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

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED SEPTEMBER 30, 2017 AND 2016

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, 2017 AND 2016

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Marianas Visitors Authority

We have audited the accompanying financial statements of the governmental activities and the governmental funds of the Marianas Visitors Authority (MVA), a component unit of Commonwealth of the Northern Mariana Islands government, as of September 30, 2017 and 2016, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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, 2017 and 2016, and the respective changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) and budgetary comparison information on pages 4 through 12 and page 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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 May 15, 2018, on our consideration of the MVA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MVA's internal control over financial reporting and compliance.

Burger Comer Magliari

Commonwealth of the Northern Mariana Islands
May 15, 2018

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

The Marianas
| Saipan | Tinian | Rota |

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, 2017. Management has prepared this overview as required supplementary information to the financial statements and the footnotes that follow. This MD&A should be read in conjunction with the financial statements and accompanying footnotes.

FINANCIAL HIGHLIGHTS

- Pursuant to Public Law 19-68 known as Appropriations and Budget Authority Act of 2017, the MVA's budgeted Hotel and Container Tax Entitlement for fiscal year 2017 is $15,024,959. The actual hotel occupancy tax received by MVA for fiscal year 2017 was $15,336,943. The Legislature appropriated one dollar ($1) to the MVA in fiscal year 2017.

  The MVA allocated funds from its operations budget, particularly from the Destination Enhancement and Product Development for fiscal year 2017 to support other government agencies. The following projects were completed in fiscal year 2017: $106,876 for the Municipality of Saipan for Beautification Projects; $24,000 for the renovation of the Sugar King Park; $50,000 for the repairs of CNMI Museum; $15,000 for the installation of electrical service at the Governor Eloy S. Inos Peace Park; $250,000 for the renovation of the Oleai Track and Field Facility; $206,000 for the purchase of Automated Passport Control ("APC") machines for the Saipan International Airport; MVA also provided $50,000 for the Division of Parks and Recreation for maintenance and beautification of parks, tourist and recreational sites.

- In addition to the above, the following projects are ongoing: $45,424 for the building of 40-foot Sakman Canoe; $104,000 for the Municipality of Tinian for the Observation Deck at the Carolinas Lookout; and $75,000 for the Municipality of Rota for the Mt. Sabana 360 View Lookout.

- The MVA Board of Directors in its regular meeting on December 20, 2017, approved to commit $4.3 million of its restricted cash to fund the following: $1.4 million to fund the revitalization of the Paseo de Marianas; $1.9 million for building fund and $1 million for airline support/ stabilization.

► MVA's total assets exceeded liabilities by $6,528,119 and $4,472,572 at the end of fiscal year 2017 and 2016 respectively. The restricted net position was $6,286,313 and $4,337,204 at the end of fiscal year 2017 and 2016, respectively. The increase in net position was primarily due to the increase in the collection of Hotel Occupancy Tax. In fiscal year 2017, 653,150 visitors came to the Marianas compared to 501,489 in fiscal year 2016. This is a 30% increase over fiscal year 2016.

► MVA increased its marketing and advertising expenditures by $1.4 Million at the end of fiscal year 2017 as compared to fiscal year 2016 due to increase in marketing cost. The marketing strategy/goal is to increase the number of arrivals to Saipan, Tinian and Rota, and most importantly, increase on island spending by those arrivals so as to maximize the positive benefits those funds have on the economy and the revenue of the CNMI government.

► PL 18-1 Section 102 also includes a provision for Destination Enhancements amounting to $1,369,143 and $1,061,195 in fiscal year 2017 and fiscal year 2016, respectively.

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

MVA Destination Enhancement projects completed in fiscal year 2017 include improvement to the Forbidden Island Lookout, Destination Sign in Marpi Area, installation of directional Tourist Sites Signs, installation of safety and warning signs at different tourist sites. MVA also maintained the restroom facilities at the Marpi tourist sites, provided life guard and security services at several tourist sites and paid a local contractor for trash collection in the Garapan area. In Tinian, MVA performed repairs and maintenance of Kammer Beach Main Pavilion and restroom facility, Taga Beach and Tachogna Beach, and demolition of the unsafe structure at Tachogna Beach. MVA also performed improvements to the Japanese Sugar Mill/Train, Tweksberry Beach and Songsong lookout.

► As of the date of the audit report, MVA is current on its financial obligations with both offshore and local vendors.

► MVA received $184,291 of in-kind contributions in fiscal year 2017. In-kind contributions increased by approximately $140,283 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. The prior financial statements have been restated to comply with the requirements of this update.

MD&A

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

Agency-Wide Statements

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

Statement of Net Position

The 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 $2,055,547 from the previous year.

SUMMARY OF CHANGE IN NET POSITION (STATEMENT OF ACTIVITIES)

	2017	2016	2015
Net position, beginning	$ 4,472,572	$ 5,765,266	$ 7,660,674
Adjustment of pension liability			918,774
Net position, beginning, as restated			8,579,448
Revenues	$ 15,585,733	11,430,690	9,961,720
Expenditures	13,530,186	12,723,384	12,775,902
Increase in net position	$ 2,055,547	(1,292,694)	(2,814,182)
Net position, ending	$ 6,528,119	$ 4,472,572	$ 5,765,266

SUMMARY OF STATEMENT OF NET POSITION

	2017	2016	2015
Current assets	$ 8,823,402	$ 7,646,007	$ 7,781,583
Capital assets	241,806	135,368	147,358
Total assets	$ 9,065,208	$ 7,781,375	$ 7,928,941
Current liabilities	$ 2,425,322	$ 3,206,195	$ 2,045,648
Non-current liabilities	105,467	102,608	117,927
Total liabilities	$ 2,530,789	$ 3,308,803	$ 2,163,575
Deferred inflows of resources	$ 6,300	-	100
Net investment in capital assets	241,806	135,368	147,358
Restricted	6,286,313	4,337,204	5,617,908
Total net position	6,528,119	4,472,572	5,765,266
Total liabilities and net position	$ 9,065,208	$ 7,781,375	$ 7,928,941

The $6,528,119 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 $6,528,119 of restricted assets left.

Assets. Assets consist primarily of cash and cash equivalents (66%) and receivables, which include local government appropriation and entitlement (30%), others (1%) and capital assets (3%).

Liabilities. These are composed primarily of accounts payable for marketing activities, deferred revenue, accrued employee annual and sick leave and others. The net decrease in current liabilities of $780,873 is due to MVA's capacity to pay of its obligations to its offshore and local vendors in fiscal year 2017.

Net position. Net position represents the MVA's residual interest in its assets net of liabilities. The restricted component of net position increased by $1,949,109 as compared to FY2016 primarily due to an increase in MVA's budgeted hotel and container tax entitlement for the fiscal year 2017. The increase was approximately 25% or $3.9M compared to fiscal year 2016.

Revenues

Total revenues for fiscal year 2017 were $15,585,733, a $4,042,474 increase from fiscal year 2016.

	2017	2016	2015
General Revenues			
Hotel and cointainer tax entitlement	$ 15,336,943	$ 11,399,920	$ 9,797,367
Grant and contributions	184,291	44,008	80,832
Other income	4,442	28,470	6,426
Royalty income	-	1,509	15,593
Interest income	2,566	791	544
Subtotal	$ 15,528,242	$ 11,474,698	$ 9,900,762
Program revenues			
Membership fees	$ 16,200	$ 24,700	$ 23,965
Special events	41,291	43,861	36,993
Subtotal	$ 57,491	$ 68,561	$ 60,958
Total Revenues	$ 15,585,733	$ 11,543,259	$ 9,961,720

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

Expenses

Total agency-wide expenses by function were as follows:

	2017	2016	2015
General government	$ 1,936,826	$ 1,741,878	$ 1,764,367
Marketing	8,980,713	7,558,772	6,593,468
Advertising	654,164	525,506	485,535
Destination enhancement	1,369,143	1,061,195	190,469
Support to other government agency	510,356	1,898,666	-
Bad debts	-	1,383	3,700,406
Depreciation	78,984	48,553	41,657
Total expenditures	$ 13,530,186	$ 12,835,953	$ 12,775,902

Expenditures for the fiscal year ending September 30, 2017 increased by $694,233 over the fiscal year 2016 total. Funds available in fiscal year 2017 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 $2,055,547. MVA increased its revenue by $4.04 million due to the opening of Kensington Hotel and other smaller boutique hotels which allowed for an increase in the share of hotel occupancy tax for MVA. Notably, the CNMI recorded consistent monthly arrival increases in fiscal year 2017, which generated more hotel occupancy tax. This increase was spent on community programs, marketing, promotions that includes support for direct flights from China, Hong Kong and Korea, familiarization tours, group incentives, co-op promotions, Japan revitalization programs, sports marketing, trade shows and other promotions. More funding was spent as well on Destination Enhancements and support to other government agencies as compared to last year.

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

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

FUND ANALYSIS

At the governmental fund level, MVA's fund balance in fiscal year 2017 was increased by $1,951,967 as more programs were implemented this fiscal year 2017 as compared to fiscal year 2016.

CAPITAL ASSETS

The MVA's investment in capital assets as of September 30, 2017 amounts to $241,806 net of accumulated depreciation. Depreciation expense for the year was $78,984. There was a significant acquisition of capital assets for MVA's operation this fiscal year as compared to fiscal year 2016.

Capital assets net of accumulated depreciation are as follows:

	2017	2016	2015
Vehicles	$ 155,622	$ 48,650	$ 68,108
Furniture and fixtures	66,744	83,195	77,002
Maintenance equipment	19,440	1,118	2,248
Leasehold improvements	-	2,405	-
Net capital assets	$ 241,806	$ 135,368	$ 147,358

FUTURE PLANS

- **Marketing Programs**
  - Diversification plans into the Southeast Asia market. Participation in both ADEX Singapore, the largest dive show in Asia, and ITB Singapore, the largest travel show in Southeast Asia.
  - Social Media Platforms Mobile Apps – Upon arrival, the app will be accessible with links to participating MVA Member businesses. The app contains a full map and direction finding functions.
  - Strengthen our overall support for Japan-Saipan flights.
- **Community Projects Programs**

  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 portfolio. One of our newest attractions in late 2017 is the CNMI's first ever Marianas Beer and BBQ Festival which was first held on November 4. This event aims to provide added value to our tourists and offer our locals the opportunity to participate and support our promotional efforts. The Division will continue to support other related and meaningful community events such as the Tournament of Champions, Flame Tree Arts Festival, Saipan International Fishing Tournament, Miss Marianas Beauty Pageant, Marianas Tourism Education Council, Rota and Tinian fishing tournaments and fiesta activities, memorial groups, and others. This includes events, festivals and other activities among all three islands.

- **Tour Guide Certification Program**

  Tour Guide Certification Program adheres to the mandate propagated by 2014 Public Law 18-58. It seeks to educate and regulate tour guides who represent our islands to our visitors. The following are the plans in implementing this program:

Tour guide certification training

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 Official Marianas Guide training program was launched in partnership with 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 passed are issued an official badge and certificate from the MVA. All certified tour guides are required to carry on their persons a badge.

Official Marianas Guide: Manual

This has been translated into three different languages from English: Chinese, Japanese, and Korean. These have been distributed as e-books readily available on MVA website. The format of the manual has been revamped to make it more reader friendly. The manual now includes new sections on food, medicinal plants, marine safety and CNMI's signature events as well as emergency contacts.

Official Marianas Guide: Virtual reality tour

A video production that actually narrates history and cultural narratives of each site is in its first phase. This will be shared not only with the tour guides but with potential visitors to educate them before, during and after the visits. Six sections in a series of videos that will cover Saipan, Tinian and Rota have been completed. All narration will feature a renowned historian/expert. Marpi area: Banzai, Grotto, Bird Island, Last Command Post, Suicide Cliff and Kalabera Cave were documented. All six were also subtitled in Chinese, English, Japanese and Korean. These will be available through MVA website for both tour guides to use on their tours as well as for tourists to enjoy.

Others: Safety tips video

Produced and aired through KSPN/Flame Tree TV, an updated marine, road and personal safety videos are now airing at the airport, Managaha and in each of the Visitors Channels. Road Safety video is being shared with rental car companies to better inform drivers new to our islands on key road safety concerns.

- **Tourist Exit Survey** will be conducted on a regular basis as it plays an important element in ensuring information obtained is presented both accurately and reliably. A strong research and statistical base for the tourism industry is critical in maintaining our international competitiveness and increase our market share.

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

  The Destination Enhancement and Product Development Division will continue to define, launch and maintain programs to enhance the CNMI 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. Destination Enhancement and Product Development Division is working closely with government, community and tourist industry leaders to develop community projects which will increase quality of visitors' experience.

- **Funds Management**

  MVA will continue to monitor the inflow of cash primarily on the HOT and update the expenditures based on availability of funds so as not to experience the negative financial situation from previous years. The current business relationship with the offshore and local contractors will be sustained to the extent possible 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 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, 2017 and 2016

		2017	2016
ASSETS			
Current assets:			
Cash in bank and on hand - restricted	$	6,064,501	5,409,967
Accounts receivable entitlement - Government of CNMI		2,748,500	2,184,636
Other receivables		10,401	1,404
Prepaid expenses		-	50,000
Total current assets		8,823,402	7,646,007
Noncurrent assets:			
Capital assets, net of accumulated depreciation and amortization		241,806	135,368
Total assets	$	9,065,208	7,781,375
LIABILITIES			
Current liabilities:			
Accounts payable	$	2,133,546	2,771,825
Accrued liabilities and benefits		291,776	434,370
Total current liabilities		2,425,322	3,206,195
Noncurrent liabilities:			
Due within one year			
Accrued compensated absences		11,186	11,489
Due in more than one year			
Accrued compensated absences		94,281	91,119
Total liabilities		2,530,789	3,308,803
Deferred inflows of resources		6,300	-
NET POSITION			
Net investment in capital assets		241,806	135,368
Restricted - expendable		6,286,313	4,337,204
Total net position		6,528,119	4,472,572
	$	9,065,208	7,781,375

See accompanying notes to financial statements.

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

Statements of Activities

For the Years Ended September 30, 2017 and 2016

		Program Revenue		Net Revenues (Expenses) and Changes in Net Position — Governmental Activities	
Functions/Programs	Expenses	Charges for Services	Grants and Contributions	2017	2016
Governmental activities:					
General government	$ 1,936,826	16,200	-	(1,920,626)	(1,717,178)
Marketing	8,980,713	-	184,291	(8,796,422)	(7,514,764)
Advertising	654,164	41,291	-	(612,873)	(481,645)
Destination enhancement	1,369,143	-	-	(1,369,143)	(1,061,195)
Support to other government agency	510,356			(510,356)	(1,898,666)
Bad debts	-	-	-	-	(1,383)
Depreciation	78,984	-	-	(78,984)	(48,553)
Total governmental activities	$ 13,530,186	57,491	184,291	(13,288,404)	(12,723,384)
General revenues:					
Hotel and container tax entitlement				15,336,943	11,399,920
Royalty income				-	1,509
Other income				4,442	28,470
Interest income				2,566	791
Total general revenues				15,343,951	11,430,690
Change in net position				2,055,547	(1,292,694)
Net position, beginning				4,472,572	5,765,266
Net position, ending				$ 6,528,119	4,472,572

See accompanying notes to financial statements.

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

Governmental Funds - Balance Sheets

September 30, 2017 and 2016

		2017	2016
ASSETS			
Current assets:			
Cash in bank and on hand - restricted	$	6,064,501	5,409,967
Accounts receivable entitlement - Government of CNMI		2,748,500	2,184,636
Other receivables		10,401	1,404
Prepaid expenses		-	50,000
Total current assets	$	8,823,402	7,646,007
LIABILITIES AND FUND BALANCE			
Current liabilities:			
Accounts payable		2,133,546	2,771,825
Accrued liabilities and benefits		291,776	434,369
Total current liabilities		2,425,322	3,206,194
Deferred inflows of resources		6,300	-
Fund balances:			
Nonspendable - not in spendable form		-	50,000
Assigned		6,391,780	4,389,813
Total fund balance		6,391,780	4,439,813
	$	8,823,402	7,646,007

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, 2017 and 2016

	2017	2016
Revenues:		
Hotel and container tax entitlement	$ 15,336,943	11,399,920
Charges for services	57,491	68,561
In-kind contributions	184,291	44,008
Royalty income	-	1,509
Other income	4,442	28,470
Interest income	2,566	791
Total revenues	15,585,733	11,543,259
Expenditures:		
General government	1,933,969	1,787,683
Marketing	8,980,713	7,558,772
Advertising	654,164	525,506
Destination enhancement	1,369,143	1,061,195
Support to other government agency	510,356	1,898,666
Bad debts	-	1,383
Capital outlay-current expenditures	185,421	6,077
	-	
Total expenditures	13,633,766	12,839,282
Excess (deficiency) of revenues over expenditures	1,951,967	(1,296,023)
Assigned fund balance, beginning of year	4,439,813	5,735,836
Assigned fund balance, end of year	$ 6,391,780	4,439,813

See accompanying notes to financial statements.

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

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

For the Years Ended September 30, 2017 and 2016

		2017	2016
Fund balance	$	6,391,780	4,439,813
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		(105,467)	(102,609)
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		241,806	135,368
Total net position - governmental activities	$	6,528,119	4,472,572

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, 2017 and 2016

		2017	2016
Net change in fund balance - governmental funds		$ 1,951,967	(1,296,023)
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:			
Unearned revenues for receivables from CNMI that are not available within 60 days after the year-end.			
Unearned revenues prior year		(2,857)	-
Collections for appropriations that were unearned in prior year		-	-
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	185,421		
Depreciation expense	(78,984)	106,437	3,329
Changes in net position of governmental activities		$ 2,055,547	(1,292,694)

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, 2017, 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, 2017 and 2016, accrued annual leave was $105,467 and $102,608, 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. New Accounting Standards

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements and requires entities to expand their fair value disclosures by determining major categories of debt and equity securities within the fair value hierarchy on the basis of the nature and risk of the investment. The provisions of Statement No. 72 are effective for fiscal years beginning after June 15, 2015. The implementation of this statement did not have a material effect on the MVA's financial statements.

In June 2015, GASB issued Statement 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 aligns the reporting requirements for pensions and pension plans not covered in GASB Statement Nos. 67 and 68 with the reporting requirements in Statement No. 68. The provisions of this Statement are effective for fiscal years beginning after June 15, 2015, with the exception of the provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement No. 68, which are effective for fiscal years beginning after June 15, 2016. The implementation of this statement did not have a material effect on the MVA's financial statements.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement addresses financial reporting requirements for governments whose employees are provided with postemployment benefits other than pensions (other postemployment benefits or OPEB). The provisions of this Statement are effective for fiscal years beginning after June 15, 2016. 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. New Accounting Standards, Continued

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement provides guidance on reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. Management has not evaluated the impact that the implementation of this statement will have on the MVA's financial statements.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* This Statement eliminates two of the four categories of authoritative GAAP that exist under the existing hierarchy prescribed by Statement No. 55. The two categories that will remain under the new standard are (1) GASB Statements and (2) GASB technical bulletins and implementation guides in addition to AICPA guidance that the GASB clears. The provisions of this Statement are effective for fiscal years beginning after June 15, 2015. The implementation of this statement did not have a material effect on the MVA's financial statements.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The provisions of this Statement are effective for fiscal years beginning after December 15, 2015. The implementation of this statement did not have a material effect on the MVA's financial statements.

In December 2015, GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans.* This Statement addresses an issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. GASB Statement No. 78 is effective for fiscal year ending September 30, 2017. The implementation of this statement did not have a material effect on the MVA's financial statements.

In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants.* This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. GASB Statement No. 79 is effective for the fiscal year ending September 30, 2017. 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. New Accounting Standards, Continued

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units*. The Statement is intended to provide clarity about how certain component units incorporated as not-for-profit corporations should be presented in the financial statements of the primary state or local government. GASB Statement No. 80 is effective for the fiscal year ending September 30, 2017. The implementation of this statement did not have a material effect on the MVA's financial statements.

In March 2016, 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 will be effective for the fiscal year ending September 30, 2018. Management has not evaluated the impact that the implementation of this statement will have on the MVA's financial statements.

In March 2016, GASB issued 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 will be effective for the fiscal year ending September 30, 2018. Management has not evaluated the impact that the implementation of this statement will have on the MVA's financial statements.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations.* This Statement addresses accounting and financial reporting for certain asset retirement obligations. GASB Statement No. 83 will be effective for the fiscal year ending September 30, 2019. Management has not evaluated the impact that the implementation of this statement will have on the MVA's financial statements.

(1) Summary of Significant Accounting Policies, Continued

F. New Accounting Standards, Continued

In January 2017, GASB issued 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.

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. The provisions of GASB Statement No. 86 are effective for fiscal years beginning after June 15, 2017. Management does not believe that the implementation of this statement will have a material effect on the MVA's financial statements.

In June 2017, GASB issued 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.

(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 2017 and 2016 consist of the following:

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

Description	2017	2016
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):	$ 980,121	794,700
Less accumulated depreciation	(738,315)	(659,332)
Net capital assets	241,806	135,368
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	(105,467)	(102,608)
Net adjustment	$ 136,339	32,760

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	2017	2016
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	$ (2,857)	-
Capital outlays reported in the fund statements	185,421	45,805

(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.	(78,984)	(42,476)
Net adjustments	$ 103,580	3,329

(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

As of September 30, 2017 and 2016 cash and cash equivalents consist of the following:

	2017	2016
Petty cash	$ 803	703
Cash in bank	6,063,698	5,409,264
	$ 6,064,501	5,409,967

At September 30, 2017 and 2016 the carrying amount of MVA's total cash and cash equivalents (excluding petty cash) was $6,063,698 and $5,409,264, respectively. The corresponding bank balances as of September 30, 2017 and 2016 were $6,185,699 and $6,026,073, respectively, of which the entire balance was within Federal Deposit Insurance Corporation (FDIC) insurance limits or was collateralized by the bank. On December 20, 2017, the MVA Board of Directors approved to restrict $4.3 million to fund the following: $1.4 million to fund the revitalization of the Paseo de Marianas; $1.9 million for building fund and $1 million for airline support/stabilization.

(5) Receivable from the CNMI Government

The CNMI Government appropriated a total of $15,024,959 and $12,000,000 for MVA's operational use for the years 2017 and 2016, respectively, under the Budget Authority Act of 2017 (Public Law 19-68) and 2016 (Public Law 19-08).

The following is a summary of the changes in the "Due from CNMI government" for the fiscal years ended September 30, 2017 and 2016:

		2017	2016
Due from CNMI government, beginning	$	2,184,636	3,245,632
CNMI appropriation and entitlement		15,206,868	11,911,036
Sub-total		17,391,504	15,156,668
Collections:			
For prior year's appropriation and entitlement		-	(3,245,633)
For current year's appropriation and entitlement		(14,644,563)	(9,726,399)
Subtotal		2,746,941	2,184,636
Interest income from prior year		1,559	-
Allowance for doubtful accounts		-	-
Due from CNMI government, net	$	2,748,500	2,184,636

The due from CNMI government as of September 30, 2017 was subsequently collected in October 31, 2017.

(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.

(6) Investments at Fair Value, Continued

Level 2 - Inputs (other than quoted prices included within Level 1) that are observable for an asset or liability, either directly or indirectly. This 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, 2017, 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. Subsequently, all receivables were collected as of October 31, 2017.

(8) Noncurrent Liabilities

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

	2017	2016
Beginning balance	$ 102,608	117,927
Additional accrual	89,221	49,091
Annual leave used	(86,362)	(64,410)
Ending balance	105,467	102,608
Due within one year	(11,186)	(11,489)
Due in more than one year	$ 94,281	91,119

(9) Changes in Capital Assets

The following is a summary of changes in capital assets for the fiscal years ended September 30, 2017 and 2016:

		September 30, 2017		
	Balance October 1, 2016	Additions Transfer	Deletions Retirements	Balance September 30, 2017
Vehicle and equipment	$ 224,011	149,693	-	373,704
Office furniture, fixtures and equipment	329,409	-	-	329,409
Leashold improvements	157,313	-	-	157,313
Maintenance equipment	83,967	35,729	-	119,696
	794,700	185,422	-	980,122
Less accumulated depreciation and amortization:				
Vehicle and equipment	175,361	45,122	-	220,483
Office furniture, fixtures and equipment	246,214	27,507	-	273,721
Leasehold improvements	154,908	4	-	154,912
Maintenance equipment	82,849	6,352	-	89,201
	659,332	78,984	-	738,316
Governmental activities capital assets, net	$ 135,368	106,438	-	241,806

		September 30, 2016		
	Balance October 1, 2015	Additions Transfer	Deletions Retirements	Balance September 30, 2016
Vehicle and equipment	$ 224,011	-	-	224,011
Office furniture, fixtures and equipment	298,340	31,069	-	329,409
Leashold improvements	152,512	4,801	-	157,313
Maintenance equipment	83,272	695	-	83,967
	758,135	36,565	-	794,700
Less accumulated depreciation and amortization:				
Vehicle and equipment	155,903	19,458	-	175,361
Office furniture, fixtures and equipment	221,338	24,876	-	246,214
Leasehold improvements	152,512	2,396	-	154,908
Maintenance equipment	81,024	1,825	-	82,849
	610,777	48,555	-	659,332
Governmental activities capital assets, net	$ 147,358	(11,990)	-	135,368

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 additional three years on the same terms and conditions. The lease agreement calls for payment of $4,500 per month. Minimum future lease payments are $54,000 for 2018 and $18,000 for 2019.

(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 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. 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.

(12) Retirement Plan, Continued

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, 2017 and 2016 totaled $13,989 and $10,871, 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.

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 2016 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 May 15, 2018, which is the date the financial statements were available to be issued. There were no such events requiring disclosure.

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

Budgetary Comparison Schedule

For the Year Ended September 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Hotel and container tax entitlement, net of PL 19-68	$ 14,994,958	15,336,943	15,336,943	-
In-kind contributions	-	-	184,291	184,291
Special events	-	-	32,791	32,791
Membership dues	-	-	16,200	16,200
Memorial trust income	-	-	8,500	8,500
Other income	30,000	7,008	4,442	(2,566)
Interest income	-	-	2,566	2,566
Total revenues	15,024,958	15,343,951	15,585,733	241,782
Expenditures:				
Promotion and advertising	10,379,200	9,667,718	9,451,162	216,556
Personnel service	1,522,081	1,402,081	1,352,997	49,084
Support to other government agencies	670,273	586,780	1,013,809	(427,029)
Destination enhancement	1,477,000	1,709,133	865,688	843,445
Professional fees	373,700	212,700	212,405	295
Capital expenditures including MVA office	95,000	1,294,371	185,421	1,108,950
In-kind contribution of promotion and advertising	-	-	184,291	(184,291)
Printing and publications	110,100	110,100	81,664	28,436
Rental	54,000	54,000	54,000	-
Travel	26,000	36,000	35,321	679
Insurance	32,500	32,500	28,781	3,719
Office supplies	22,000	32,000	27,471	4,529
Communications	37,420	37,420	23,347	14,073
Utilities	30,000	41,465	23,154	18,311
Maintenance supplies	15,000	20,000	18,508	1,492
Fuel and lubrication	15,000	18,000	18,280	(280)
Postage and freight	3,000	18,000	14,958	3,042
Repairs and maintenance	21,000	23,000	13,957	9,043
Office equipment, rentals, repairs	7,800	9,800	9,533	267
Staff development training	7,500	12,500	8,793	3,707
Bank charges and penalties	-	-	3,530	(3,530)
Tour guide certification	100,000	-	2,535	(2,535)
Dues and subscriptions	2,800	2,800	2,101	699
Computer systems and equipment	22,500	22,500	2,060	20,440
Miscellaneous	1,084	1,084	-	1,084
Total expenditures	15,024,958	15,343,952	13,633,766	1,710,186
Excess of revenues over expenditures	-	-	1,951,967	1,951,968
Assigned fund balance, beginning of year	-	4,439,813	4,439,813	-
Assigned fund balance, end of year	$ -	4,439,813	6,391,780	1,951,968

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, 2017 and 2016

	General Government	Marketing	Advertising	Destination Enhancement	Support to other government agency	Depreciation	Total 2017	Total 2016
Advertising and marketing	$ -	10,154,910	654,164	-	-	-	10,809,074	9,120,587
Destination enhancement	-	-	-	1,369,143	-	-	1,369,143	1,205,944
Support to other government agency	-	-	-	-	510,356	-	510,356	1,898,666
Professional fees	212,405	-	-	-	-	-	212,405	204,853
In-kind contributions	184,291	-	-	-	-	-	184,291	44,008
Printing and publication	81,664	-	-	-	-	-	81,664	47,913
Depreciation	-	-	-	-	-	78,984	78,984	48,553
Rental	54,000	-	-	-	-	-	54,000	54,000
Travel	35,321	-	-	-	-	-	35,321	54,211
Insurance	28,781	-	-	-	-	-	28,781	26,638
Office supplies	27,471	-	-	-	-	-	27,471	16,447
Communications	23,347	-	-	-	-	-	23,347	23,729
Utilities	23,154	-	-	-	-	-	23,154	20,711
Maintenance supplies	18,508	-	-	-	-	-	18,508	20,887
Fuel and lubrication	18,280	-	-	-	-	-	18,280	11,995
Postage and freight	14,958	-	-	-	-	-	14,958	1,397
Repairs and maintenance	13,957	-	-	-	-	-	13,957	21,110
Office equipment, rental, repairs	9,533	-	-	-	-	-	9,533	6,771
Staff development training	8,793	-	-	-	-	-	8,793	-
Bank charges and penalties	3,530	-	-	-	-	-	3,530	3,911
Tourist guide certification	2,535	-	-	-	-	-	2,535	-
Dues and subscriptions	2,101	-	-	-	-	-	2,101	2,239
Bad debts	-	-	-	-	-	-	-	1,383
Total expenditures	$ 762,629	10,154,910	654,164	1,369,143	510,356	78,984	13,530,186	12,835,953

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, 2017

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

BCM **BURGER · COMER · MAGLIARI**
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors
Marianas Visitors Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Marianas Visitors Authority (MVA), a component unit of the Commonwealth of the Northern Mariana Islands government, as of and for the year ended September 30, 2017, 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 May 15, 2018.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Commonwealth of the Northern Mariana Islands
May 15, 2018

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 the CNMI Government)

Schedule of Findings and Questioned Costs
Year Ended September 30, 2017

A. SUMMARY OF AUDITORS' RESULTS

1. The Independent Auditors' Report on the financial statements of the MVA expressed an unqualified opinion.

2. No reportable conditions in internal control over financial reporting were identified for 2017.

3. No instance of noncompliance considered material to the financial statements was disclosed by the audit.

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

Current Year Findings:

None reported

Prior Year Findings:

None reported