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

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED SEPTEMBER 30, 2019 AND 2018

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)

TABLE OF CONTENTS

YEARS ENDED SEPTEMBER 30, 2019 AND 2018

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Marianas Visitors Authority

Report on the Financial Statements

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 the Commonwealth of the Northern Marianas Islands Government, as of September 30, 2019 and 2018 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

Suite 203 MH II Building, Marina Heights Business Park ▪ P.O. Box 504053, Saipan, MP 96950
Tel Nos. (670) 235-8722 (670) 233-1837 ▪ Fax Nos. (670) 235-6905 (670) 233-8214

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, 2019 and 2018, 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 14 and page 41 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 introductory section, and the schedule of functional expenses on page 42 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of functional expenses is the responsibility of management and was derived from and relates 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 schedule of functional expenses is fairly stated in all material respects in relation to the basic financial statements as a whole.

Suite 203 MH II Building, Marina Heights Business Park ▪ P.O. Box 504053, Saipan, MP 96950
Tel Nos. (670) 235-8722 (670) 233-1837 ▪ Fax Nos. (670) 235-6905 (670) 233-8214

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 23, 2020, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the MVA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the MVA's internal control over financial reporting and compliance.

Burger Comer Magliari

BURGER COMER MAGLIARI
Saipan, MP
July 23, 2020

Suite 203 MH II Building, Marina Heights Business Park ▪ P.O. Box 504053, Saipan, MP 96950
Tel Nos. (670) 235-8722 (670) 233-1837 ▪ Fax Nos. (670) 235-6905 (670) 233-8214

MARIANAS
VISITORS AUTHORITY
P.O. BOX 500861 CK
SAIPAN, MP 96950
E-mail: info@mymarianas.com
www.mymarianas.com

The Marianas
| Saipan | Tinian | Rota |

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS OFFICIAL SEAL

MARIANAS VISITORS AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

The objective of management's discussion and analysis (MD&A) is to provide readers of the Marianas Visitors Authority (MVA) financial statements an overview and better understanding of its financial position and results of activities for the fiscal year ended September 30, 2019. 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

► MVA's funding source is primarily through its entitlements. This is mandated under 4 CMC §1803 authorizing the MVA to receive eighty percent (80%) of the taxes collected under 4 CMC § 1502 or Hotel Occupancy Tax (HOT). Provided, however, under 4 CMC § 2157, the Secretary of Finance may withhold up to 2.5% percent of the funds per fiscal year for the purpose of funding revenue and tax personnel to enforce the provisions of this Article and other Commonwealth tax laws; and under 4 CMC § 1803 authorizing the MVA to receive twenty percent (20%) of the taxes collected under 4 CMC § 1405(B) or Alcoholic Beverage Containers Tax.

► Pursuant to Public Law 20-67 known as Appropriations and Budget Authority Act of 2019, the MVA's budgeted Hotel and Container Tax Entitlement for fiscal year 2019 is $15,819,575; the Legislature appropriated one dollar ($1) to the MVA.

► MVA's share in the Container Tax was transferred to the Public School System pursuant to Chapter VIII Section 802 of the Appropriations and Budget Authority Act of 2019.

► Public Law 20-17 was enacted in fiscal year 2018. It amended § 2159 providing not less than two percent (2%) but not less than $300,000 of the funds per fiscal year. The funds shall be remitted to the Municipalities of Saipan, Tinian, and Rota to implement charter flight tourism incentives, promotional programs, tourism enhancement activities, beautification projects, island-wide cleanup and to include purchasing supplies and equipment for such projects. $900,000 is due to the municipalities from MVA in FY 2019 but due to lack of funds, MVA was only able to remit $19,887.53 to each municipality.

► The MVA allocated funds from its operations budget from Destination Enhancement and Product Development for fiscal year 2019 to support other government agencies. The MVA provided funding to the following projects: repair of the CNMI Museum of History and Culture; Flower Island Project for the Saipan Mayor's Office for replanting plants and flowers along main roads; and the Garapan Heritage Trail for the NMI Humanities Council. MVA extended its financial assistance in FY 2019 for the building of a 40-foot Sakman canoe; and the Mt. Sabana 360 View Lookout for the Municipality of Rota. MVA also provide $50,000 for the Division of Parks and Recreation annually for the maintenance and beautification of parks and tourist and recreational sites.

► On October 25, 2018, the Commonwealth was struck by a catastrophic CAT 5 typhoon that devastated the islands of Tinian and Saipan, Typhoon Yutu. As a result of this devastating storm, thousands of homes and facilities suffered major damages including the Saipan International Airport. This caused disrupted air service that resulted in zero tourists from key source markets for several weeks. Furthermore, several hotels had to close down to undergo major renovations to their damaged facilities. This caused a negative financial impact in the CNMI's economy especially to the MVA. HOT remittance from the Department of Finance became untimely and were only partial payments. MVA's share in the actual hotel occupancy tax collected by the CNMI for fiscal year 2019 was $11,924,007.85, however, only 49% or approximately $ 5.8 million was received by the MVA.

► The reduction in the collection of MVA's share in the HOT has forced the MVA to reduce its marketing budgets in its source markets. It closed its Russia marketing office, and delayed payment to its vendors, both local and off-shore marketing offices. MVA followed the CNMI Governor's directive, reducing its personnel work hours from 80 hours to 72 hours per pay period from June to November 2019. Furthermore, the MVA Board of Directors authorized to use about $1.2 million of its building funds to pay MVA's arrears to local and offshore vendors.

► As authorized by the MVA Board of Directors in FY 2018, MVA restricted some of its funds for the following: $1.4 million for the revitalization of the Banzai Cliff and other Destination Enhancement projects; $ 0.7 million for the building fund (remaining balance as of the end of FY 2019), and $1.7 million for the joint promotion agreement.

► MVA's total assets exceeded liabilities by $8,598,266 and $7,538,987 at the end of fiscal year 2019 and 2018, respectively. The restricted net position was $8,471,257 and $7,352,920 at the end of fiscal year 2019 and 2018, respectively. The change in net position in FY 2019 is less by $1.0 million compared to FY 2018. Fiscal year 2019 proved to be a difficult year for the tourism industry due to the impact of Super Typhoon Yutu that hit the CNMI in late October 2018. Due to the typhoon, we have received only 5,595 visitor arrivals for the month of November 2018 totaling up to 424,858 visitor arrivals. This is a decrease of 182,685 compared to fiscal year 2018's 607,543 visitor arrivals.

► MVA decreased its marketing and advertising expenditures by approximately $2.3 million at the end of fiscal year 2019 as compared to fiscal year 2018 due to the decrease in tourist arrivals and untimely receipt of HOT remittance from the CNMI government.

► PL 18-1 Section 102 includes a provision for Destination Enhancements. This amounted to $950,307 and $1,306,322 in fiscal year 2019 and fiscal year 2018, respectively.

Destination Enhancement continues to plan and work on the improvement, restoration, rehabilitation and renovation of tourist sites.

In fiscal year 2019, the MVA Destination Enhancement and Product Development continued to maintain the restroom facilities at Marpi tourist sites, provided life guard, security services, and security guard houses at several tourist sites, paid a local contractor for trash collection in the Garapan area, and continued its collaboration with the municipalities in planting flowers, trees and landscaping for the beautification project in the CNMI. On Tinian, the MVA performed site improvements and beautification of Suicide Cliff and performed improvements to the Bird Sanctuary in Rota.

► MVA received $204,701 of in-kind contributions in fiscal year 2019. In-kind contributions decreased by approximately $53,717 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.

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. The MVA has adopted and applied this Statement in their financial statements.

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 Statement 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, increases or decreases in net position serve as a useful indicator as to 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 in this statement.

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 agencies, 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 $1,059,279 from the previous year.

SUMMARY OF CHANGE IN NET POSITION (STATEMENT OF ACTIVITIES)

		2019		2018		2017
Net position, beginning	$	7,538,987	$	6,528,119	$	4,472,572
Revenues	$	12,319,992		15,631,684		15,585,733
Expenditures		11,260,713		14,620,816		13,530,186
Increase (decrease) in net position	$	1,059,279		1,010,868		2,055,547
Net position, ending	$	8,598,266	$	7,538,987	$	6,528,119

SUMMARY OF STATEMENT OF NET POSITION

		2019		2018		2017
Current assets	$	11,665,405	$	10,440,195	$	8,823,402
Capital assets		127,009		186,067		241,806
Total assets	$	11,792,414	$	10,626,262	$	9,065,208
Current liabilities	$	3,067,704	$	2,963,815	$	2,425,322
Non-current liabilities		118,644		120,460		105,467
Total liabilities	$	3,186,348	$	3,084,275	$	2,530,789
Deferred inflows of resources	$	7,800	$	3,000	$	6,300
Net investment in capital assets		127,009		186,067		241,806
Restricted		8,471,257		7,352,920		6,286,313
Total net position		8,598,266		7,538,987		6,528,119
Total liabilities and net position	$	11,792,414	$	10,626,262	$	9,065,208

The $8,471,257 in restricted 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 $8,471,257 of restricted assets left.

Assets. Assets consist primarily of cash and cash equivalents (46%) and receivables, which include local government appropriation and entitlement (52%), others (1%) and capital assets (1%).

Liabilities. These are composed primarily of accounts payable for marketing activities, deferred revenue, accrued employee annual and sick leave and others. The net increase in current liabilities of $103,889 is due to MVA's accrual of its obligations to its offshore and local vendors, and the municipalities in fiscal year 2019.

Net position. Net position represents the MVA's residual interest in its assets net of liabilities. The restricted component of net position increased by $1,059,279 as compared to FY2018. These are funds that are allocated for future expenditures.

Revenues

Total revenues for fiscal year 2019 were $12,319,992, a $3,311,692 decrease from fiscal year 2018.

	2019	2018	2017
General Revenues			
Hotel and cointainer tax entitlement	$ 11,949,481	$ 15,224,776	$ 15,336,943
Grant and contributions	204,701	258,418	184,291
Other income	32,181	913	4,442
Royalty income	1,453	37,752	-
Interest income	1,019	1,093	2,566
Subtotal	$ 12,188,835	$ 15,522,952	$ 15,528,242
Program revenues			
Membership fees	$ 26,300	$ 31,000	$ 16,200
Tour guide certification	4,560	24,197	-
Special events	100,297	53,535	41,291
Subtotal	$ 131,157	$ 108,732	$ 57,491
Total Revenues	$ 12,319,992	$ 15,631,684	$ 15,585,733

Revenues are classified as either general revenues or program revenues.

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

Program revenues are those directly generated by a function or activity of the government entity. These revenues include membership dues, tour guide certification, 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 MVA has a limited amount of entity generated 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:

	2019	2018	2017
General government	$ 1,888,119	$ 1,923,978	$ 1,936,826
Marketing	6,878,280	9,216,741	8,980,713
Advertising	557,137	691,181	654,164
Destination enhancement	950,307	1,306,322	1,369,143
Support to other government agency	900,000	1,384,834	510,356
Bad debts	-	-	-
Depreciation	86,870	97,760	78,984
Total expenditures	$ 11,260,713	$ 14,620,816	$ 13,530,186

Expenditures for the fiscal year ending September 30, 2019 decreased by $3,360,103 over the fiscal year 2018 total. Funds available in fiscal year 2019 were spent on Destination Enhancement projects, marketing, support to other government agencies and community programs.

OVERALL FINANCIAL POSITION

The overall financial position (net position) of MVA increased by $1,059,279 but with a significant decrease of $3,311,692 to the MVA's revenue. The cancellation of direct flights from Japan in 2018, the closure of Mariana Resort & Spa and Coral Ocean Point Resort and the devastation brought by Super Typhoon Yutu coupled by worldwide economic factors proved to be a difficult year for the tourism industry for fiscal year 2019. Visitor arrivals for FY 2019 decreased to 424,858 as compared to FY 2018's 607,543 visitor arrivals. These resulted in loss of jobs, loss of revenue for the central government and hotel occupancy tax for MVA's operations and marketing.

Given the right level of funding invested wisely to promote and continue to improve visitor experience on Saipan, Tinian and Rota with additional events of enhanced value that highlight attributes showcasing the Marianas as among the premier travel destinations 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 2019 was decreased by $4,085,391 due to the non-remittance of MVA's share in the hotel and occupancy tax.

CAPITAL ASSETS

The MVA's investment in capital assets as of September 30, 2019 amounts to $127,009 net of accumulated depreciation.

Depreciation expense for the year was $86,870. Acquisition of capital assets for MVA's operation this fiscal year amounts to $27,812. At September 30, 2019, some of MVA's fixed assets were retired and write offs amounting to $794 were recorded.

Capital assets net of accumulated depreciation are as follows:

	2019	2018	2017
Vehicles	$ 80,932	$ 124,889	$ 155,622
Furniture and fixtures	18,310	44,675	66,744
Maintenance equipment	10,584	16,503	19,440
Leasehold improvements	17,183	-	-
Net capital assets	$ 127,009	$ 186,067	$ 241,806

FUTURE PLANS

The Marianas Visitors Authority's mandate is to promote our islands as an ideal destination to travelers from countries in Asia, Oceania and throughout the world. However, the outbreak of COVID-19 has suddenly pressed the pause button on the tourism industry in 2020. Domestic and outbound tourism have been suspended, attractions and tourist facilities have been closed and many countries have imposed entry restrictions to their borders. COVID-19 has brought global tourism to a standstill. Despite all these challenges, our tourism industry is facing an opportunity to respond to the market situation in a timely manner so as to prepare in advance for the recovery of the tourist market after the epidemic and provide tourists with better and more thoughtful travel services and products.

The tourism industry in the Marianas will be very different once travel activities are allowed to resume. The "new normal" would involve enforced health security standards for both tourists and personnel and the rest of the community. While the industry adjusts to the "new normal", MVA will focus on attracting its key source markets back to the Marianas. The Marianas continues to offer the ideal destination to potential travelers due to its natural environment and relatively low population so travelers are not faced with crowded environment.

- **Marketing Programs**
    - During the midst of the COVID-19 pandemic, the MVA in an effort to revive the CNMI tourism industry are developing airline sponsorships, co-op promotions, and program development campaign with airline partners and travel agencies to boost sales. We are supporting our key travel partners in creating travel packages potentially tying it to our future signature events.

- We have plans on conducting city seminars within our source markets (Japan, Korea, and China) to introduce new possibilities and a renewed point of view about our destination.
- With television remaining one of the most influential types of media for inspiring people to make travel decisions, MVA will continue to use it to strategically promote The Marianas. Various channels and newly emerging broadcast programs indicate that MVA has an incredible scope to select from. This variety will allow MVA to strategically promote the beauty of The Marianas and stimulate actual travel demands to the destination.
- MVA will target active social media users by exposing exceptional images and experiences of The Marianas through influential social media channels.
- MVA will continue to promote various aspects of The Marianas (culture, history, cuisine and leisure) to the general public through influential media organizations by inviting their representatives to get hands-on experience of The Marianas.
- To leverage celebrity influence, MVA will continue to promote The Marianas as a top-of-mind leisure destination and maximize the exposure on television, magazine, and digital platforms.
- To increase awareness of The Marianas as an attractive vacation destination, MVA will continue to partner with consumer brands from different categories and create products with The Marianas theme.
- To continuously engage with consumers and travel trade partners, MVA will continue to create and distribute e-newsletters. With a friendly narrative style and trendy design, the newsletter portrays a variety of news, including monthly events, festivals, promotions, and social media highlights.
- The MVA will continue to promote the Marianas and increase the number of followers and engagement of digital consumers and potential travelers through MVA's social media channels including Facebook, Blog, YouTube, WeChat, Weibo, Instagram, etc.
- To position The Marianas as an ideal destination for travelers, MVA will continue to produce new Marianas' image content and promotional videos.
- The MVA will continue to collaborate with trade partners to ensure that the CNMI is among the "Top Overseas Islands Destinations" in all markets and enhance emotional resonance, increase destination diversification and increase partner product diversification.
- In an effort to further promote eco-tourism in the Marianas along with the Northern Islands, and also to attract high-end tourists, MVA is in negotiation for a major branding opportunity to bring back a famous YouTube personality to the Marianas by the name of Robert Arrington who is known for his popular YouTube channel 'Deer Meat For Dinner'. The plan is to feature videos of the Northern Islands, Saipan, Tinian, and possibly Rota through the channel. Mr. Arrington visited the island of Rota back in October 2018 and featured 7 videos of Rota through his channel. The 'Deer Meat For Dinner' channel has currently over 2 million subscribers.

- For diversification into the Southeast Asia market, the MVA have plans to participate in both ADEX Singapore, the largest dive show in Asia, and ITB Singapore, the largest travel B2B show in Southeast Asia.
- Social Media Platforms Mobile Apps – Upon arrival the app will be accessible with links to participating MVA Member businesses. App contains a full map and direction finding functions.
- Strengthen our overall support for Japan-Saipan flights in an effort to increase flights and demand from the Japan market.
- Continuously promote diving in an effort to position The Marianas as a prime diving destination.
- To revive sports tourism and eco-tourism in The Marianas, the MVA will continue to conduct outdoor activity classes, adventures, and offer them not only to tourists but to the local community as well.

- **Community Projects Programs**

The Community Projects division will continue to engage our local government and industry partners to carry forward ongoing Signature Events, as well as develop new activities that would further broaden our sports and cultural tourism assortment. The division will also continue to foster exchange programs with schools, memorial groups and cultural groups in Japan, Korea and China.

The division aims to continue supporting other related and significant community events such as the Tournament of Champions, Flame Tree Arts Festival, Saipan International Fishing Tournament, Miss Marianas Beauty Pageant, Marianas Tourism Education Council, Chief Taga Day, Coconut Festival. This includes Rota and Tinian's fishing tournaments, festival and fiesta activities, memorial groups, and other co-cosponsored events and activities with respective island mayor's office.

- **Tour Guide Certification Program**

The Tour Guide Certification Program adheres to the mandate propagated by 2014 Public Law 18-58. The authority given to the MVA has been further clarified through the passage of Public Law 20-51. It seeks to educate and regulate tour guides who represent our islands to our visitors. The following are the program's objectives and projects:

Official Marianas Guide: Certification Training

On October 23, 2017, the Official Marianas Guide training program was launched in partnership with the Northern Marianas College. The guides are required to attend a twenty-hour course and to pass a test after the training.

The course focuses on history, environment, safety, and professional development. Those who pass are issued an official badge and certificate from the MVA. All certified tour guides are required to wear their badge while conducting business. Due to the COVID-19 pandemic, much of the programming have been put on hold.

- A special class tailored to the needs of the divers and snorkelers is in development in conjunction with CRM and NMC. The class will also help develop a diving safety video that will be distributed through the MVA website. The classes were to be held beginning May 2020 and will launch as CNMI readies itself to work with COVID-19. These new classes and CPR training will be part of the program for certification renewals.

- Safety videos are available on the MVA website. New videos highlighting road and environmental safety will be developed and distributed through cable network all throughout the islands as well as at the arrival area in the Saipan International Airport.

- Safety newsletter to be distributed to our visitors at Saipan International Airport, highlighting safety precautions as well as the delights the islands have to offer is in development and will begin distribution as soon as the pandemic alleviates. Digital copies will also be made available.

- **Destination enhancement and product development projects.**

The Destination Enhancement and Product Development division will continue to define, launch, and maintain programs to enhance the Marianas as a tourist destination. Such programs include evaluating the tourism-attraction value of current sites, monitoring and upgrading the content and upkeep of these existing sites, and increasing the number of sites.

The Destination Enhancement and Product Development division works closely with government, community, and tourist industry leaders to develop community projects which will increase the quality of visitors' experience.

Funds Management

The MVA will continue to monitor the inflow of cash primarily from the hotel occupancy tax (HOT) and update the expenditures based on availability of funds so as not to experience the negative financial situation from previous years. The MVA will sustain the current business relationship with off-shore and local contractors to the extent possible by keeping its payment terms and commitments intact.

REQUEST FOR INFORMATION

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) 664-3200/01 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, 2019 and 2018

		2019	2018
ASSETS			
Current assets:			
Cash in bank and on hand - restricted	$	5,509,869	7,846,419
Accounts receivable entitlement - Government of CNMI		6,149,517	2,546,259
Other receivables		3,628	5,336
Prepaid expenses		2,391	42,181
Total current assets		11,665,405	10,440,195
Noncurrent assets:			
Capital assets, net of accumulated depreciation and amortization		127,009	186,067
Total assets	$	11,792,414	10,626,262
LIABILITIES			
Current liabilities:			
Accounts payable	$	2,038,487	2,532,093
Accrued liabilities and benefits		1,029,217	431,722
Total current liabilities		3,067,704	2,963,815
Noncurrent liabilities:			
Due within one year			
Accrued compensated absences		16,063	17,879
Due in more than one year			
Accrued compensated absences		102,581	102,581
Total liabilities		3,186,348	3,084,275
Deferred inflows of resources		7,800	3,000
NET POSITION			
Net investment in capital assets		127,009	186,067
Restricted - expendable		8,471,257	7,352,920
Total net position		8,598,266	7,538,987
	$	11,792,414	10,626,262

See accompanying notes to financial statements.

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

Statements of Activities

For the Year Ended September 30, 2019

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Total
Governmental activities:				
General government	$ 1,888,119	30,860	-	(1,857,259)
Marketing	6,878,280	-	204,701	(6,673,579)
Advertising	557,137	100,297	-	(456,840)
Destination enhancement	950,307	-	-	(950,307)
Support to other government agency	900,000	-	-	(900,000)
Depreciation	86,870	-	-	(86,870)
Total governmental activities	$ 11,260,713	131,157	204,701	(10,924,855)
General revenues:				
Hotel and container tax entitlement				11,949,481
Royalty income				1,453
Other income				32,181
Interest income				1,019
Total general revenues				11,984,134
Change in net position				1,059,279
Net position, beginning				7,538,987
Net position, ending				$ 8,598,266

See accompanying notes to financial statements.

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

Statements of Activities

For the Year Ended September 30, 2018

Functions/Programs		Expenses	Program Revenue: Charges for Services	Program Revenue: Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Total
Governmental activities:					
General government	$	1,923,978	55,197	-	(1,868,781)
Marketing		9,216,741	-	258,418	(8,958,323)
Advertising		691,181	53,535	-	(637,646)
Destination enhancement		1,306,322	-	-	(1,306,322)
Support to other government agency		1,384,834	-	-	(1,384,834)
Depreciation		97,760	-	-	(97,760)
Total governmental activities	$	14,620,816	108,732	258,418	(14,253,666)
General revenues:					
Hotel and container tax entitlement					15,224,776
Royalty income					37,752
Other income					913
Interest income					1,093
Total general revenues					15,264,534
Change in net position					1,010,868
Net position, beginning					6,528,119
Net position, ending					$ 7,538,987

See accompanying notes to financial statements.

MARIANAS VISITORS AUTHORITY

(A Component Unit of the CNMI Government)

Governmental Funds - Balance Sheets

September 30, 2019 and 2018

		2019	2018
ASSETS			
Current assets:			
Cash in bank and on hand - restricted	$	5,509,869	7,846,419
Accounts receivable entitlement - Government of CNMI		6,149,517	2,546,259
Other receivables		3,628	5,336
Prepaid expenses		2,391	42,181
Total current and total assets	$	11,665,405	10,440,195
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE			
Current liabilities:			
Accounts payable		2,038,487	2,532,093
Accrued liabilities and benefits		1,029,220	431,724
Total current and total liabilities		3,067,707	2,963,817
Deferred inflows of resources		5,209,711	3,000
Fund balances:			
Nonspendable - not in spendable form		2,391	42,181
Assigned		3,385,596	7,431,197
Total fund balance		3,387,987	7,473,378
	$	11,665,405	10,440,195

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, 2019 and 2018

		2019	2018
Revenues:			
Hotel and container tax entitlement	$	6,747,570	15,224,776
Charges for services		131,157	108,732
In-kind contributions		204,701	258,418
Royalty income		1,453	37,752
Other income		32,181	913
Interest income		1,018	1,093
Total revenues		7,118,080	15,631,684
Expenditures:			
General government		1,888,119	1,906,975
Marketing		6,878,280	9,216,741
Advertising		557,137	691,181
Destination enhancement		950,307	1,306,322
Support to other government agency		900,000	1,384,834
Capital outlay-current expenditures		29,628	44,033
Total expenditures		11,203,471	14,550,086
Excess (deficiency) of revenues over expenditures		(4,085,391)	1,081,598
Nonspendable fund balance, beginning of year		42,181	-
Assigned fund balance, beginning of year		7,431,197	6,391,780
Fund balance, end of year			
Nonspendable		2,391	42,181
Assigned		3,385,596	7,431,197
	$	3,387,987	7,473,378

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 Agency-Wide Statement of Net Position

For the Years Ended September 30, 2019 and 2018

	2019	2018
Fund balance	$ 3,387,987	7,473,378
Amounts reported for governmental activities in the Balance Sheet differ from the amounts reported in the Statements of Net Position because:		
Long-term liabilities that are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Accrued compensated absences	(118,644)	(120,458)
Deferred revenues for receivables from CNMI that are not available within 60 days after the year-end	5,201,914	-
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	127,009	186,067
Total net position - governmental activities	$ 8,598,266	7,538,987

See accompanying notes to financial statements.

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

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

For the Years Ended September 30, 2019 and 2018

			2019	2018
Net change in fund balance - governmental funds		$	(4,085,391)	1,081,598
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:				
Some revenues reported in the statement of activities are not available for the current financial obligations and therefore not reported as income, net.				
2019 CNMI Appropriations	$ 11,924,007			
Collection as of September 30, 2019	(6,722,093)		5,201,914	-
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			-	(17,003)
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.				
Capital outlays	$ 29,626			
Depreciation expense	(86,870)		(57,244)	(53,727)
Changes in net position of governmental activities		$	1,059,279	1,010,868

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

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

B. Agency-wide and Fund Financial Statements

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

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

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

(1) Summary of Significant Accounting Policies, Continued

B. Agency-Wide and Fund Financial Statements, Continued

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

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

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

MVA maintains only one fund, which is a general fund at the MVA level.

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

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

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended September 30, 2019, from which the summarized information was derived.

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

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

(1) Summary of Significant Accounting Policies, Continued

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

Agency-wide financial statements are presented on a full accrual basis of accounting with an economic resources measurement focus. An economic resource focus concentrates on a fund's net 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.

Net Position/ Fund Balances

Net position in government-wide fund financial statements are composed of three sections:

- Net investment in capital assets:

  Capital assets, net of accumulated depreciation and net of related debts attributable to the acquisition, construction of or improvements of those assets.

(1) Summary of Significant Accounting Policies, Continued

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

- Restricted:

  Nonexpendable - net position subject to externally imposed stipulations that require MVA to maintain them permanently.

  Expendable – Net position whose use by MVA is subject to externally imposed stipulations that can be fulfilled by actions of MVA pursuant to those stipulations or that expire with the passage of time.

  Unrestricted:

  Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action by management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Fund Balance

In the governmental fund financial statements, fund balances, as required by Governmental Accounting Standards Board (GASB) Statement 54, are classified as follows:

- Non-spendable – includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints.

- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and do not lapse at year-end.

- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed.

- Unassigned – includes negative fund balances in other governmental funds.

(1) Summary of Significant Accounting Policies, Continued

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

The purpose of GASB 54 is to improve the usefulness, including the understandability, of governmental fund balance information by establishing criteria for classifying fund balance into specially defined classifications and clarifies definitions for governmental fund types.

D. Assets, Liabilities and Equity

1. Receivables and Payables

For agency-wide financial statements, receivables and related revenues are recognized as soon as they are earned, whereas for governmental fund financial statement purposes, receivables and related revenues are recognized only when they are both measurable and available.

Appropriations 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 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.

(1) Summary of Significant Accounting Policies, Continued

D. Assets, Liabilities and Equity

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:

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

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, 2019 and 2018, accrued annual leave was $118,644 and $120,460, 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.

(1) Summary of Significant Accounting Policies, Continued

E. Use of Estimates

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

F. Recently Issued Accounting Pronouncements

GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. GASB Statement No. 81 is effective for the fiscal year ending September 30, 2018. The implementation of this statement did not have a material effect on the MVA's financial statements.

GASB Statement No. 82, *Pension Issues*. This Statement addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans,* No. 68, *Accounting and Financial Reporting for Pensions,* and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. GASB Statement No. 82 was effective for the fiscal year ending September 30, 2018. The implementation of this statement did not have a material effect on the MVA's financial statements.

GASB Statement No. 83, *Certain Asset Retirement Obligations.* This Statement addresses accounting and financial reporting for certain asset retirement obligations. GASB Statement No. 83 was effective for the fiscal year ending September 30, 2019. The implementation of this statement did not have a material effect on the MVA's financial statements.

(1) Summary of Significant Accounting Policies, Continued

F. Recently Issued Accounting Pronouncements, Continued

GASB Statement No. 84, *Fiduciary Activities.* This Statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB Statement No. 84 will be effective for reporting periods after December 15, 2018. Management has not evaluated the impact that the implementation of this statement will have on the MVA's financial statements.

GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. GASB Statement No. 87 will be effective for the MVA for the fiscal year ending September 30, 2021. Management does not believe that the implementation of this statement will have a material effect on the MVA's financial statements.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. This Statement also requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance related consequences, termination events, and significant subjective acceleration clauses. This Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. This Statement is effective for reporting periods beginning after June 15, 2018. Management does not believe that the implementation of this statement had a material effect on the MVA's financial statements.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the end of a Construction Period*. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus.

(1) Summary of Significant Accounting Policies, Continued

F. Recently Issued Accounting Pronouncements, Continued

As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. This Statement is effective for reporting periods beginning after December 15, 2018. The implementation of this statement did not have a material effect on the MVA's financial statements.

GASB Statement No. 90, *Majority Equity Interest, an Amendment of GASB Statements No. 16 and No. 61.* The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition. This Statement is effective for reporting periods beginning after December 15, 2018. Management does not believe that the implementation of this statement had a material effect on the MVA's financial statements.

New Accounting Pronouncements

In May 2019, GASB issued Statement No. 91 *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

(1) Summary of Significant Accounting Policies, Continued

New Accounting Pronouncement, Continued

This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosure. GASB Statement No. 91 will be effective for fiscal year ending September 30, 2022.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. More comparable reporting will improve the usefulness of information for users of state and local government financial statements. This Statement addresses a variety of topics and includes specific provisions about leases; reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other than postemployment benefit (OPEB) plan; applicability of Statement No. 73 and 84 to postemployment benefits, measurements of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition; reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature and terminology used to refer to derivative instruments. GASB Statement No. 92 will be effective for the fiscal year ending September 30, 2020.

In April 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates* (IBOR). The primary objective of the Statement is to address those and other accounting and financial reporting implications of the replacement of IBOR. GASB Statement No. 93 will be effective for the fiscal year ending September 30, 2021.

The MVA is currently evaluating whether or not the above listed new GASB pronouncements will have a significant impact on its financial statements.

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

A. Explanation of certain differences between the governmental fund balance sheet and the agency-wide statement of net 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 2019 and 2018 consist of the following:

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

Description	2019	2018
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):	$ 791,984	791,984
Less accumulated depreciation	(664,975)	(605,917)
Net capital assets	127,009	186,067
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	(118,644)	(120,458)
Receivable from CNMI that is not available within 60 days after year end	5,201,914	-
Net adjustment	$ 5,210,279	65,609

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.

Description	2019	2018
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	$ (1,816)	(17,005)
Capital outlays reported in the fund statements	29,626	44,033

(2) Reconciliation of Agency-Wide and Fund Financial Statements, Continued

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.	(86,870)	(97,760)
Net adjustments	$ (59,060)	(70,732)

(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 CNMI government. The CNMI legislative budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. An annual appropriated budget is adopted by the Legislature for MVA through an Annual Appropriations Act.

(4) Cash in bank and on hand

At September 30, 2019 and 2018 cash and cash equivalents consist of the following:

	2019	2018
Petty cash and other currency	$ 864	1,691
Cash in bank	5,509,005	7,844,728
	$ 5,509,869	7,864,419

At September 30, 2019 and 2018 the carrying amount of MVA's total cash and cash equivalents (excluding petty cash) was $5,509,005 and $7,844,728, respectively. The corresponding bank balances as of September 30, 2019 and 2018 were $5,577,429 and $8,237,692, respectively, of which the entire balance was within Federal Deposit Insurance Corporation (FDIC) insurance limits or was collateralized by the bank.

(4) Cash in bank and on hand, Continued

The MVA Board of Directors approved to restrict $3.8 million to fund the following: $1.4 million to fund the revitalization of the Paseo de Marianas, Banzai Cliff and other Destination Enhancement Projects; $.7 million for building fund and $1.7 million for airline joint promotion agreement.

(5) Receivable from the CNMI Government

The CNMI Government appropriated a total of $15,819,575 and $15,653,532 for MVA's operational use for the years 2019 and 2018, respectively, under the Appropriations Budget Authority Act of 2019 (Public Law 20-67), which include the 2.5% of funds withheld by the Department of Finance for the enforcement of Public Law 18-1 and 2017 (Public Law 19-68).

The following is a summary of the changes in the "Due from CNMI government" for the fiscal years ended September 30, 2019 and 2018:

	2019	2018
Due from CNMI government, beginning	$ 2,546,259	2,748,500
CNMI appropriation and entitlement	11,924,007	14,688,588
Sub-total	14,470,266	17,437,088
Collections:		
For prior year's appropriation and entitlement	(1,487,102)	(2,748,500)
For current year's appropriation and entitlement	(6,833,647)	(12,142,329)
Subtotal	(8,320,749)	(14,890,829)
Due from CNMI government, net	$ 6,149,517	2,546,259

(6) Investments at Fair Value

GASB 72 requires all investments to be categorized under a fair value hierarchy. ASC Section 820, *Fair Value Measurements and Disclosures* defines fair value, establishes a framework for measuring fair value and expands financial statement disclosures about fair value measurements. Under ASC 820, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a fair value hierarchy, which prioritizes the inputs to valuation technique used to measure fair value into three broad levels:

Level 1 - Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.

Level 2 - Inputs (other than quoted prices included within Level 1) that are observable for an asset or liability, either directly or indirectly. These inputs can include quoted prices for similar assets or liabilities in active or inactive markets, or market-corroborated inputs.

Level 3 - Unobservable inputs for an asset or liability, which generally results in a government using the best information available and may include the government's own data.

In some cases, the inputs used to measure fair value might fall in different levels of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement in its entirety falls shall be determined based on the lowest level input that is significant to the fair value measurement in its entirety. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability. At September 30, 2019, MVA had no investments.

(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.

(8) Noncurrent Liabilities

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

	2019	2018
Beginning balance	$ 120,460	105,467
Additional accrual	70,840	82,012
Annual leave used	(72,656)	(67,019)
Ending balance	118,644	120,460
Due within one year	(16,063)	(17,879)
Due in more than one year	$ 102,581	102,581

(9) Changes in Capital Assets

The following is a summary of changes in capital assets for the fiscal years ended September 30, 2019 and 2018:

	September 30, 2019			
	Balance October 1, 2018	Additions Transfer	Deletions Retirements	Balance September 30, 2019
Vehicle and equipment	$ 319,316	-	-	319,316
Office furniture, fixtures and equipment	220,954	3,746	794	223,906
Leashold improvements	157,313	18,416	-	175,729
Maintenance equipment	94,401	5,650	-	100,051
	791,984	27,812	794	819,002
Less accumulated depreciation and amortization:				
Vehicle and equipment	194,428	43,956	-	238,384
Office furniture, fixtures and equipment	176,279	29,316	-	205,595
Leasehold improvements	157,312	1,235	-	158,547
Maintenance equipment	77,898	11,569	-	89,467
	605,917	86,076	-	691,993
Governmental activities capital assets, net	$ 186,067	(58,264)	794	127,009

	September 30, 2018			
	Balance October 1, 2017	Additions Transfer	Deletions Retirements	Balance September 30, 2018
Vehicle and equipment	$ 373,704	22,000	76,388	319,316
Office furniture, fixtures and equipment	329,409	12,787	121,242	220,954
Leashold improvements	157,313	-	-	157,313
Maintenance equipment	119,696	9,484	34,779	94,401
	980,122	44,271	232,409	791,984
Less accumulated depreciation and amortization:				
Vehicle and equipment	220,483	52,178	78,233	194,428
Office furniture, fixtures and equipment	273,721	33,697	131,139	176,279
Leasehold improvements	154,912	2,400	-	157,312
Maintenance equipment	89,201	11,886	23,189	77,898
	738,317	100,161	232,561	605,917
Governmental activities capital assets, net	$ 241,805	(55,890)	464,970	186,067

(9) Changes in Capital Assets, Continued

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

(10) Risk Management

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

(11) Commitments and Contingencies

MVA entered into a non-cancelable lease agreement covering their office in Saipan with a term of five years expiring on January 16, 2019 with an option to renew for an additional three years on the same terms and conditions. On October 9, 2018, the lease agreement was renewed under the same terms and conditions for one additional term of up to three (3) years expiring April 30, 2021. The lease agreement calls for payment of $4,500 per month.

Future minimum lease payments under this lease are as follows:

For the years ending September 30:

2020	$	54,000
2021		31,500
	$	85,500

(12) Retirement Plan

MVA contributed to the Northern Mariana Islands Retirement Fund's (NMIRF) defined benefit plan (DB Plan), a cost-sharing, multiple-employer plan established and administered by the CNMI. On September 30, 2013, the DB Plan was transferred to the Northern Mariana Islands Settlement Fund (NMISF) and MVA now contributes to NMISF.

On August 30, 2012, Public Law 17-79 was enacted to amend Title I of the Commonwealth Code to include the intent of the CNMI to participate in the retirement insurance system established by Title II of the U.S. Federal Insurance Contributions Act (FICA) and for participation to be extended to elected officials, employees, political subdivisions and instrumentalities of the CNMI.

(12) Retirement Plan, Continued

On September 11, 2012, Public Law 17-82 CNMI Pension Reform Recovery Act of 2012 was enacted. Unless specifically exempted or authorized by federal law, Public Law 17-82 provides for mandatory membership of CNMI Government employees and elected officials in the U.S. Social Security system and authorizes employees, who elect to, to buy quarters of service in the U.S. Social Security system from contributions made to the DB plan. In addition, Public Law 17-82 provides active and inactive DB Plan members the option to voluntarily terminate membership in the DB Plan, withdraw or roll over contributions to the defined contribution (DC) Plan and to participate in the U.S. Social Security system without termination of employment or penalty. Further, Public Law 17-82 allows the CNMI Government to continue remitting its 4% employer contribution to the DC Plan unless the employee ceases to contribute its employee share.

On March 11, 2013, Public Law 18-02 was enacted to amend Public Law 17-82 to clarify those provisions necessary to expedite the refunds and to prevent any further frustration of the process. Included in the public law is the amendment of Section 203(a) of Title 1, Division 8, Part 3, which states that the government obligation to withhold and remit the employee's portion to the employee's defined account shall continue with respect to employees who do not terminate membership in the DB Plan.

Defined Contribution Plan (DC Plan)

On June 16, 2006, Public Law 15-13 was enacted which created the DC Plan, a multi-employer pension plan and is the single retirement program for all employees whose first time CNMI government employment commences on or after January 1, 2007. Each member of the DC Plan is required to contribute to the member's individual account an amount equal to 10% of the member's compensation. MVA is required to contribute to each member's individual account an amount equal to 4% of the member's compensation. MVA's recorded DC contributions for the years ended September 30, 2019 and 2018 totaled $17,723 and $19,416, equal to the required yearly contribution.

Members of the DC Plan who have completed five years of government service have a vested balance of 100% of both member and employer contributions plus any earnings thereon.

Unremitted Employer Contribution prior to September 30, 2013

The amount MVA recognized as payable to the Retirement Fund prior to the creation of the Settlement Fund totaled $918,775 including penalties as of September 30, 2013.

(12) Retirement Plan, Continued

MVA believes that the payable to the Retirement Fund is ultimately due from the CNMI central government and not from MVA. The Settlement Order for Federal District Court for the CNMI Case No. 09-00023, which states that the NMIRF shall assign to the CNMI government all rights to collect employer contributions deficient as of August 6, 2013 and related costs from the Autonomous Agencies, or any other CNMI instrumentalities, strengthen MVA's position. The beginning net position in the Statement of Activities was restated in FY 2015 to reverse the accrued liabilities amounting to $918,775.

Medical and Life Insurance Benefits

In addition to providing pension benefits, the CNMI Government also ensures that employees are provided with medical and life insurance benefits. The CNMI Government created the Group Health and Life Insurance Trust Fund ("Trust Fund"), held in trust and administered by the Northern Mariana Islands Retirement Fund (NMIRF). MVA contributes to the Group Health and Life Insurance program. This is open to active employees who work at least 20 hours per week and to retired CNMI Government employees who retire as a result of length of service, disability or age, as well as their dependents. 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 withholdings.

(13) Reclassifications of Accounts

Certain reclassifications have been made to the 2018 financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported net position in the agency-wide financial statements.

(14) Subsequent Events

In preparing the accompanying financial statements and these footnotes, management has evaluated subsequent events through July 23, 2020, which is the date the financial statements were available to be issued.

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S and throughout Micronesia. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time.

Future potential impacts may include disruptions on the MVA's employee's ability to work as well as severely impact the funding the MVA will receive from its Hotel Occupancy Tax.

(14) Subsequent Events, Continued

COVID-19 has demonstrated that this may not be an isolated event but a foreshadowing of a new future. The future effects of these issues are unknown.

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

Budgetary Comparison Schedule

For the Year Ended September 30, 2019

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Hotel and container tax entitlement, net of PL 20-67	$ 15,427,336	14,095,197	6,747,570	(7,347,627)
In-kind contributions	-	-	204,701	204,701
Special events	-	-	90,802	90,802
Other income	-	-	32,181	32,181
Membership dues	-	-	26,300	26,300
Memorial trust income	-	-	9,495	9,495
Tour guide certication		-	4,560	4,560
Royalty income	-	-	1,453	1,453
Interest income	-	-	1,018	1,018
Total revenues	15,427,336	14,095,197	7,118,080	(6,977,117)
Expenditures:				
Promotion and advertising	10,942,705	9,823,704	7,230,716	2,592,988
Personnel service	1,620,049	1,620,049	1,458,520	161,529
Destination enhancement	956,367	816,367	950,307	(133,940)
Support to other government agencies	917,840	900,000	900,000	-
In-kind contribution of promotion and advertising	-	-	204,701	(204,701)
Professional fees	300,000	450,000	102,500	347,500
Travel	40,000	70,183	66,382	3,801
Rental	70,000	54,000	53,890	110
Printing and publications	80,000	61,814	45,018	16,796
Utilities	35,000	34,885	27,754	7,131
Insurance	32,500	25,077	24,482	595
Communications	30,000	29,343	20,778	8,565
Fuel and lubrication	22,000	20,863	16,886	3,977
Office supplies	25,000	23,264	12,822	10,442
Repairs and maintenance	20,000	14,726	12,451	2,275
Office equipment, rentals, repairs	25,000	10,000	12,011	(2,011)
Maintenance supplies	20,000	18,724	9,514	9,210
Staff development training	30,000	22,360	8,762	13,598
Computer systems and equipment	20,000	14,213	8,210	6,003
Bank charges and penalties	-	-	6,419	(6,419)
Postage and freight	13,000	4,800	2,058	2,742
Dues and subscriptions	3,000	2,787	1,174	1,613
Tour guide certification	35,000	22,542	304	22,238
Capital expenditures including MVA office	189,875	55,496	27,812	27,684
Total expenditures	15,427,336	14,095,197	11,203,471	2,891,726
Excess of revenues over expenditures	-	-	(4,085,391)	(4,085,391)
Assigned fund balance, beginning of year	-	7,473,378	7,473,378	-
Assigned fund balance, end of year	$ -	7,473,378	3,387,987	(4,085,391)

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, 2019 and 2018

	General Government	Marketing	Advertising	Destination Enhancement	Support to other government agency	Depreciation	Total 2019	Total 2018
Advertising and marketing	$ -	6,673,579	557,137	-	-	-	7,230,716	9,907,922
Personnel service	1,456,704	-	-	-	-	-	1,456,704	1,205,959
Destination enhancement	-	-	-	950,307	-	-	950,307	1,306,322
Support to other government agency	-	-	-	-	900,000	-	900,000	1,384,834
In-kind contributions	-	204,701	-	-	-	-	204,701	258,418
Professional fees	102,500	-	-	-	-	-	102,500	135,747
Depreciation	-	-	-	-	-	86,870	86,870	97,760
Travel	66,382	-	-	-	-	-	66,382	39,348
Rental	53,890	-	-	-	-	-	53,890	54,000
Printing and publication	45,018	-	-	-	-	-	45,018	53,518
Utilities	27,754	-	-	-	-	-	27,754	28,577
Insurance	24,482	-	-	-	-	-	24,482	21,017
Communications	20,778	-	-	-	-	-	20,778	22,109
Fuel and lubrication	16,886	-	-	-	-	-	16,886	16,656
Office supplies	12,822	-	-	-	-	-	12,822	14,467
Repairs and maintenance	12,451	-	-	-	-	-	12,451	3,931
Office equipment, rental, repairs	12,011	-	-	-	-	-	12,011	11,881
Maintenance supplies	9,514	-	-	-	-	-	9,514	4,900
Staff development training	8,762	-	-	-	-	-	8,762	5,459
Computer systems and equipment	8,210	-	-	-	-	-	8,210	6,454
Bank charges and penalties	6,419	-	-	-	-	-	6,419	4,008
Postage and freight	2,058	-	-	-	-	-	2,058	7,678
Dues and subscriptions	1,174	-	-	-	-	-	1,174	1,441
Tourist guide certification	304	-	-	-	-	-	304	28,410
Total expenditures	$ 1,888,119	6,878,280	557,137	950,307	900,000	86,870	11,260,713	14,620,816

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, 2019

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
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 Marianas Visitors Authority (MVA), a component unit of the Commonwealth of the Northern Mariana Islands government, as of as of and for the year ended September 30, 2019, 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 July 23, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Marianas Visitor’s 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. 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.

Suite 203 MH II Building, Marina Heights Business Park ▪ P.O. Box 504053, Saipan, MP 96950
Tel Nos. (670) 235-8722 (670) 233-1837 ▪ Fax Nos. (670) 235-6905 (670) 233-8214

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. We consider the deficiency described in the accompany schedule of findings and questioned costs as item 2019-01 to be a significant deficiency.

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.*

MVA's Response to Finding

MVA's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. MVA''s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Burger Comer Magliari

BURGER COMER MAGLIARI
Saipan, MP
July 23, 2020

Suite 203 MH II Building, Marina Heights Business Park ▪ P.O. Box 504053, Saipan, MP 96950
Tel Nos. (670) 235-8722 (670) 233-1837 ▪ Fax Nos. (670) 235-6905 (670) 233-8214

MARIANAS VISITORS AUTHORITY
(A Component Unit of CNMI Government)

Schedule of Findings and Question Costs
Year Ended September 30, 2019

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified

Internal control over financial reporting:

• Material weakness(es) identified?	______yes	__X___no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	__X___yes	______no
• Noncompliance material to financial statements?	______yes	__X___no

SECTION II – FINDINGS ON INTERNAL CONTROL OVER FINANCIAL REPORTING

CURRENT YEAR FINDINGS:

Finding No. : 2019-01
Area : Procurement Policies and Procedures

Finding type: Significant deficiency in Internal Control

Criteria:

MVA Procurement Regulations contain procedures to be followed for processing purchase orders and identify the required documents.

MVA's procurement policies and procedures are as follows;

a) Small purchases of $5,000 or less. The Chair of the MVA Board delegates the expenditure and authority for purchases of $5,000 or less to the Managing Director.
b) Small purchases between $5,000.01 and $25,000. The Chair of the MVA Board is the expenditure authority for small purchases between $5,000.01 and $25,000.
c) Destination Enhancement Program, purchases of $15,000.01 or greater. The Chair of the MVA Board delegates the expenditure authority for destination enhancement purchases of $15,000 or less to the Managing Director.
d) Purchase orders exceeding $25,000.01 shall comply with Procurement Regulations by performing (Invitation to Bid, Request for Proposal or Sole Source Contracts).

Condition:

In our testing of compliance with MVA procurement regulations, we found three separate purchase orders that appear to be related to one project. Added together, the three projects total $28,215. If these purchase orders were aggregated, they would require the issuance of an invitation to bid, or a request for proposal, or justification for a sole source contract.

MVA did not issue a request for proposal, an invitation to bid, or provide a sole source justification related to these three purchase orders.

The three purchase orders are detailed as follows:

Number	Reference	Purchase Order Date	Event/Destination Enhancement Program	Check No.	Date Paid	Amount
1	PO 22517	12/03/18	Paseo De Mariana Christmas Light Towers	31661	01/03/19	$ 14,635
2	PO 22503	11/21/18	Christmas Cube, Ornament and Tree	31569	11/26/18	9,566
3	PO 24601	01/17/19	Disassembly of X-Mas Tree, Cube and Ornament	31882	02/25/19	4,014
						$ 28,215

Cause:

There is a lack of monitoring to ensure compliance with established procurement policies and procedures.

Effect:

MVA is not in compliance with its procurement policies and procedures.

Recommendation:

An MVA staff member should monitor compliance with existing procurement policies and procedures and should maintain a log sheet for small purchases. The log shall contain the following information:

a) The date of purchase;
b) The name of the vendor;
c) The good or services purchased;
d) The purpose of the purchase; and
e) The amount of the purchase order

A person at a higher level than the preparer of the log sheet should review the log sheet periodically to ensure that multiple purchase orders issued to the same contractor are for distinct projects that are not susceptible to being aggregated.

Auditee Response and Corrective Action Plan:

MVA partially agrees with this finding. In October 2018, Saipan was devastated by Super Typhoon Yutu. Thereafter, MVA's mandate is to reconstruct the tourist sites that were damaged. During those times, the construction industry was in high demand, therefore, MVA had limited sources to obtain various contractors' quotations to participate. However, MVA adheres to its established policies and procedures, and works diligently to strengthen internal control over its procurement activities by monitoring the log sheet for small purchases to inhibit and distinguish potential circumvention of such policies and procedures.

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

The Marianas
| Saipan | Tinian | Rota |

September 2, 2020

Burger & Comer, P.C.
Certified Public Accountants
P.O. Box 504053
Saipan, MP 96950

Subject: Schedule of Findings and Questioned Costs for the year ended September 30, 2019

Hafa Adai Mr. Burger:

Please see below MVA's response to the finding regarding the FY 2019 Audit:

Finding 2019-01 Procurement Policies and Procedures

MVA partially agrees with this finding.

Super Typhoon Yutu took place in October 2018 which cause severe damages to our islands' infrastructure. This super typhoon left our islands and industry in a difficult situation such as closure of airport operations, power and water outages, structural and debris damages and many more. Once some of these situations were restored, the MVA decided to implement Christmas in the Marianas as we are mandated to organize and conduct programs to promote the Northern Mariana Islands. The MVA could not lose any more days and months as tourism is the CNMI's economic driver.

When we initiated the planning of the Christmas in the Marianas. We needed to do full electrical inspection of the lights, structures, and location (Paseo de Marianas) to ensure the safety of our community and visitors. Our office had a difficult time getting response(s) from construction companies as many were affected by the typhoon.

The three purchase orders cited on the findings were not for one project. PO# 22503 and 24601 were for the Christmas in the Marianas. We approved the first purchase order for the Christmas Cube, Ornament, and Tree once we receive the approval that the electrical requirements are met in time for the official lighting ceremony. PO# 22517 was for Christmas in the Marianas and the Lunar New Year. This purchase order should be reviewed separately; however, it was not fully documented in detail that it was for two events. Considering our procurement regulations, we solicited price quotations but we did not get a response from other construction companies.

MVA adhere to its established policies and procedures, work diligently to strengthen internal control over its procurement activities by monitoring the log sheet for small purchases to prevent and distinguish potential circumvention of such policies and procedures.

Should you have any questions or need additional information, please do not hesitate to contact our office at 664-3200/3201 or you may email me at piakopo@mymarianas.com.

Sincerely,

PRISCILLA M. IAKOPO
Managing Director

Enclosure