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

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED SEPTEMBER 30, 2013 AND 2012

WITH INDEPENDENT AUDITORS' REPORT THEREON

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

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YEARS ENDED SEPTEMBER 30, 2013 AND 2012

BURGER & COMER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Marianas Visitors Authority

We have audited the accompanying financial statements of the governmental activities and the governmental funds of the Marianas Visitors Authority (MVA), a component unit of Commonwealth of the Northern Mariana Islands government, as of September 30, 2013 and 2012, and for the years then ended, and the related notes to the financial statements, which collectively comprise the MVA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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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, 2013 and 2012, and the respective changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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 4 through 11 and page 36 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the MVA's basic financial statements. The individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 30, 2014, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MVA's internal control over financial reporting and compliance.

Burger Comer, P.C.

Commonwealth of the Northern Mariana Islands
April 30, 2014

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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, 2013. Management has prepared this overview as required supplementary 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 2013 Public Law 17-85, the MVA's budgeted appropriation and entitlement for fiscal year 2013 is \$5,842,586. The net appropriations for FY 2013 will amount to \$5,822,510 further reduced by a 1% allocation for the Office of the Public Auditor (OPA) in the amount of \$20,076.

- MVA's total assets exceeded liabilities at the end of FY 2013 by \$5,711,049 compared to \$2,714,213 and \$2,130,698 at the end of FY 2012 and 2011, respectively. Unrestricted net assets at September 30, 2013 were \$5,705,919. At September 30, 2012 they were \$2,698,374 and at September 30, 2011 they were \$2,103,967.

- MVA experienced an increase in net assets in fiscal year 2013 due to the implementation of PL18-1 that increased the hotel tax from 10% to 15% effective April 1, 2013 and thereafter. This provides an actual hotel and container tax revenue for fiscal year 2013 of \$6,997,117 versus the hotel and container tax earmarked of \$3,835,000 per PL17-85.

- Given the implementation of PL18-1 and the collection of the outstanding balance on fiscal year 2012 entitlement, MVA was able to settle its long outstanding obligations to its offshore and local vendors. MVA as of the date of audit is now current on its financial obligations.

- PL18-1 Section 102 also includes the provision on Destination Enhancements amounted to \$214,446 of which this was increased to \$250,000 for FY2013 as approved by the Board of Directors. Destination enhancements projects have started in FY2013 and will continue on to the next fiscal years.

- MVA received \$188,664 of in-kind contributions in 2013. In-kind contributions increased by approximately 5% or \$9,131 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 $2,996,836 from the previous year.

SUMMARY OF CHANGE IN NET ASSETS (STATEMENT OF ACTIVITIES)

	2013	2012	2011
Net assets, beginning	$ 2,714,213	$ 2,130,698	$ 279,261
Revenues	9,318,886	6,497,320	6,803,379
Expenditures	6,322,050	5,913,805	4,956,942
Increase in net assets	2,996,836	583,515	1,851,437
Net assets, ending	$ 5,711,049	$ 2,714,213	$ 2,130,698

SUMMARY OF STATEMENT OF NET ASSETS

	2013	2012	2011
Current assets	$ 7,907,567	$ 5,677,077	$ 4,970,205
Capital assets	5,130	15,839	26,731
Total assets	$ 7,912,697	$ 5,692,916	$ 4,996,936
Current liabilities	$ 2,105,402	$ 2,856,074	$ 2,759,533
Non-current liabilities	96,246	122,629	106,705
Total liabilities	$ 2,201,648	$ 2,978,703	$ 2,866,238
Invested in capital assets	$ 5,130	$ 15,839	$ 26,731
Unrestricted	5,705,919	2,698,374	2,103,967
Total net assets	$ 5,711,049	$ 2,714,213	$ 2,103,698
Total liabilities and net assets	$ 7,912,697	$ 5,692,916	$ 4,996,936

The $5,705,919 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 $5,705,919 of unrestricted assets left.

Assets. Assets consist primarily of cash and cash equivalents (36%) and receivables, which include local government appropriation and entitlement (62%), 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 decrease in liabilities of $777,055 is due to MVA's settlement of its long outstanding obligations to its Offshore and Local Vendors in FY2013.

Net assets. Net assets represent the MVA's residual interest in its assets net of liabilities. The unrestricted component of net assets increased by $2,996,836. At the end of FY 2013, net assets increased by $2,996,836 primarily due to actual collection of appropriation, hotel and container tax in fiscal year 2013.

Revenues

Total revenues for FY 2013 amounted to $9,318,886, a $2,821,566 or 30% increase from FY 2012. The increase in revenue is due primarily on the implementation of PL18-1 effective April 1, 2013.

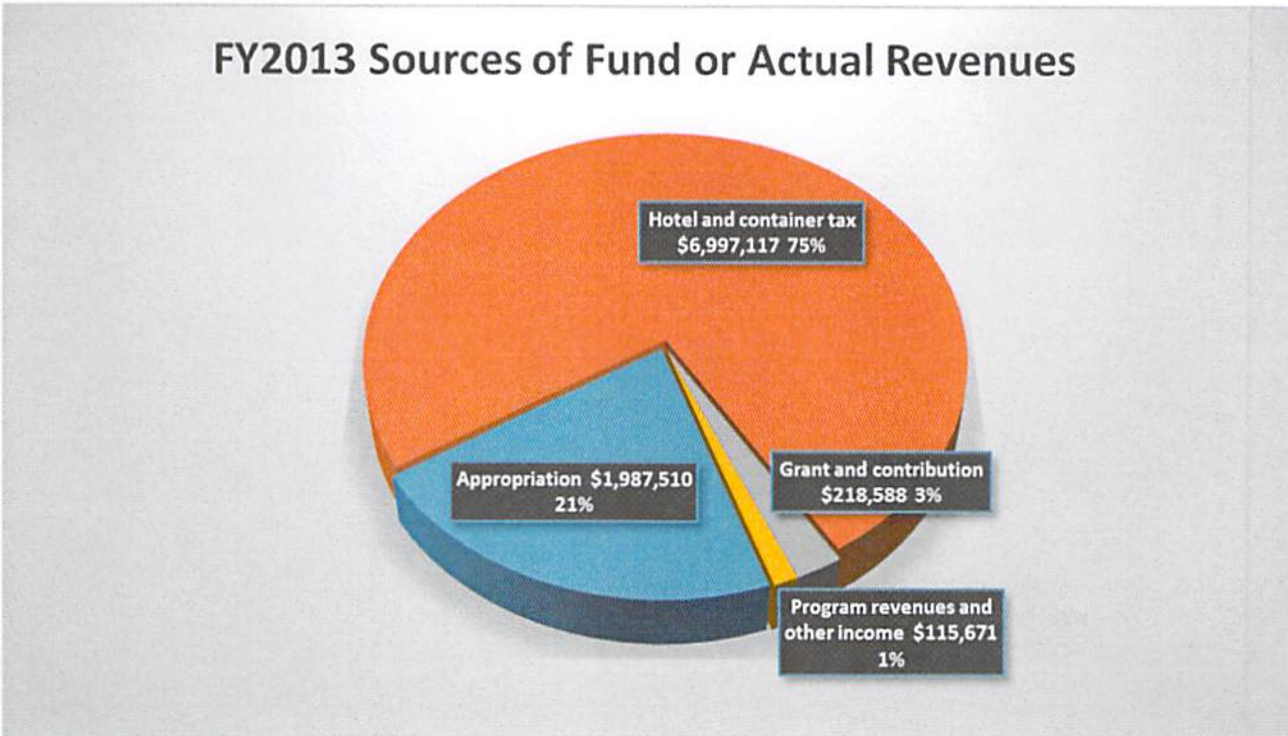
	2013	2012	2011
General Revenues			
CNMI appropriation and entitlement	$ 8,984,627	6,244,838	6,064,582
Grant and contribution	218,588	179,533	543,724
Supplemental appropriation	-	-	120,000
Other income	26,195	4,767	10,797
Royalty income	25,768	28,886	28,286
Subtotal	9,255,178	6,458,024	6,767,389
Program Revenues			
Membership fees	12,660	13,401	32,490
Special events	51,048	25,895	8,500
Subtotal	63,708	39,296	40,990
Total Revenues	$ 9,318,886	6,497,320	6,808,379

Revenues are classified as either general revenues or program revenues.

Program revenues are those directly generated by a function or activity of the government entity. These revenues include membership dues, special events fees that MVA charges for the specific events, and contributions from the private sector to support MVA programs. These special events revenues help MVA in reducing its actual expenditures on those respective events. In all situations, MVA has no surplus on this matter.

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 general revenue classification includes CNMI appropriations and entitlements (hotel and container tax), grant and in-kind contributions, program revenues and other income (royalty and memorial maintenance fee).



This graph shows MVA's fiscal year 2013 revenues are primarily from appropriation and entitlement 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:

	2013	2012	2011
General government	$ 1,494,645	$ 1,569,592	$ 1,305,273
Marketing	2,993,293	2,499,132	2,306,788
Advertising	1,432,256	730,120	1,050,804
Special events	391,150	310,338	271,932
Depreciation	10,706	11,893	13,326
Bad debts	-	792,730	8,819
Total expenditures	$ 6,322,050	$ 5,913,805	$ 4,956,942

Expenditures for the fiscal year ending September 30, 2013 increased by $627,074 over the fiscal year 2012 total. This is due primarily to the increase in the Marketing and advertising programs implemented as funds enabled MVA in fiscal year 2013. This includes the charter flight promotions co-op promotions, TV filming projects, travel and media familiarization tours, web development to promote CNMI, collaterals production, travel trade shows, etc. in order to promote CNMI.

OVERALL FINANCIAL POSITION

The overall financial position (net assets) increased by approximately $2,996,836, due primarily on the implementation of PL18-1 increasing the hotel tax from 10% to 15% effective April 1, 2013. This generates an additional revenue of $3,162,116 versus the hotel and container tax earmarked for fiscal year 2013 per PL17-85.

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 2013 increased by approximately $1,600,000 primarily due to MVA's adopted baseline budget for advertising, marketing and promotional expenditures, and the collection of CNMI appropriations and entitlement. In FY 2013 the fund balance increased by approximately $1,600,000. Over the past years, MVA's fund balance has gradually increased from the range of $600,000 to $1,500,000.

CAPITAL ASSETS

The MVA's investment in capital assets as of September 30, 2013 amounts to $5,130 net of accumulated depreciation. Depreciation expense for the year was $10,706.

Capital assets net of accumulated depreciation are as follows:

	2013	2012	2011
Maintenance equipment	$ 1,887	$ 9,734	$ 17,329
Furniture and fixtures	3,243	6,105	9,402
	$ 5,130	$ 15,839	$ 26,731

FUTURE PLANS

In FY 2013, we are still using the final copy of the CNMI Tourism Master Plan covering 2012-2016. The plan addresses myriad issues affecting the current performance of the tourism industry. It will include an in-depth analysis of our market mix through the exit survey results and series of meetings 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 in the plan. Like the Strategic Initiatives for 2006-2010, the MVA will be soliciting the assistance and participation of other government entities and community organizations to help implement the plan.

On March 11 2013, Governor Inos signed Public Law 18-1 in essence increases the Hotel Occupancy Tax from 10% to 15% and MVA's share from 70% to 80%. This measure allows the MVA to focus on the following items:

- *Increase the Offshore Marketing and advertising budget from $5.0 Million to $7.5 Million.* These funds are set aside to provide marketing, internet, and public relation projects and programs to promote tourism to the Northern Mariana Islands. We are focusing primarily on the Japan, Korea, China, Taiwan and Russia markets. We have recently opened Russia and Taiwan offices and will be funding their operation as well.

- *Destination enhancement or product development projects.* MVA together with the CNMI Destination Enhancement Committee have worked on the improvement, restoration, rehabilitation and renovation of the Tourist Sites such as Sugar King Trail, Mount Tapochau walkway, Rota's Bird Sanctuary railings, Grotto lookout, Banzai Cliff Pavilion, Last Command Post, Ladder Beach stairway handrails, Grotto stairways and Bird Island lookout. More projects are coming up such as the improvements at the airport's departure and arrival areas, installation of PA system, stage, tree planting, etc. at the Paseo de Marianas, enhancement and development of interpretative signs at Tourist Sites, improvement at Forbidden Island lookout, Suicide cliff and Last Command Post. MVA will continue to look at more destination enhancement projects.

Presently, the biggest challenge to the CNMI travel industry is the acute shortage of hotel rooms. With the Palms Resort (313 rooms) and Riviera Resort (134 rooms) and a couple of smaller hotels/motels, we estimate approximately 500 rooms that are offline. In terms of visitors (adjusted for weighted average pax per room and length of stay), these offline rooms can accommodate approximately 100,000 persons and generate another $200 million in total economic activity in the CNMI.

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, 2013 and 2012

		2013	2012
ASSETS			
Current assets:			
Cash and cash equivalents	$	2,915,751	778,149
Receivable from CNMI government - appropriation and entitlement, net of allowance for doubtful accounts of $792,730 (2012: $1,648,621)		4,924,828	4,880,117
Other receivables		15,308	17,131
Prepaid expenses		51,680	1,680
Total current assets		7,907,567	5,677,077
Noncurrent assets:			
Capital assets, net of accumulated depreciation and amortization		5,130	15,839
Total assets	$	7,912,697	5,692,916
LIABILITIES			
Current liabilities:			
Accounts payable		903,691	1,775,156
Accrued payroll and benefits		1,196,911	1,080,833
Deferred revenues		4,800	-
Other liabilities		-	85
Total current liabilities		2,105,402	2,856,074
Noncurrent liabilities:			
Due within one year			
Accrued compensated absences		13,526	13,526
Due in more than one year			
Accrued compensated absences		82,720	109,103
Total liabilities		2,201,648	2,978,703
NET ASSETS			
Invested in capital assets		5,130	15,839
Unrestricted		5,705,919	2,698,374
Total net assets		5,711,049	2,714,213
	$	7,912,697	5,692,916

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, 2013 and 2012

		Program Revenue		Net (Expenses) Revenues and Change in Net Assets Governmental Activities	
	Expenses	Charges for Services	Grants and Contributions	2013	2012
Governmental activities:					
General government	$ 1,507,896	12,660	-	(1,495,236)	(1,556,189)
Marketing	2,848,349	-	56,971	(2,791,378)	(2,442,163)
Advertising	1,554,921	-	122,665	(1,432,256)	(616,586)
Special events	400,178	51,048	9,028	(340,102)	(275,415)
Depreciation	10,706	-	-	(10,706)	(11,893)
Bad debts	-	-	-	-	(792,730)
Total governmental activities	$ 6,322,050	63,708	188,664	(6,069,678)	(5,694,976)
General revenues:					
CNMI appropriation and entitlement				8,984,627	6,244,838
Royalty income				25,768	28,886
Other income				26,195	4,767
Grant income				29,924	-
Total general revenues				9,066,514	6,278,491
Change in net assets				2,996,836	583,515
Net assets, beginning				2,714,213	2,130,698
Net assets, ending				$ 5,711,049	2,714,213

See accompanying notes to financial statements.

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

Governmental Funds - Balance Sheets

September 30, 2013 and 2012

		2013	2012
ASSETS			
Current assets:			
Cash and cash equivalents	$	2,915,751	778,149
Receivable from CNMI government - appropriation and entitlement, net of allowance for doubtful accounts of $792,730 (2012: $1,648,621)		4,924,828	4,880,117
Other receivables		15,308	17,131
Prepaid expenses		51,680	1,680
Total current assets	$	7,907,567	5,677,077
LIABILITIES AND FUND BALANCE			
Current liabilities:			
Accounts payable		903,691	1,775,156
Accrued payroll and benefits		1,170,530	1,080,832
Deferred revenues		2,297,257	836,981
Other liabilities		-	85
Total current liabilities		4,371,478	3,693,054
Fund balances:			
Nonspendable - not in spendable form		51,680	1,680
Assigned		3,484,409	1,982,343
Unassigned		-	-
Total fund balance		3,536,089	1,984,023
	$	7,907,567	5,677,077

See accompanying notes to financial statements.

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

For the Years Ended September 30, 2013 and 2012

	2013	2012
Revenues:		
CNMI appropriation and entitlement	$ 7,529,151	6,244,838
In-kind contributions	188,664	179,533
CNMI appropriation deferred in prior year	-	93,750
Charges for services	89,476	68,182
Other income	26,195	4,767
Grant income	29,924	-
Total revenues	7,863,410	6,591,070
Expenditures:		
General government	1,494,645	1,569,592
Marketing	2,987,410	2,499,132
Advertising	1,432,256	730,120
Special events	391,150	310,338
Bad debts	-	792,730
Capital outlay-current expenditures	5,883	4,575
Total expenditures	6,311,344	5,906,487
Excess of revenues over expenditures	1,552,066	684,583
Assigned fund balance, beginning of year	1,984,023	1,299,440
Assigned fund balance, end of year	$ 3,536,089	1,984,023

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, 2013 and 2012

		2013	2012
Fund balance	$	3,536,089	1,984,023
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		(122,627)	(122,630)
Deferred revenues for receivables from CNMI that are not available within 60 days after the year-end.		2,292,457	836,981
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		5,130	15,839
Total net assets - governmental activities	$	5,711,049	2,714,213

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, 2013 and 2012

		2013	2012
Net change in fund balance - governmental funds		$ 1,552,066	684,583
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.	$ 2,292,457		
Deferred revenues prior year	(836,981)	1,455,476	-
Collections for 2012 appropriations that were deferred in prior year			(93,750)
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	5,883		
Depreciation expense	(16,589)	(10,706)	(7,318)
Changes in net assets of governmental activities		$ 2,996,836	583,515

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 visitor 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 whom 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 and entitlement 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, which is a general fund at the MVA level.

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, 2013, 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 statements 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

Appropriation and entitlement 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, 2013 and 2012, accrued annual leave was $96,247 and $122,630, 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, 2013, 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

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.

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, 2012 as a result 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.*

(1) Summary of Significant Accounting Policies, Continued

G. New Pronouncements, Continued

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.

GASB Statement No. 67 – In June 2012, the GASB issued Statement No. 67 "Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25." The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures,* as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. The provisions of this Statement are effective for the fiscal years beginning after June 30, 2013. Earlier application is encouraged. There is no financial impact to MVA for the fiscal year ended September 30, 2012.

(1) Summary of Significant Accounting Policies, Continued

G. New Pronouncements, Continued

GASB Statement No. 68 – In June 2012, the GASB issued Statement No. 68 "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27". The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.

Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The provisions of this Statement are effective for fiscal years beginning after June 15, 2014. Earlier application is encouraged. There is no financial impact to MVA for the fiscal year ended September 30, 2013.

(1) Summary of Significant Accounting Policies, Continued

G. New Pronouncements, Continued

GASB Statement No. 69 – In January 2013, the GASB issued Statement No. 69 "Government Combinations and Disposals of Government Operations." This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The distinction between a government merger and a government acquisition is based upon whether an exchange of significant consideration is present within the combination transaction. Government mergers include combinations of legally separate entities without the exchange of significant consideration. This Statement requires the use of carrying values to measure the assets and liabilities in a government merger. Conversely, government acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration. This Statement requires measurements of assets acquired and liabilities assumed generally to be based upon their acquisition values. This Statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. This Statement defines the term *operations* for purposes of determining the applicability of this Statement and requires the use of carrying values to measure the assets and liabilities in a transfer of operations. A disposal of a government's operations results in the removal of specific activities of a government. This Statement provides accounting and financial reporting guidance for disposals of government operations that have been transferred or sold. This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions.

The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. Earlier application is encouraged. This Statement had no financial impact to MVA for the fiscal year ended September 30, 2013.

(1) Summary of Significant Accounting Policies, Continued

G. New Pronouncements, Continued

GASB Statement No. 70 – In April 2013, the GASB issued Statement No. 70. "Accounting and Financial Reporting for Nonexchange Financial Guarantees." This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows related to the guarantee expected to be incurred. When there is no best estimate but a range of the estimated future outflows can be established, the amount of the liability to be recognized should be the discounted present value of the minimum amount within the range.

This Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units.

This Statement specifies the information required to be disclosed by governments that extend nonexchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive nonexchange financial guarantees. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. Earlier application is encouraged. Except for disclosures related to cumulative amounts paid or received in relation to a financial guarantee, the provisions of this Statement are required to be applied retroactively. Disclosures related to cumulative amounts paid or received in relation to a financial guarantee may be applied prospectively. This Statement had no financial impact to MVA for the fiscal year ended September 30, 2013.

(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 2013 and 2012 consist of the following:

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

Description	2013	2012
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):	$ 568,440	568,440
Less accumulated depreciation	(563,310)	(552,601)
Net capital assets	5,130	15,839
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	(96,247)	(122,630)
Receivable from CNMI that is not available within 60 days after year end	1,455,476	836,981
Net adjustment	$ 1,364,359	730,190

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	2013	2012
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	$ 26,380	-

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

Some revenues reported in the Statement of Activities are not available for current financial obligations and therefore not reported as income. CNMI appropriation	-	93,750
Capital outlays reported in the fund statements	5,883	4,575
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.	(10,706)	(11,893)
Net adjustments	$ 21,557	86,432

(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.

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 and entitlement 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, 2013 and 2012 cash and cash equivalents consist of the following:

	2013	2012
Petty cash	$ 700	700
Cash in bank	2,915,051	777,449
	$ 2,915,751	778,149

(4) Cash and Cash Equivalents, continued

At September 30, 2013 and 2012, the carrying amount of MVA's total cash and cash equivalents (excluding petty cash) was $2,915,051 and $777,449, respectively. The corresponding bank balances as of September 30, 2013 and 2012 were $2,952,936 and $990,305, respectively, of which the entire balance was within Federal Deposit Insurance Corporation (FDIC) insurance limits or was collateralized by the bank.

(5) Receivable from the CNMI Government

The CNMI Government appropriated a total of $5,822,510 and $5,939,053 for MVA's operational use for the years 2013 and 2012, respectively, under the Budget Authority Act of 2013 (Public Law 17-85).

The following is a summary of the changes in the "Due from CNMI government" for the fiscal years ended September 30, 2013 and 2012:

	2013	2012
Due from CNMI government, beginning	$ 4,880,117	5,337,569
CNMI appropriation and entitlement	9,777,357	5,939,053
Subtotal	14,657,474	11,276,622
Collections:		
For prior year's appropriation and entitlement	(1,772,778)	(700,645)
For current year's appropriation and entitlement	(7,167,138)	(4,047,239)
Subtotal	5,717,558	6,528,738
Allowance for doubtful accounts	(792,730)	(1,648,621)
Due from CNMI government, net	$ 4,924,828	4,880,117

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.

(5) Receivable from the CNMI Government, continued

MVA recorded a bad debt expense of $855,891 and established a reserve for uncollectible receivables in the same amount as of September 30, 2011. During the year ended September 30, 2013, MVA decided to make a direct write off of this $855,891.

During the year ended September 30, 2012, MVA recorded additional bad debts expense of $792,730 and increased its reserve for uncollectible receivables. MVA will still attempt to collect the entire receivable balance.

(6) Changes in Capital Assets

The following is a summary of changes in capital assets for the fiscal years ended September 30, 2013 and 2012:

	September 30, 2013			
	Balance October 1, 2012	Additions Transfers	Deletions Retirements	Balance September 30, 2013
Vehicle and equipment	$ 136,007	-	9,281	126,726
Office furniture, fixtures and equipment	201,604	-	3,720	197,884
Leasehold improvements	152,512	-	-	152,512
Maintenance equipment	78,318	-	-	78,318
	568,441	-	13,001	555,440
Less accumulated depreciation and amortization:				
Vehicle and equipment	136,000	-	9,281	126,719
Office furniture, fixtures and equipment	195,510	-	870	194,640
Leasehold improvements	152,508	-	-	152,508
Maintenance equipment	68,584	7,859	-	76,443
	552,602	7,859	10,151	550,310
Governmental activities capital assets, net	$ 15,839	7,859	2,850	5,130

(6) Changes in Capital Assets, continued

	September 30, 2012			
	Balance October 1, 2011	Additions Transfers	Deletions Retirements	Balance September 30, 2012
Vehicle and equipment	$ 136,007	-	-	136,007
Office furniture, fixtures and equipment	200,604	1,000	-	201,604
Leasehold improvements	152,512	-	-	152,512
Maintenance equipment	78,318	-	-	78,318
	567,441	1,000	-	568,441
Less accumulated depreciation and amortization:				
Vehicle and equipment	136,000	-	-	136,000
Office furniture, fixtures and equipment	191,215	4,295	-	195,510
Leasehold improvements	152,508	-	-	152,508
Maintenance equipment	60,987	7,597	-	68,584
	540,710	11,892	-	552,602
Governmental activities capital assets, net	$ 26,731	10,892	-	15,839

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, 2013 and 2012, deferred revenues balance totaled $2,292,457 and $836,981, respectively, as reported in the accompanying fund financial statements.

(8) Noncurrent Liabilities

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

	2013	2012
Beginning balance	$ 122,629	106,736
Additional accrual	28,483	20,506
Annual leave used	(54,866)	(4,583)
Ending balance	96,246	122,629
Due within one year	13,526	13,526
Due in more than one year	$ 82,720	109,103

(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. Subsequently, MVA extended the contract for another six months expiring October 15, 2013. On January 16, 2014 MVA entered into a lease agreement for their main office facility in Saipan with a term of five years expiring on January 16, 2018 with an option to renew for additional three years on the same terms and conditions. The lease agreement calls for payment of $4,500 per month.

Minimum future leases is as follows:

Years ending September 30:	
2014	$ 36,000
2015	54,000
2016	54,000
2017	54,000
2018	36,000
	$ 234,000

(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, 2010), issued in January 2013, the actuarially determined contribution rate for the fiscal year ended September 30, 2010 was 60.8686% of covered payroll. At September 30, 2012 and 2011, 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 a 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 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 contributions 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) GASB 67/68 discount rate of 3.20% 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 62, if eligible, and 25 years of membership service, for inactives, age 62 for Class I and age 60 for Class II.

MVA does not have any employees at September 30, 2013 who were participants in the NMIRF defined benefit plan.

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
09/30/13	$ -	-
09/30/12	$ 134,000	-
09/30/11	$ 197,000	-

(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. The government portion of health premiums is assumed to be $1,142.89 per year. Retirees and beneficiaries pay the employee portion of the premiums through deduction from their periodic benefit payments. 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.

(12) Life and Health Insurance, continued

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 2012 financial statements to conform to the current year presentation. These reclassifications 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 April 30, 2014, 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, 2013

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
CNMI appropriation and entitlement	$ 5,805,236	5,785,160	7,529,151	1,743,991
In-kind contributions	-	-	188,664	188,664
Concession vendor fees	-	-	40,005	40,005
Grant income	-	-	29,924	29,924
Other income	-	-	26,195	26,195
Royalty income	-	-	25,768	25,768
Membership dues	-	-	12,660	12,660
Memorial trust income	-	-	11,043	11,043
Total revenues	5,805,236	5,785,160	7,863,410	2,078,250
Expenditures:				
Promotion and advertising	4,111,495	4,801,462	4,614,784	186,678
Personnel service	1,147,015	983,829	812,619	171,210
Other expenses	-	-	193,001	(193,001)
In-kind contribution of promotion and advertising	-	-	188,664	(188,664)
Tourist site security	122,520	152,020	129,748	22,272
Professional fees	99,321	79,245	62,775	16,470
Rental	56,400	56,400	56,400	-
Utilities	58,800	58,800	41,199	17,601
Repairs and maintenance	13,000	20,000	36,751	(16,751)
Printing and publications	18,906	63,906	33,084	30,822
Fuel and lubrication	22,800	17,800	28,499	(10,699)
Travel	38,000	38,000	19,255	18,745
Step grant	-	-	16,764	(16,764)
Insurance	15,169	22,000	16,754	5,246
Communications	14,360	22,000	15,926	6,074
Office supplies	15,000	15,000	14,632	368
Office equipment, rentals, repairs	16,380	10,000	8,274	1,726
Maintenance supplies	15,000	15,000	7,702	7,298
Computer systems and equipment	6,000	98,165	5,883	92,282
Bank charges	-	-	3,908	(3,908)
Dues and subscriptions	25,570	12,000	2,279	9,721
Postage and freight	9,500	-	1,893	(1,893)
Staff development training	-	-	550	(550)
Total expenditures	5,805,236	6,465,627	6,311,344	154,283
Excess of revenues over expenditures	-	(680,467)	1,552,066	2,232,533
Fund balance, beginning of year	1,299,440	1,984,023	1,984,023	-
Unreserved fund balance, end of year	$ 1,299,440	1,303,556	3,536,089	2,232,533

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, 2013 and 2012

	$ General Government	Marketing	Advertising	Special Events	Depreciation	Total 2013	Total 2012
Advertising and marketing	-	2,791,378	1,432,256	391,150	-	4,614,784	3,357,657
Personnel service and related expenses	812,619	-	-	-	-	812,619	999,399
Other expenses	193,001	-	-	-	-	193,001	-
In-kind contributions	-	56,971	122,665	9,028	-	188,664	179,533
Tourist site security maintenance	129,748	-	-	-	-	129,748	124,341
Professional fees	62,775	-	-	-	-	62,775	67,241
Rentals	56,400	-	-	-	-	56,400	56,400
Repairs and maintenance	42,634	-	-	-	-	42,634	18,491
Utilities	41,199	-	-	-	-	41,199	59,004
Printing and publication	33,084	-	-	-	-	33,084	20,506
Fuel and lubrication	28,499	-	-	-	-	28,499	26,737
Travel	19,255	-	-	-	-	19,255	14,673
Step grant	16,764					16,764	72,710
Insurance	16,754	-	-	-	-	16,754	22,348
Communications	15,926	-	-	-	-	15,926	20,606
Office supplies	14,632	-	-	-	-	14,632	10,557
Depreciation	-	-	-	-	10,706	10,706	11,893
Office equipment rental	8,274	-	-	-	-	8,274	8,368
Maintenance supplies	7,702	-	-	-	-	7,702	14,013
Bank charges	3,908	-	-	-	-	3,908	-
Dues and subscriptions	2,279	-	-	-	-	2,279	24,976
Postage and freight	1,893	-	-	-	-	1,893	7,383
Personnel training cost	550	-	-	-	-	550	4,239
Bad debts	-	-	-	-	-	-	792,730
Total expenditures	$ 1,507,896	2,848,349	1,554,921	400,178	10,706	6,322,050	5,913,805

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, 2013

BURGER & COMER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S 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, in accordance with the 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, 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, 2013, and the related notes to the financial statements, which collectively comprise Marianas Visitors Authority's basic financial statements, and have issued our report thereon dated April 30, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Marianas Visitors Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Marianas Visitors Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Marianas Visitors Authority's internal control.

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 financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marianas Visitors Authority's financial statements are free from 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.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Burger & Comer, P.C.

Commonwealth of the Northern Mariana Islands
April 30, 2014

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

Schedule of Findings and Questioned Costs
Year Ended September 30, 2013

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 2013.

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