500	8,500
Other income	-	-	10,780	10,780
Interest income	-	-	17	17
Total revenues	6,568,027	6,308,169	7,318,472	1,010,303
Expenditures:				
Promotion and advertising	4,907,917	4,907,917	3,629,524	1,278,393
Personnel service	832,531	826,627	647,166	179,461
In-kind contribution of promotion and advertising	-	-	230,396	(230,396)
Tourist site security	120,204	120,204	114,984	5,220
Professional fees	148,725	86,844	63,834	23,010
Rentals	56,400	56,400	56,400	-
Utilities	73,200	73,200	51,120	22,080
Dues and subscriptions	27,570	27,570	23,943	3,627
Travel	38,000	38,000	23,859	14,141
Communications	29,960	29,960	19,383	10,577
Computer systems and equipment	11,000	11,000	18,342	(7,342)
Maintenance supplies	29,000	29,000	17,774	11,226
Insurance	15,169	15,169	15,299	(130)
Fuel and lubrication	26,400	26,400	15,112	11,288
Depreciation	-	-	13,326	(13,326)
Bad debts	-	-	8,819	(8,819)
Printing and publications	55,000	55,000	8,290	46,710
Office equipment, rentals, repairs	9,650	9,650	7,173	2,477
Repairs and maintenance	30,000	30,000	7,003	22,997
Office supplies	18,800	18,800	6,018	12,782
Postage and freight	9,500	9,500	4,302	5,198
Bank charges	-	-	1,141	(1,141)
Staff development training	3,000	3,000	465	2,535
Equipment rental	6,000	6,000	-	6,000
Total expenditures	6,448,026	6,380,241	4,983,673	1,396,568
Excess of revenues over expenditures	120,001	(72,072)	2,334,799	2,406,871
Fund balance (dificiency), beginning of year	(902,486)	(1,100,806)	(1,100,806)	-
Unreserved fund balance (deficit), end of year	$ (782,485)	(1,172,878)	1,233,993	2,406,871

See accompanying notes to financial statements.

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

Supplemental Schedule

Schedule of Functional Expenditures - Statement of Activities
For the Years Ended September 30, 2011 and 2010

	General Government	Marketing	Advertising	Special Events	Depreciation	Bad debts	Total 2011	Total 2010
Advertising and marketing	$ -	2,247,712	885,575	265,841	-	-	3,399,128	3,477,543
Personnel service and related expenses	877,562	-	-	-	-	-	877,562	1,221,842
In-kind contributions	-	59,076	165,229	6,091	-	-	230,396	281,659
Tourist site security maintenance	114,984	-	-	-	-	-	114,984	112,235
Professional fees	63,834	-	-	-	-	-	63,834	52,700
Rentals	56,400	-	-	-	-	-	56,400	56,400
Utilities	51,120	-	-	-	-	-	51,120	42,821
Dues and subscriptions	23,943	-	-	-	-	-	23,943	26,932
Travel	23,859	-	-	-	-	-	23,859	30,929
Communications	19,383	-	-	-	-	-	19,383	22,455
Insurance	15,299	-	-	-	-	-	15,299	11,329
Fuel and lubrication	15,112	-	-	-	-	-	15,112	14,241
Depreciation	-	-	-	-	13,326	-	13,326	18,078
Maintenance supplies	9,385	-	-	-	-	-	9,385	10,070
Bad debts	-	-	-	-	-	8,819	8,819	855,891
Printing and copying	8,290	-	-	-	-	-	8,290	52,866
Office equipment rental	7,173	-	-	-	-	-	7,173	8,516
Repairs and maintenance	7,003	-	-	-	-	-	7,003	12,237
Office supplies	6,018	-	-	-	-	-	6,018	11,551
Postage and freight	4,302	-	-	-	-	-	4,302	6,172
Bank charges	1,141	-	-	-	-	-	1,141	1,754
Personnel training cost	465	-	-	-	-	-	465	250
Total expenditures	$ 1,305,273	2,306,788	1,050,804	271,932	13,326	8,819	4,956,942	6,328,471

See accompanying notes to financial statements.

INDEPENDENT AUDITORS' REPORTS ON INTERNAL CONTROL AND ON COMPLIANCE

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

YEAR ENDED SEPTEMBER 30, 2011

BURGER & COMER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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*

To the Board of Directors
of Marianas Visitors Authority

We have audited the financial statements of the Marianas Visitors Authority (MVA), a component unit of the Commonwealth of the Northern Mariana Islands government, as of and for the year ended September 30, 2011 and have issued our report thereon dated May 31, 2012. We conducted our 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 our audit, we considered Marianas Visitors Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Marianas Visitors Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Marianas Visitors Authority's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marianas Visitors Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 our audit, and accordingly, we 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 management, The Board of Directors, the Office of the Public Auditor and the cognizant audit agency and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public record.

Burger & Comer, P.C.

Commonwealth of the Northern Mariana Islands
May 31, 2012

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

Schedule of Findings and Questioned Costs
Year Ended September 30, 2011

A. SUMMARY OF AUDITORS' RESULTS

1. The Independent Auditors' Report on the financial statements of the Fund expressed an unqualified opinion.
2. No reportable conditions in internal control over financial reporting were identified for 2011.
3. No instance of noncompliance considered material to the financial statements was disclosed by the audit.

B. FINDINGS RELATING TO THE FINANCIAL STATEMENTS, WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Current Year Finding:

None reported

Prior Year Findings:

None reported