

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

**FINANCIAL STATEMENTS AND SUPPLEMENTARY
INFORMATION**

YEARS ENDED SEPTEMBER 30, 2014 AND 2013

WITH INDEPENDENT AUDITORS' REPORT THEREON

BCM, LLC
Suite 203 MH II Building Marina Heights
Business Park P.O. Box 504053
Saipan MP, 96950

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

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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, 2014 and 2013, 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.

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, 2014 and 2013, 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 12 and page 39 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 December 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.



Commonwealth of the Northern Mariana Islands
December 30, 2014



MARIANAS
VISITORS AUTHORITY

P.O. BOX 500861 CK
SAIPAN, MP 96950
TEL.: (670) 664-3200/1
FAX: (670) 664-3237
E-mail: mva@mymarianas.com
www.mymarianas.com



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, 2014. 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 2014 Public Law 18-18, the MVA's budgeted appropriation and entitlement for fiscal year 2014 is \$8,490,034. This includes the hotel and container tax earmarked of \$7,340,000. This was reduced by the 1% allocation for the Office of the Public Auditor (OPA) in the amount of \$11,617. The actual appropriation and entitlement received for fiscal year 2014 was \$9,158,381.
- ▶ MVA's total assets exceeded liabilities by \$7,660,674 and \$5,711,049 at the end of fiscal year 2014 and 2013 respectively. The unrestricted net position was \$7,477,934 and \$5,705,919 at the end of fiscal year 2014 and 2013 respectively.
- ▶ MVA increased its marketing and advertising expenditures by \$1.2 million at the end of fiscal year 2014 as compared to fiscal year 2013 as the funds enabled them. The marketing strategy/goal is to increase the number of arrivals to Saipan, Tinian and Rota and most important, increased local spending by those arrivals so as to maximize the positive benefits those funds have on the economy and the government funding of the CNMI. The total tourist arrivals are 443,963 and 433,925 in fiscal year 2014 and fiscal year 2013 respectively. The increase was 2% in fiscal year 2014 as compared to fiscal year 2013.
- ▶ PL18-1 Section 102 also includes the provision on Destination Enhancements amounting to \$437,050 and \$214,446 in fiscal year 2014 and fiscal year 2013 respectively. MVA Board of Directors approved its increase to \$750,000 and \$250,000 for fiscal year 2014 and fiscal year 2013 respectively given the increase in the hotel tax revenue received per PL18-1. Destination enhancements projects completed as follows:
 - Paseo De Marianas (performance stage, tiki torches and tree plantings)
 - Priority Safety Items (Tourist Sites railings and stairways repair)
 - Kalabera Cave (new interpretive sign and repair of the parking area)

Management's Discussion and Analysis, Continued

- Departure and arrival area at the airport (installation of 20 video monitors)
 - Forbidden Island lookout (new viewing deck/area)
 - Daily maintenance of Garapan District
 - Bird Island (new interpretive sign and addition of pavilion)
- ▶ MVA as of the date of audit is still current on its financial obligations with both Offshore and Local Vendors.
- ▶ MVA received \$33,117 of in-kind contributions in fiscal year 2014. In-kind contributions was decreased by approximately 82% or \$155,547 compared to the previous year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial section of this report presents the MVA's financial statements as two components: basic financial statements, and notes to the financial statements. It also includes the supplemental information.

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.

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. Earlier adoption is encouraged. The MVA has adopted and applied this Statement in their financial statements. The prior financial statements have been restated to comply with the requirements of this update.

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 Position 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 Position

The Statements of Net Position presents information on assets and deferred outflows of resources, and liabilities and deferred inflows of resources with the difference between them presented as net position. It reflects the MVA's assets, liabilities and the resources remaining after liabilities are satisfied. Over time, increase or decrease in net position may serve as a useful indicator whether the 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 Position

The MVA's net position on an agency-wide basis increased by \$1,949,625 from the previous year.

SUMMARY OF CHANGE IN NET POSITION (STATEMENT OF ACTIVITIES)

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Net position, beginning	\$ <u>5,711,049</u>	\$ <u>2,714,213</u>	\$ <u>2,130,698</u>
Revenues	9,922,594	9,318,886	6,497,320
Expenditures	<u>7,972,969</u>	<u>6,322,050</u>	<u>5,913,805</u>
Increase in net position	<u>1,949,625</u>	<u>2,996,836</u>	<u>583,515</u>
Net position, ending	\$ <u>7,660,674</u>	\$ <u>5,711,049</u>	\$ <u>2,714,213</u>

SUMMARY OF STATEMENT OF NET POSITION

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Current assets	\$ 10,498,200	\$ 7,907,567	\$ 5,677,077
Capital assets	<u>182,740</u>	<u>5,130</u>	<u>15,839</u>
Total assets	\$ <u>10,680,940</u>	\$ <u>7,912,697</u>	\$ <u>5,692,916</u>
Current liabilities	\$ 2,920,770	\$ 2,105,402	\$ 2,856,074
Non-current liabilities	<u>99,496</u>	<u>96,246</u>	<u>122,629</u>
Total liabilities	\$ <u>3,020,266</u>	\$ <u>2,201,648</u>	\$ <u>2,978,703</u>
Net investment in capital assets	\$ 182,740	\$ 5,130	\$ 15,839
Unrestricted	<u>7,477,934</u>	<u>5,705,919</u>	<u>2,698,374</u>
Total net position	\$ <u>7,660,674</u>	\$ <u>5,711,049</u>	\$ <u>2,714,213</u>
Total liabilities and net position	\$ <u>10,680,940</u>	\$ <u>7,912,697</u>	\$ <u>5,692,916</u>

The \$7,477,934 in unrestricted net position 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 \$7,477,934 of unrestricted assets left.

Assets. Assets consist primarily of cash and cash equivalents (56%) and receivables, which include local government appropriation and entitlement (41%), others (1%) and capital assets (2%).

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 \$818,618 is due to MVA's accrual of its obligations to its Offshore and Local Vendors in fiscal year 2014.

Management's Discussion and Analysis, Continued

Net position. Net position represents the MVA's residual interest in its assets net of liabilities. The unrestricted component of net position was increased by \$1,949,625. At the end of fiscal year 2014, net position was increased by \$1,949,625 primarily due to actual collection of appropriation, hotel and container tax in fiscal year 2014.

Revenues

Total revenues for fiscal year 2014 was amounted to \$9,922,594, a \$603,708 or 6% increase from fiscal year 2013. The increase in revenue is due primarily on the implementation of PL18-1 effective April 1, 2013.

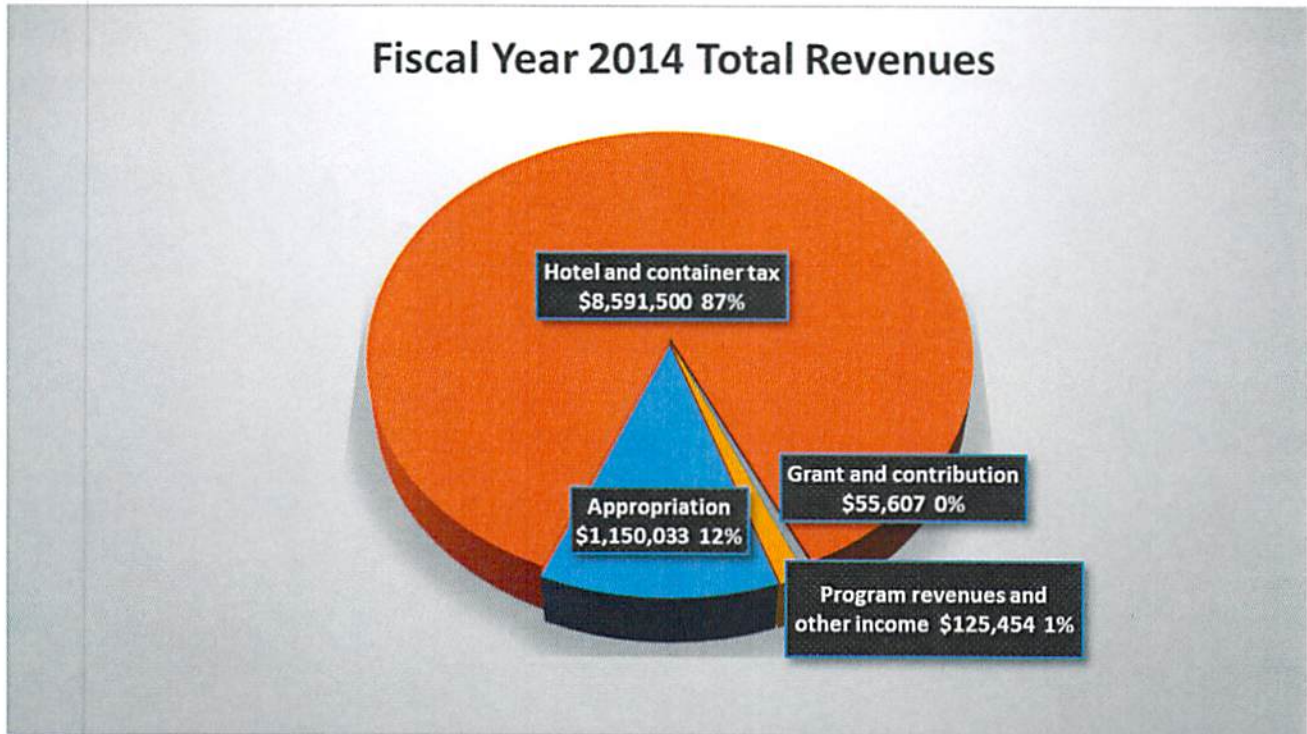
	<u>2014</u>	<u>2013</u>	<u>2012</u>
General Revenues			
CNMI appropriation and entitlement	\$ 9,741,534	\$ 8,984,627	\$ 6,244,838
Grant and contribution	55,607	218,588	179,533
Other income	11,130	26,195	4,767
Royalty income	21,588	25,768	28,886
Interest income	<u>542</u>	<u>-</u>	<u>-</u>
Subtotal	\$ <u>9,830,401</u>	\$ <u>9,255,178</u>	\$ <u>6,458,024</u>
Program Revenues			
Membership fees	16,230	12,660	13,401
Special events	<u>75,963</u>	<u>51,048</u>	<u>25,895</u>
Subtotal	<u>92,193</u>	<u>63,708</u>	<u>39,296</u>
Total Revenues	\$ <u>9,922,594</u>	\$ <u>9,318,886</u>	\$ <u>6,497,320</u>

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 2014 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:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
General government	\$ 1,718,018	\$ 1,453,050	\$ 1,775,875
Marketing	5,547,998	4,363,851	2,983,192
Advertising	475,274	432,581	350,115
Destination enhancement	212,868	61,862	-
Depreciation	18,811	10,706	11,893
Bad debts	-	-	792,730
Total expenditures	\$ <u>7,972,969</u>	\$ <u>6,322,050</u>	\$ <u>5,913,805</u>

Expenditures for the fiscal year ending September 30, 2014 was increased by \$1,650,919 over the fiscal year 2013 total. This is due primarily to the increase in the marketing and advertising programs implemented as funds enabled MVA in the fiscal year 2014.

Management's Discussion and Analysis, Continued

This includes the special events, sponsorship programs, charter flight promotions, co-op promotions, TV filming projects, travel and media familiarization tours, web advertisement and development, collaterals production, travel trade shows, etc. in order to promote CNMI.

OVERALL FINANCIAL POSITION

The overall financial position (net position) of MVA was increased by approximately \$1,949,625 due to the full fiscal year implementation in the increase of hotel tax from 10% to 15%, reserved funds on destination enhancement, flower island project, charter flight promotion committed and other projects as approved by the MVA Board in fiscal year 2014 for continued implementation in the next fiscal year.

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 fiscal year 2014 was increased by approximately \$570,000 primarily due to MVA's adopted baseline budget for advertising, marketing and promotional expenditures, and the collection of CNMI appropriations and entitlement. 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, 2014 amounts to \$182,740 net of accumulated depreciation. Depreciation expense for the year was \$18,811. The increase in the capital assets was due to the acquisition of trucks for field operations and advertising events and the purchase of custom forms scanner.

Capital assets net of accumulated depreciation are as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Vehicle	\$ 87,564	\$ -	\$ -
Furniture and fixtures	90,888	3,243	6,105
Maintenance equipment	<u>4,288</u>	<u>1,887</u>	<u>9,734</u>
	<u>\$ 182,740</u>	<u>\$ 5,130</u>	<u>\$ 15,839</u>

FUTURE PLANS

As specified in the CNMI Tourism Master Plan covering the year 2012-2016, the Marianas Visitors Authority (MVA) will continue to implement most of the plan's recommendations. The plan addresses numerous issues affecting the performance of the tourism industry. It includes an in-depth analysis of our market mix through the tourist exit survey results and a series of meetings with our tourism partners/stakeholders from the public and private sectors.

The MVA Board and Management has been placing priorities on proposed action items and initiatives that are listed in the plan. The MVA will continue to solicit the assistance and participation of other government entities and community organizations to implement the current and future plans. Some plans may be adjusted or changed based on the current market variations.

Since April 2013 after the signing of Public Law 18-1 by the Governor, the MVA has realized significant and stable funding from the Department of Finance due, for the most part, to the increase in the Hotel Occupancy Tax from 10% to 15% and MVA's share from 70% to 80%. This measure allows MVA to focus on the following items:

- *Increase the Offshore Marketing and advertising budget from \$5.0 Million to \$7.2 Million.* These funds are set aside to provide marketing, social media, and public relation projects and programs to promote tourism to the Northern Mariana Islands. MVA will expand more on this area given the increase in the funds. This approach will bring more prosperity in the overall economy of CNMI by bringing more visitors, thus, bringing more money to Saipan, Tinian and Rota.

MVA will continue the execution of promotional programs through the newly established MVA offshore offices in Moscow, Vladivostok, Shanghai, Beijing, Guangzhou and Taipei which are all unified offshore representation under one umbrella contract. MVA continues to focus on Japan, Korea, China, Taiwan and Russia markets.

- *Tour Guide Certification Program:* With the passage of Public Law 18-58, the MVA has been tasked to develop and certify all tour operators and tour guides. As part of this process, the MVA's Board of Directors will appropriate funding for at least two new staff to ensure proper permitting and enforcement of the program. Other options being discussed is to outsource this service to interested bidders/proposers.
- Tourist Exit Survey will be conducted on a regular basis which is an important element in ensuring that the information obtained are accurate and reliable. A strong research and statistical base for the tourism industry is critical to maintain our international competitiveness and increase our market share.

Management's Discussion and Analysis, Continued

- *Destination enhancement or product development projects.* MVA together with the Destination Enhancement AdHoc Committee continues to plan and work on the improvement, restoration, rehabilitation and renovation of the Tourist Sites. Current projects include:
 - CNMI-wide Flower Island Project which includes the rehabilitation of Banzai Cliff and Paseo De Marianas (PDM).
 - The recently released request for proposal to privatize the daily cleaning and maintenance of the toilet facilities in Banzai Cliff, Grotto and the Last Command Post.
 - The recently released request for proposal to have daily trash cleaning and sweeping of road side and medians from the JP Center Building in Garapan to the Garapan Police substation as well as within the hotel road district. This includes the road from Bank of Guam to Bank of Saipan in Garapan.
 - The rehabilitation of the Beach Pathway lighting system. This will include the assessment of all power cabinets and all light poles, wiring and light bulbs. Once assessment is completed, a request for bid will be issued and a vendor will be selected to begin work on the project as soon as possible.
 - More projects are coming up such as the improvements at the airport's departure and arrival areas, installation of Public Address System, stage, 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. Also under the destination enhancement is the "Beautify My Marianas" Cash for Trash program which was implemented in partnership with the Saipan Chamber of Commerce. MVA will continue to look at more destination enhancement projects.

For the past few years now, the biggest challenge to the CNMI travel industry is still 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 still 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 Position

September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 6,031,538	2,915,751
Receivable from CNMI government - appropriation and entitlement, net of allowance for doubtful accounts of \$792,730	4,402,286	4,924,828
Other receivables	14,376	15,308
Prepaid expenses	<u>50,000</u>	<u>51,680</u>
Total current assets	10,498,200	7,907,567
Noncurrent assets:		
Capital assets, net of accumulated depreciation and amortization	<u>182,740</u>	<u>5,130</u>
Total assets	\$ <u>10,680,940</u>	<u>7,912,697</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	1,807,376	903,691
Accrued liabilities and benefits	<u>1,102,194</u>	<u>1,196,911</u>
Total current liabilities	2,909,570	2,100,602
Noncurrent liabilities:		
Due within one year		
Accrued compensated absences	45,000	13,526
Due in more than one year		
Accrued compensated absences	<u>54,496</u>	<u>82,720</u>
Total liabilities	<u>3,009,066</u>	<u>2,196,848</u>
Deferred inflows of resources	<u>11,200</u>	<u>4,800</u>
<u>NET POSITION</u>		
Net investment in capital assets	182,740	5,130
Unrestricted	<u>7,477,934</u>	<u>5,705,919</u>
Total net position	<u>7,660,674</u>	<u>5,711,049</u>
	\$ <u>10,680,940</u>	<u>7,912,697</u>

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, 2014 and 2013

		<u>Program Revenue</u>		<u>Net (Expenses) Revenues and Change in Net Position Governmental Activities</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Grants and Contributions</u>	<u>2014</u>	<u>2013</u>
Governmental activities:					
General government	\$ 1,718,018	16,230	-	(1,701,788)	(1,440,390)
Marketing	5,547,998	-	32,760	(5,515,238)	(4,306,880)
Advertising	475,274	-	357	(474,917)	(249,840)
Destination enhancement	212,868	75,963	-	(136,905)	(61,862)
Depreciation	<u>18,811</u>	<u>-</u>	<u>-</u>	<u>(18,811)</u>	<u>(10,706)</u>
Total governmental activities	\$ <u>7,972,969</u>	<u>92,193</u>	<u>33,117</u>	<u>(7,847,659)</u>	<u>(6,069,678)</u>
General revenues:					
CNMI appropriation and entitlement				9,741,534	8,984,627
Grant income				22,490	29,924
Royalty income				21,588	25,768
Other income				11,130	26,195
Interest income				<u>542</u>	<u>-</u>
Total general revenues				<u>9,797,284</u>	<u>9,066,514</u>
Change in net position				1,949,625	2,996,836
Net position, beginning				<u>5,711,049</u>	<u>2,714,213</u>
Net position, ending				\$ <u>7,660,674</u>	<u>5,711,049</u>

See accompanying notes to financial statements.

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

Governmental Funds - Balance Sheets

September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 6,031,538	2,915,751
Receivable from CNMI government - appropriation and entitlement, net of allowance for doubtful accounts of \$792,730	4,402,286	4,924,828
Other receivables	14,376	15,308
Prepaid expenses	<u>50,000</u>	<u>51,680</u>
Total current assets	<u>\$ 10,498,200</u>	<u>7,907,567</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Current liabilities:		
Accounts payable	1,807,376	903,691
Accrued liabilities and benefits	<u>1,102,193</u>	<u>1,170,530</u>
Total current liabilities	<u>2,909,569</u>	<u>2,074,221</u>
Deferred inflows of resources	<u>3,482,140</u>	<u>2,297,257</u>
Fund balances:		
Nonspendable - not in spendable form	50,000	51,680
Assigned	<u>4,056,491</u>	<u>3,484,409</u>
Total fund balance	<u>4,106,491</u>	<u>3,536,089</u>
	<u>\$ 10,498,200</u>	<u>7,907,567</u>

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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Revenues:		
CNMI appropriation and entitlement	\$ 8,343,499	7,529,151
Charges for services	92,193	63,708
In-kind contributions	33,117	188,664
Grant income	22,490	29,924
Royalty income	21,588	25,768
Other income	11,130	26,195
Interest income	543	-
Total revenues	8,524,560	7,863,410
 Expenditures:		
Marketing	5,547,998	4,363,851
General government	1,709,906	1,447,167
Advertising	475,274	432,581
Destination enhancement	212,868	61,862
Capital outlay-current expenditures	8,112	5,883
Total expenditures	7,954,158	6,311,344
 Excess of revenues over expenditures	570,402	1,552,066
 Assigned fund balance, beginning of year	3,536,089	1,984,023
 Assigned fund balance, end of year	\$ 4,106,491	3,536,089

See accompanying notes to financial statements.

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

**Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position**

For the Years Ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Fund balance	\$ 4,106,491	3,536,089
<p>Amounts reported for governmental activities in the Balance Sheet differ from the amounts reported in the Statements of Net Position because:</p>		
<p>Long-term liabilities that are not due and payable in the current period and therefore are not reported as liabilities in the funds.</p>		
Accrued compensated absences	(99,496)	(122,627)
Deferred inflows of resources for receivables from CNMI that are not available within 60 days after the year-end.	3,470,939	2,292,457
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	<u>182,740</u>	<u>5,130</u>
Total net position - governmental activities	\$ <u>7,660,674</u>	<u>5,711,049</u>

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, 2014 and 2013

		<u>2014</u>	<u>2013</u>
Net change in fund balance - governmental funds	\$	570,402	1,552,066
<p>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:</p>			
Unearned revenues for receivables from CNMI that are not available within 60 days after the year-end.	\$	3,470,939	
Unearned revenues prior year		<u>(2,292,457)</u>	1,178,482
Collections for appropriations that were unearned in prior year		211,440	1,455,476
			-
<p>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 position 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.</p>			
Capital outlays		8,112	
Depreciation expense		<u>(18,811)</u>	<u>(10,699)</u>
			<u>(10,706)</u>
Changes in net position of governmental activities	\$	<u>1,949,625</u>	<u>2,996,836</u>

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

Notes to Financial Statements

September 30, 2014 and 2013

(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.

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

Notes to Financial Statements, Continued

September 30, 2014 and 2013

(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, 2014, 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.

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

Notes to Financial Statements, Continued

September 30, 2014 and 2013

(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 position. All transactions and events that affect the total economic resources (net position) 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.

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

Notes to Financial Statements, Continued

September 30, 2014 and 2013

(1) Summary of Significant Accounting Policies, Continued

D. Assets, Liabilities and Equity, Continued

Appropriations and entitlements 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 Position.

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

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

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

Notes to Financial Statements, Continued

September 30, 2014 and 2013

(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, 2014 and 2013, accrued annual leave was \$99,496 and \$96,246, 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, 2014, 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).

MARIANAS VISITORS AUTHORITY
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Notes to Financial Statements, Continued

September 30, 2014 and 2013

(1) Summary of Significant Accounting Policies, Continued

F. Adopted Pronouncement

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. Earlier adoption is encouraged.

In November 2010, the GASB issued Statement No. 62 "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB 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*TM. 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.

MARIANAS VISITORS AUTHORITY
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Notes to Financial Statements, Continued

September 30, 2014 and 2013

(1) Summary of Significant Accounting Policies, Continued

F. Adopted Pronouncement, Continued

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. Earlier adoption is encouraged. The MVA has adopted and applied this Statement in their financial statements. The prior financial statements have been restated to comply with requirement of this update.

G. Recent Accounting 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.

MARIANAS VISITORS AUTHORITY
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Notes to Financial Statements, Continued

September 30, 2014 and 2013

(1) Summary of Significant Accounting Policies, Continued

G. Recent Accounting Pronouncements, Continued

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, 2014 as a result of this statement.

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.

MARIANAS VISITORS AUTHORITY
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Notes to Financial Statements, Continued

September 30, 2014 and 2013

(1) Summary of Significant Accounting Policies, Continued

G. Recent Accounting Pronouncements, Continued

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, 2014.

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.

MARIANAS VISITORS AUTHORITY
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Notes to Financial Statements, Continued

September 30, 2014 and 2013

(1) Summary of Significant Accounting Policies, Continued

G. Recent Accounting Pronouncements, Continued

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, 2014.

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.

MARIANAS VISITORS AUTHORITY
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Notes to Financial Statements, Continued

September 30, 2014 and 2013

(1) Summary of Significant Accounting Policies, Continued

G. Recent Accounting Pronouncements, Continued

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, 2014.

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, 2014.

MARIANAS VISITORS AUTHORITY
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Notes to Financial Statements, Continued

September 30, 2014 and 2013

(1) Summary of Significant Accounting Policies, Continued

G. Recent Accounting Pronouncements, Continued

In November 2013, the GASB issued Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68, "which resolves the transition issues in GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. There is no financial impact to MVA for the fiscal year ended September 30, 2014.

MARIANAS VISITORS AUTHORITY
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Notes to Financial Statements, Continued

September 30, 2014 and 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 position.

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the agency-wide statements of net position. The net adjustments for 2014 and 2013 consist of the following:

<u>Description</u>	<u>2014</u>	<u>2013</u>
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):	\$ 751,861	568,440
Less accumulated depreciation	<u>(569,121)</u>	<u>(563,310)</u>
Net capital assets	182,740	5,130
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	(99,496)	(96,247)
Receivable from CNMI that is not available within 60 days after year end	<u>1,398,035</u>	<u>1,455,476</u>
Net adjustment	<u>\$ 1,481,279</u>	<u>1,364,359</u>

- 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 position of governmental activities as reported in the agency-wide statement of activities. The adjustments are as follows.

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

Notes to Financial Statements, Continued

September 30, 2014 and 2013

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

<u>Description</u>	<u>2014</u>	<u>2013</u>
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	\$ 3,249	26,380
Some revenues reported in the Statement of Activities are not available for current financial obligations and therefore not reported as income.		
CNMI appropriation	1,398,035	-
Capital outlays reported in the fund statements	8,112	5,883
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.	(10,699)	(10,706)
Net adjustments	\$ <u>1,398,697</u>	<u>21,557</u>

(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 fund balance on the accompanying Balance Sheet and Statement of Net Position.

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.

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

Notes to Financial Statements, Continued

September 30, 2014 and 2013

(4) Cash and Cash Equivalents

As of September 30, 2014 and 2013 cash and cash equivalents consist of the following:

	<u>2014</u>	<u>2013</u>
Petty cash	\$ 1,603	700
Cash in bank	<u>6,029,935</u>	<u>2,915,051</u>
	<u>\$ 6,031,538</u>	<u>2,915,751</u>

At September 30, 2014 and 2013, the carrying amount of MVA's total cash and cash equivalents (excluding petty cash) was \$6,031,538 and \$2,915,051, respectively. The corresponding bank balances as of September 30, 2014 and 2013 were \$6,101,852 and \$2,952,936, 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 \$8,490,033 and \$5,822,510 for MVA's operational use for the years 2014 and 2013, respectively, under the Budget Authority Act of 2014 (Public Law 18-18).

The following is a summary of the changes in the "Due from CNMI government" for the fiscal years ended September 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Due from CNMI government, beginning	\$ 5,717,558	4,880,117
CNMI appropriation and entitlement	<u>8,490,034</u>	<u>9,777,357</u>
Subtotal	14,207,592	14,657,474
Collections:		
For prior year's appropriation and entitlement	(1,817,488)	(1,772,778)
For current year's appropriation and entitlement	<u>(7,195,088)</u>	<u>(7,167,138)</u>
Subtotal	5,195,016	5,717,558
Allowance for doubtful accounts	<u>(792,730)</u>	<u>(792,730)</u>
Due from CNMI government, net	<u>\$ 4,402,286</u>	<u>4,924,828</u>

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

Notes to Financial Statements, Continued

September 30, 2014 and 2013

(5) Receivable from the CNMI Government, Continued

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.

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, 2014 and 2013:

	Balance	<u>September 30, 2014</u>		Balance
	October 1, <u>2013</u>	Additions <u>Transfers</u>	Deletions <u>Retirements</u>	September 30, <u>2014</u>
Vehicle and equipment	\$ 126,726	97,285	-	224,011
Office furniture, fixtures and equipment	197,884	92,338	-	290,222
Leasehold improvements	152,512	-	-	152,512
Maintenance equipment	<u>78,318</u>	<u>4,954</u>	<u>-</u>	<u>83,272</u>
	<u>555,440</u>	<u>194,577</u>	<u>-</u>	<u>750,017</u>
Less accumulated depreciation and amortization:				
Vehicle and equipment	126,719	9,729	-	136,448
Office furniture, fixtures and equipment	194,640	6,365	-	201,005
Leasehold improvements	152,508	-	-	152,508
Maintenance equipment	<u>76,443</u>	<u>2,717</u>	<u>1,844</u>	<u>77,316</u>
	<u>550,310</u>	<u>18,811</u>	<u>1,844</u>	<u>567,277</u>
Governmental activities capital assets, net	\$ <u>5,130</u>	<u>175,766</u>	<u>1,844</u>	<u>182,740</u>

MARIANAS VISITORS AUTHORITY
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Notes to Financial Statements, Continued

September 30, 2014 and 2013

(6) Changes in Capital Assets, Continued

	Balance October 1, <u>2012</u>	<u>September 30, 2013</u>		Balance September 30, <u>2013</u>
		<u>Additions</u> <u>Transfers</u>	<u>Deletions</u> <u>Retirements</u>	
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	<u>78,318</u>	<u>-</u>	<u>-</u>	<u>78,318</u>
	<u>568,441</u>	<u>-</u>	<u>13,001</u>	<u>555,440</u>
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	<u>68,584</u>	<u>7,859</u>	<u>-</u>	<u>76,443</u>
	<u>552,602</u>	<u>7,859</u>	<u>10,151</u>	<u>550,310</u>
Governmental activities capital assets, net	\$ <u>15,839</u>	<u>7,859</u>	<u>2,850</u>	<u>5,130</u>

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 Inflows of Resources

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

At September 30, 2014 and 2013, deferred inflows of resources totaled \$3,482,140 and \$2,297,257 respectively, as reported in the accompanying fund financial statements.

MARIANAS VISITORS AUTHORITY
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Notes to Financial Statements, Continued

September 30, 2014 and 2013

(8) Noncurrent Liabilities

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

	<u>2014</u>	<u>2013</u>
Beginning balance	\$ 96,246	122,629
Additional accrual	91,864	28,483
Annual leave used	<u>(88,614)</u>	<u>(54,866)</u>
Ending balance	99,496	96,246
Due within one year	<u>45,000</u>	<u>13,526</u>
Due in more than one year	\$ <u>54,496</u>	<u>82,720</u>

(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:

2015	\$ 54,000
2016	54,000
2017	54,000
2018	<u>36,000</u>
	\$ <u>198,000</u>

MARIANAS VISITORS AUTHORITY
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Notes to Financial Statements, Continued

September 30, 2014 and 2013

(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.

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

Notes to Financial Statements, Continued

September 30, 2014 and 2013

(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 inactive, age 62 for Class I and age 60 for Class II.

MVA does not have any employees at September 30, 2014 and 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:

<u>Fiscal Year Ended</u>	<u>Required Contribution</u>	<u>Percentage of Required Contribution Paid</u>
09/30/14	\$ -	-
09/30/13	\$ -	-
09/30/12	\$ 134,000	-

(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.

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

Notes to Financial Statements, Continued

September 30, 2014 and 2013

(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 2013 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 December 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, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
CNMI appropriation and entitlement	\$ 10,009,805	11,045,089	8,343,499	(2,701,590)
Concession vendor fees	-	-	66,033	66,033
In-kind contributions	-	-	33,117	33,117
Grant income	-	-	22,490	22,490
Royalty income	-	-	21,588	21,588
Membership dues	-	-	16,230	16,230
Other income	-	-	11,130	11,130
Memorial trust income	-	-	9,930	9,930
Interest income	-	-	543	543
	<u>-</u>	<u>-</u>	<u>543</u>	<u>543</u>
Total revenues	<u>10,009,805</u>	<u>11,045,089</u>	<u>8,524,560</u>	<u>(2,520,529)</u>
Expenditures:				
Promotion and advertising	7,875,530	6,772,734	5,990,156	782,578
Personnel service	1,150,149	1,150,149	925,768	224,381
Destination enhancement	240,067	750,000	212,868	537,132
Professional fees	85,605	80,880	171,924	(91,044)
Tourist site security and maintenance	172,600	233,785	152,706	81,079
Tinian municipality charter incentive	80,022	99,987	87,410	12,577
Rota municipality charter incentive	80,022	99,987	87,410	12,577
Rental	60,000	63,600	61,451	2,149
Utilities	65,000	73,200	40,618	32,582
Printing and publications	26,000	315,500	35,979	279,521
In-kind contribution of promotion and advertising	-	-	33,117	(33,117)
Travel	38,000	38,000	24,658	13,342
Communications	24,000	24,000	20,521	3,479
Insurance	26,500	26,500	20,311	6,189
Office supplies	15,000	12,000	17,716	(5,716)
Fuel and lubrication	18,000	29,200	16,026	13,174
Repairs and maintenance	77,380	34,500	15,715	18,785
Office equipment, rentals, repairs	21,000	41,200	12,184	29,016
Maintenance supplies	15,000	12,000	10,681	1,319
Computer systems and equipment	15,000	15,000	8,112	6,888
Postage and freight	15,000	7,000	4,540	2,460
Dues and subscriptions	12,000	12,000	2,243	9,757
Bank charges and penalties	-	-	1,576	(1,576)
Miscellaneous	20,589	6,655	468	6,187
Staff development training	8,000	12,000	-	12,000
	<u>8,000</u>	<u>12,000</u>	<u>-</u>	<u>12,000</u>
Total expenditures	<u>10,140,464</u>	<u>9,909,877</u>	<u>7,954,158</u>	<u>1,955,719</u>
Excess of revenues over expenditures	(130,659)	1,135,212	570,402	(564,810)
Assigned Fund balance, beginning of year	<u>1,299,440</u>	<u>1,303,556</u>	<u>3,536,089</u>	<u>-</u>
Assigned fund balance, end of year	\$ <u>1,168,781</u>	<u>2,438,768</u>	<u>4,106,491</u>	<u>(564,810)</u>

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, 2014 and 2013

	General			Destination		Total	Total
	\$ Government	Marketing	Advertising	Enhancement	Depreciation	2014	2013
Advertising and marketing	-	5,515,238	474,917	212,868	-	6,203,023	4,660,919
Personnel service and related expenses	925,768	-	-	-	-	925,768	812,619
Professional fees	171,924	-	-	-	-	171,924	48,523
Tourist site security maintenance	152,706	-	-	-	-	152,706	129,748
Tiniun municipality charter incentive	87,410	-	-	-	-	87,410	96,500
Rota municipality charter incentive	87,410	-	-	-	-	87,410	96,500
Rentals	61,451	-	-	-	-	61,451	56,400
Utilities	40,618	-	-	-	-	40,618	41,199
Printing and publication	35,979	-	-	-	-	35,979	33,084
In-kind contributions	-	32,760	357	-	-	33,117	188,664
Travel	24,658	-	-	-	-	24,658	19,255
Repairs and maintenance	23,828	-	-	-	-	23,828	10,751
Communications	20,521	-	-	-	-	20,521	15,926
Insurance	20,311	-	-	-	-	20,311	16,754
Depreciation	-	-	-	-	18,811	18,811	10,706
Office supplies	17,716	-	-	-	-	17,716	14,632
Fuel and lubrication	16,026	-	-	-	-	16,026	28,499
Office equipment, rental, repairs	12,184	-	-	-	-	12,184	8,274
Maintenance supplies	10,681	-	-	-	-	10,681	7,702
Postage and freight	4,540	-	-	-	-	4,540	1,893
Dues and subscriptions	2,243	-	-	-	-	2,243	2,279
Bank charges and penalties	1,576	-	-	-	-	1,576	3,908
Miscellaneous	468	-	-	-	-	468	-
Step grant	-	-	-	-	-	-	16,764
Personnel training cost	-	-	-	-	-	-	550
Total expenditures	\$ 1,718,018	5,547,998	475,274	212,868	18,811	7,972,969	6,322,049

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, 2014

BCM, LLC
Suite 203 MH II Building Marina Heights
Business Park P.O. Box 504053
Saipan MP, 96950



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, 2014, 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 December 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.

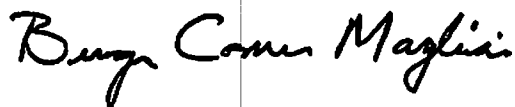
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

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.



Commonwealth of the Northern Mariana Islands
December 30, 2014

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

Schedule of Findings and Questioned Costs
Year Ended September 30, 2014

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 2014.
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