

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

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**FINANCIAL STATEMENTS AND SUPPLEMENTARY  
INFORMATION**

**YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

**WITH INDEPENDENT AUDITORS' REPORT THEREON**

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

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YEARS ENDED SEPTEMBER 30, 2020 AND 2019

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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 Mariana Islands Government as September 30, 2020 and 2019 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.

### ***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, 2020 and 2019, 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 and budgetary comparison information on pages 4 through 14 and page 40 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 schedule of functional expenses is the responsibility of management and was 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 schedule of functional expenses is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2022, 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  
Saipan, MP  
January 31, 2022



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## MARIANAS VISITORS AUTHORITY

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### INTRODUCTION

The objective of management's discussion and analysis (MD&A) is to provide readers of the Marianas Visitors Authority (MVA) financial statements an overview and better understanding of its financial position and results of activities for the fiscal year ended September 30, 2020. 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 21-8 known as Appropriations and Budget Authority Act of 2020, the MVA's budgeted Hotel and Container Tax Entitlement for fiscal year 2020 is \$13,605,748; the Legislature appropriated one dollar (\$1) to the MVA.
- ▶ Pursuant to Chapter III Section 301 of the Appropriations and Budget Authority Act of 2020, \$92,000 of MVA's share in the hotel tax and MVA's share in the Container Tax is allocated to establish an Inter-island Air Transportation Incentive Program to be administered by MVA in coordination with the Commonwealth Ports Authority. MVA did not receive its share in the container tax in FY 2020 and there were no expenditure for the Inter-island Air Transportation Incentive Program.
- ▶ 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.

## Management's Discussion and Analysis, Continued

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In FY 2020 \$900,000 is due to the municipalities from MVA but due to lack of funds, the entire amount was not paid by MVA. As of September 30, 2020, the MVA owes the municipalities a total of \$1,698,575. Subsequently, this was fully paid by MVA in FY 2021.

- ▶ The MVA allocated funds from its operations budget from Destination Enhancement and Product Development for fiscal year 2020 to support other government agencies. The MVA continued to provide funding to the following projects: Flower Island Project for the Saipan Mayor's Office for replanting plants and flowers along main roads. MVA extended its financial assistance in FY 2020 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 recreational sites.
  
- ▶ The tourism industry was gradually recovering from the impact of Super Typhoon Yutu that struck the Commonwealth in FY 2019. The MVA secured a partnership with Skymark Airlines to resume the Narita-Saipan route. This marked the Skymark Airlines' first international route. The number of tourists from all source markets were gradually increasing in the first quarter of FY 2020, however, the outbreak of the Novel Coronavirus (Covid-19) adversely affected the tourism industry in the Marianas. The visitor arrivals significantly dropped from 424,858 in FY 2019 to 215,118 in FY 2020.
  
- ▶ The COVID-19 pandemic put the tourism industry on a standstill. This caused a negative financial impact in the CNMI's economy especially to the MVA. HOT remittance from the Department of Finance continue to be untimely. MVA did not receive its share in the actual hotel occupancy tax collected by the CNMI for fiscal year 2020. The \$5.1 million the MVA received in FY 2020 was for MVA's share in HOT for FY 2019. With the foregoing, the MVA made drastic budget cuts to its marketing and promotion, as well as other programs and services:
  - Furlough of 22 employees in Saipan, Tinian, and Rota
  - \$0 funding for MVA representative offices in China and Taiwan for FY 2021 (MVA China office was closed effective June 30, 2020; MVA Taiwan office was temporarily suspended effective April 30, 2020)
  - Reduction in Product Development/Destination Enhancement programs, including:
    - o Discontinued security and maintenance services at 6 sites (Grotto, Banzai Cliff, Suicide Cliff, Bird Island Lookout, Laulau Beach, Obyan Beach)
    - o Reduced trash collection in Garapan (from daily to 2 days per week)
    - o Discontinued landscaping and maintenance services in Garapan along Beach Rd. and Coral Tree Ave
    - o Suspension of Beautify My Marianas, offering cash incentives for qualified cleanups by the community
    - o Discontinued the multi-language safety videos at Saipan International Airport and Managaha
    - o Maintenance of many tourist sites in all three islands reduced due to lack of personnel.

## Management's Discussion and Analysis, Continued

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- ▶ MVA's total assets exceeded liabilities by \$9,165,399 and \$8,598,266 at the end of fiscal year 2020 and 2019, respectively. The restricted net position was \$9,091,009 and \$8,471,257 at the end of fiscal year 2020 and 2019, respectively. The change in net position in FY 2020 is less by \$0.5 million compared to FY 2019. Fiscal year 2020 proved to be a difficult year for the tourism industry due to the impact the COVID-19 pandemic. The Marianas only saw 215,118 visitor arrivals in FY2020. This is a decrease of 209,740 compared to fiscal year 2019's 424,858 visitor arrivals.
- ▶ MVA decreased its marketing and advertising expenditures by approximately \$3.5 million at the end of fiscal year 2020 as compared to fiscal year 2019 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 \$374,908 and \$950,307 in fiscal year 2020 and fiscal year 2019, respectively.
- ▶ MVA received \$20,403 of in-kind contributions in fiscal year 2020. In-kind contributions decreased by approximately \$184,298 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 \$ 567,133 from the previous year.

**SUMMARY OF CHANGE IN NET POSITION (STATEMENT OF ACTIVITIES)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Net position, beginning	\$ <u>8,598,266</u>	\$ <u>7,538,987</u>	\$ <u>6,528,119</u>
Revenues	\$ 6,973,490	12,319,992	15,631,684
Expenditures	<u>6,406,357</u>	<u>11,260,713</u>	<u>14,620,816</u>
Increase (decrease) in net position	\$ <u>567,133</u>	<u>1,059,279</u>	<u>1,010,868</u>
Net position, ending	\$ <u>9,165,399</u>	\$ <u>8,598,266</u>	\$ <u>7,538,987</u>

**SUMMARY OF STATEMENT OF NET POSITION**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Current assets	\$ 11,344,204	\$ 11,665,405	\$ 10,440,195
Capital assets	<u>74,390</u>	<u>127,009</u>	<u>186,067</u>
Total assets	\$ <u>11,418,594</u>	\$ <u>11,792,414</u>	\$ <u>10,626,262</u>
Current liabilities	\$ 2,117,587	\$ 3,067,704	\$ 2,963,815
Non-current liabilities	<u>135,608</u>	<u>118,644</u>	<u>120,460</u>
Total liabilities	\$ <u>2,253,195</u>	\$ <u>3,186,348</u>	\$ <u>3,084,275</u>
Deferred inflows of resources	\$ -	\$ 7,800	\$ 3,000
Net investment in capital assets	74,390	127,009	186,067
Restricted	<u>9,091,009</u>	<u>8,471,257</u>	<u>7,352,920</u>
Total net position	<u>9,165,399</u>	<u>8,598,266</u>	<u>7,538,987</u>
Total liabilities and net position	\$ <u>11,418,594</u>	\$ <u>11,792,414</u>	\$ <u>10,626,262</u>

## Management's Discussion and Analysis, Continued

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The \$9,091,009 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 \$9,091,009 of restricted assets left.

**Assets.** Assets consist primarily of cash and cash equivalents (30%) and receivables, which include local government appropriation and entitlement (69%), others (.35%) and capital assets (.65%).

**Liabilities.** These are composed primarily of accounts payable for marketing activities, deferred revenue, accrued employee annual and sick leave and others. The significant decrease in current liabilities of \$950,117 is due to MVA's suspension and cancellation of contracts. In fiscal year 2020, the MVA limited its daily operations, events and promotions were suspended, the tourism industry was put on a standstill due to the COVID-19 pandemic.

**Net position.** Net position represents the MVA's residual interest in its assets net of liabilities. The restricted component of net position increased by \$ 619,752 as compared to FY2019. These are funds that are allocated for future expenditures.

### Revenues

Total revenues for fiscal year 2020 were \$6,973,490, a \$5,346,502 decrease from fiscal year 2019.

	<u>2020</u>	<u>2019</u>	<u>2018</u>
General Revenues			
Hotel and container tax entitlement	\$ 6,830,628	\$ 11,949,481	\$ 15,224,776
Grant and contributions	20,403	204,701	258,418
Other income	17,576	32,181	913
Royalty income	-	1,453	37,752
Interest income	470	1,019	1,093
Subtotal	<u>\$ 6,869,077</u>	<u>\$ 12,188,835</u>	<u>\$ 15,522,952</u>
Program revenues			
Membership fees	\$ 24,760	\$ 26,300	\$ 31,000
Tour guide certification	1,150	4,560	24,197
Special events	78,503	100,297	53,535
Subtotal	<u>\$ 104,413</u>	<u>\$ 131,157</u>	<u>\$ 108,732</u>
Total Revenues	<u>\$ 6,973,490</u>	<u>\$ 12,319,992</u>	<u>\$ 15,631,684</u>

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).

## Management's Discussion and Analysis, Continued

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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:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
General government	\$ 1,358,461	\$ 1,888,119	\$ 1,923,978
Marketing	3,448,163	6,878,280	9,216,741
Advertising	267,407	557,137	691,181
Destination enhancement	374,908	950,307	1,306,322
Support to other government agency	900,000	900,000	1,384,834
Depreciation	<u>57,418</u>	<u>86,870</u>	<u>97,760</u>
Total expenditures	\$ <u>6,406,357</u>	\$ <u>11,260,713</u>	\$ <u>14,620,816</u>

Expenditures for the fiscal year ending September 30, 2020 decreased by \$4,854,356 over the fiscal year 2019 total. Funds available in fiscal year 2020 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 \$ 567,133 but with a significant decrease of \$5,346,502 to the MVA's revenue. The COVID-19 pandemic put the tourism industry on a standstill. This caused a negative financial impact in the CNMI's economy especially to the MVA. Visitor arrivals for FY 2020 decreased by 209,740 as compared to FY 2019's 424,858 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.

## Management's Discussion and Analysis, Continued

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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 2020 was decreased by \$1,492,898 due to non-arrival of tourists and 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, 2020 amounts to \$ 74,390 net of accumulated depreciation.

Depreciation expense for the year was \$57,418. Acquisition of capital assets for MVA's operation this fiscal year amounts to \$4,796.

Capital assets net of accumulated depreciation are as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Vehicles	\$ 46,705	\$ 80,932	\$ 124,889
Furniture and fixtures	10,141	18,310	44,675
Maintenance equipment	4,045	10,584	16,503
Leasehold improvements	<u>13,499</u>	<u>17,183</u>	<u>-</u>
Net capital assets	\$ <u>74,390</u>	\$ <u>127,009</u>	\$ <u>186,067</u>

### 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 to 2021. 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 COVID-19 pandemic, the MVA in an effort to revive the CNMI tourism industry developed a COVID-19 tourism resumption plan to continue to promote our destination for future sales. We are supporting our key travel partners by providing travel packages with up to date COVID-19 information, introducing new possibilities, and creating new marketing materials.
- 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 social media users.
- To continuously engage our consumers and travel trade partners, MVA will continue to create and distribute e-newsletters. With a friendly narrative style and trendy design, the newsletter will portray 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, the 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.
- 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 tourism in The Marianas, the MVA will establish communication with government agencies in Korea, Japan, Hong Kong and Taiwan to establish travel bubble.

- **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 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-sponsored events and activities with respective island mayor's office.

As a result of the COVID-19, the division has implemented mitigation protocol to ensure that the MVA adheres to proper COVID-19 Task Force requirements for all of its events and public gatherings.

- **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.

## Management's Discussion and Analysis, Continued

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- 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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b><u>ASSETS</u></b>		
Current assets:		
Cash in bank and on hand - restricted	\$ 3,459,356	5,509,869
Accounts receivable entitlement - Government of CNMI	7,879,669	6,149,517
Other receivables	5,179	3,628
Prepaid expenses	-	2,391
Total current assets	11,344,204	11,665,405
Noncurrent assets:		
Capital assets, net of accumulated depreciation and amortization	74,390	127,009
Total assets	\$ 11,418,594	11,792,414
<b><u>LIABILITIES</u></b>		
Current liabilities:		
Accounts payable	\$ 292,209	2,038,487
Accrued liabilities and benefits	1,825,378	1,029,217
Total current liabilities	2,117,587	3,067,704
Noncurrent liabilities:		
Due within one year		
Accrued compensated absences	15,141	16,063
Due in more than one year		
Accrued compensated absences	120,467	102,581
Total liabilities	2,253,195	3,186,348
Deferred inflows of resources	-	7,800
<b><u>NET POSITION</u></b>		
Net investment in capital assets	74,390	127,009
Restricted - expendable	9,091,009	8,471,257
Total net position	9,165,399	8,598,266
	\$ 11,418,594	11,792,414

*See accompanying notes to financial statements.*

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

Statement of Activities

For the Year Ended September 30, 2020

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expenses) Revenues and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Grants and Contributions</u>	<u>Total</u>
Governmental activities:				
General government	\$ 1,358,461	24,760	-	(1,333,701)
Marketing	3,448,163	-	20,403	(3,427,760)
Advertising	267,407	85,539	-	(181,868)
Destination enhancement	374,908	-	-	(374,908)
Support to other government agency	900,000	-	-	(900,000)
Depreciation	57,418	-	-	(57,418)
Total governmental activities	\$ 6,406,357	110,299	20,403	(6,275,655)
General revenues:				
Hotel and container tax entitlement				6,830,628
Other income				11,690
Interest income				470
Total general revenues				6,842,788
Change in net position				567,133
Net position, beginning				8,598,266
Net position, ending				\$ 9,165,399

*See accompanying notes to financial statements.*

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

Statement of Activities

For the Year Ended September 30, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expenses) Revenues and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Grants and Contributions</u>	<u>Total</u>
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	\$ <u>11,260,713</u>	<u>131,157</u>	<u>204,701</u>	<u>(10,924,855)</u>
General revenues:				
Hotel and container tax entitlement				11,949,481
Royalty income				1,453
Other income				32,181
Interest income				<u>1,019</u>
Total general revenues				<u>11,984,134</u>
Change in net position				1,059,279
Net position, beginning				<u>7,538,987</u>
Net position, ending				\$ <u><u>8,598,266</u></u>

*See accompanying notes to financial statements.*

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

Governmental Funds - Balance Sheets

September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b><u>ASSETS</u></b>		
Current assets:		
Cash in bank and on hand - restricted	\$ 3,459,356	5,509,869
Accounts receivable entitlement - Government of CNMI	7,879,669	6,149,517
Other receivables	5,179	3,628
Prepaid expenses	<u>-</u>	<u>2,391</u>
Total current and total assets	\$ <u>11,344,204</u>	<u>11,665,405</u>
 <b><u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</u></b>		
Current liabilities:		
Accounts payable	292,209	2,038,487
Accrued liabilities and benefits	<u>1,825,378</u>	<u>1,029,220</u>
Total current and total liabilities	<u>2,117,587</u>	<u>3,067,707</u>
Deferred inflows of resources	<u>7,331,528</u>	<u>5,209,711</u>
Fund balances:		
Nonspendable - not in spendable form	-	2,391
Assigned	<u>1,895,089</u>	<u>3,385,596</u>
Total fund balance	<u>1,895,089</u>	<u>3,387,987</u>
	\$ <u>11,344,204</u>	<u>11,665,405</u>

*See accompanying notes to financial statements.*

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

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

For the Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Revenues:		
Hotel and container tax entitlement	\$ 4,701,011	6,747,570
Charges for services	110,299	131,157
In-kind contributions	20,403	204,701
Royalty income	-	1,453
Other income	11,690	32,181
Interest income	<u>470</u>	<u>1,018</u>
Total revenues	4,843,873	7,118,080
Expenditures:		
General government	1,341,497	1,888,119
Marketing	3,448,163	6,878,280
Advertising	267,407	557,137
Destination enhancement	374,908	950,307
Support to other government agency	900,000	900,000
Capital outlay-current expenditures	<u>4,796</u>	<u>29,628</u>
Total expenditures	<u>6,336,771</u>	<u>11,203,471</u>
Excess (deficiency) of revenues over expenditures	(1,492,898)	(4,085,391)
Nonspendable fund balance, beginning of year	-	42,181
Assigned fund balance, beginning of year	<u>3,387,987</u>	<u>7,431,197</u>
Fund balance, end of year		
Nonspendable	-	2,391
Assigned	<u>1,895,089</u>	<u>3,385,596</u>
	<u>\$ 1,895,089</u>	<u>3,387,987</u>

*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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Fund balance	\$ 1,895,089	3,387,987
<p>Amounts reported for governmental activities in the Balance Sheet differ from the amounts reported in the Statements of Net Position because:</p>		
<p>Long-term liabilities that are not due and payable in the current period and therefore are not reported as liabilities in the funds.</p>		
Accrued compensated absences	(135,608)	(118,644)
Deferred revenues for receivables from CNMI that are not available within 60 days after the year-end	7,331,528	5,201,914
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	<u>74,390</u>	<u>127,009</u>
Total net position - governmental activities	\$ <u>9,165,399</u>	<u>8,598,266</u>

*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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Net change in fund balance - governmental funds	\$ (1,492,898)	(4,085,391)
<p>Amounts reported for governmental activities in the Statement of Revenues, Expenditures and Changes in Fund Balance differ from amounts reported in the Statement of Activities because:</p>		
<p>Some revenues reported in the statement of activities are not available for the current financial obligations and therefore not reported as income, net.</p>		
2020 CNMI Appropriations	\$ 6,830,628	
Collection as of September 30, 2020	<u>(4,701,011)</u>	2,129,617
		5,201,914
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures.</p>		
Compensated absences - net	(16,965)	-
<p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statements of net position and allocated over their estimated useful lives as annual depreciation expense in the statements of activities. This is the amount by which capital outlays exceed depreciation in the period.</p>		
Capital outlays	\$ 4,796	
Depreciation expense	<u>(57,417)</u>	<u>(52,621)</u>
		<u>(57,244)</u>
Changes in net position of governmental activities	\$ <u>567,133</u>	<u>1,059,279</u>

*See accompanying notes to financial statements.*

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

Notes to Financial Statements

September 30, 2020 and 2019

(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.



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

Notes to Financial Statements, Continued

September 30, 2020 and 2019

(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.

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

Notes to Financial Statements, Continued

September 30, 2020 and 2019

(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.

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

Notes to Financial Statements, Continued

September 30, 2020 and 2019

(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.

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

Notes to Financial Statements, Continued

September 30, 2020 and 2019

(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.

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

Notes to Financial Statements, Continued

September 30, 2020 and 2019

(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:

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

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, 2020 and 2019, accrued annual leave was \$135,608 and \$118,644, 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.

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

Notes to Financial Statements, Continued

September 30, 2020 and 2019

(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 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.

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. 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.

**MARIANAS VISITORS AUTHORITY**  
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Notes to Financial Statements, Continued

September 30, 2020 and 2019

(1) Summary of Significant Accounting Policies, Continued

F. Recently Issued Accounting Pronouncements

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. 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.

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

Notes to Financial Statements, Continued

September 30, 2020 and 2019

(1) Summary of Significant Accounting Policies, Continued

New Accounting Pronouncements

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 is effective for the fiscal year ending September 30, 2020.

In March 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.

In March 2020, GASB issued Statement No. 94, *Public-private and Public-public Partnership Arrangements (PPPs)*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). GASB Statement No. 94 will be effective for the fiscal year ending September 30, 2023.

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*



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

Notes to Financial Statements, Continued

September 30, 2020 and 2019

(1) Summary of Significant Accounting Policies, Continued

New Accounting Pronouncements, Continued

- Statement No. 93, *Replacement of Interbank Offered Rates*
- Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*
- Implementation Guide No. 2018-1, *Implementation Guidance Update—2018*
- Implementation Guide No. 2019-1, *Implementation Guidance Update—2019*
- Implementation Guide No. 2019-2, *Fiduciary Activities*.

The effective dates of the following pronouncements are postponed by 18 months:

- *Statement No. 87, Leases*
- *Implementation Guide No. 2019-3, Leases*.

In May 2020, GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements* (SBITAs). This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. GASB Statement No. 96 will be effective for fiscal years beginning after June 15, 2022.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. GASB Statement No. 97 will be effective for fiscal years beginning after June 15, 2021.

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

Notes to Financial Statements, Continued

September 30, 2020 and 2019

(1) Summary of Significant Accounting Policies, Continued

New Accounting Pronouncements, Continued

In October 2021, GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement’s introduction of the new term is founded on a commitment to promoting inclusiveness. This Statement is effective for fiscal years ending after December 15, 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 2020 and 2019 consist of the following:

<u>Description</u>	<u>2020</u>	<u>2019</u>
Capital assets used in governmental activities are not financial resources and are therefore not reported in the fund (total capital assets on agency-wide statement in governmental activities column):	\$ 823,801	791,984
Less accumulated depreciation	<u>(749,411)</u>	<u>(664,975)</u>
Net capital assets	74,390	127,009
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	(135,608)	(118,644)

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

Notes to Financial Statements, Continued

September 30, 2020 and 2019

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

Receivable from CNMI that is not available within 60 days after year end	<u>7,331,528</u>	<u>5,201,914</u>
Net adjustment	\$ <u>7,270,310</u>	<u>5,210,279</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the agency-wide statement of activities.

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

<u>Description</u>	<u>2020</u>	<u>2019</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures.		
Compensated absences – net	\$ ( 16,965)	( 1,816)
Capital outlays reported in the fund statements	4,796	29,626
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.	(57,418)	(86,870)
Net adjustments	\$ <u>(69,587)</u>	<u>(59,060)</u>

(3) Budgetary Information

Accounting principles used in developing data on a budgetary basis differ from those used in preparing financial statements in conformity with accounting principles generally accepted in the United States of America. Amounts included in the Statement of Revenues, Expenditures and Changes Fund Balance – Budget and Actual – General Fund (which are presented on a non-GAAP budgetary basis) reconcile to the fund balance on the accompanying Balance Sheet and Statement of Net Position. MVA has no authority to impose taxes to generate revenue. MVA is an autonomous agency and a component unit of the CNMI government and it receives annual appropriations and entitlement from the CNMI government.

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

Notes to Financial Statements, Continued

September 30, 2020 and 2019

(3) Budgetary Information

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, 2020 and 2019 cash and cash equivalents consist of the following:

	<u>2020</u>	<u>2019</u>
Petty cash and other currency	\$ 803	864
Cash in bank	<u>3,458,553</u>	<u>5,509,005</u>
	<u>\$ 3,459,356</u>	<u>5,509,869</u>

At September 30, 2020 and 2019 the carrying amount of MVA's total cash and cash equivalents (excluding petty cash) was \$3,458,553 and \$5,509,005, respectively. The corresponding bank balances as of September 30, 2020 and 2019 were \$3,641,231 and \$5,577,429, respectively, of which the entire balance was within Federal Deposit Insurance Corporation (FDIC) insurance limits or was collateralized by the bank.

(5) Receivable from the CNMI Government

The CNMI Government appropriated a total of \$13,605,748 and \$15,819,575 for MVA's operational use for the years 2020 and 2019, respectively, under the Appropriations Budget Authority Act of 2020 (Public Law 21-8), 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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Due from CNMI government, beginning	\$ 6,149,517	2,546,259
CNMI appropriation and entitlement	<u>6,830,628</u>	<u>11,924,007</u>
Sub-total	12,980,145	14,470,266
Collections:		
For prior year's appropriation and entitlement	(5,100,476)	(1,487,102)
For current year's appropriation and entitlement	<u>-</u>	<u>(6,833,647)</u>
Subtotal	<u>(5,100,476)</u>	<u>(8,320,749)</u>
Due from CNMI government, net	<u>\$ 7,879,669</u>	<u>6,149,517</u>

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

Notes to Financial Statements, Continued

September 30, 2020 and 2019

(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, 2020, 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.

**MARIANAS VISITORS AUTHORITY**  
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Notes to Financial Statements, Continued

September 30, 2020 and 2019

(8) Noncurrent Liabilities

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

	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 118,644	120,460
Additional accrual	82,641	70,840
Annual leave used	<u>(65,677)</u>	<u>(72,656)</u>
Ending balance	135,608	118,644
Due within one year	<u>(15,141)</u>	<u>(16,063)</u>
Due in more than one year	\$ <u><u>120,467</u></u>	<u><u>102,581</u></u>

(9) Changes in Capital Assets

The following is a summary of changes in capital assets for the fiscal years ended September 30, 2020 and 2019:

	Balance October 1, 2019	<u>September 30, 2020</u>		Balance September 30, 2020
		Additions Transfer	Deletions Retirements	
Vehicle and equipment	\$ 319,316	-	-	319,316
Office furniture, fixtures and equipment	223,906	4,799	-	228,705
Leashold improvements	175,729	-	-	175,729
Maintenance equipment	<u>100,051</u>	<u>-</u>	<u>-</u>	<u>100,051</u>
	819,002	4,799	-	823,801
Less accumulated depreciation and amortization:				
Vehicle and equipment	238,384	34,227	-	272,611
Office furniture, fixtures and equipment	205,595	12,969	-	218,564
Leasehold improvements	158,547	3,683	-	162,230
Maintenance equipment	<u>89,467</u>	<u>6,539</u>	<u>-</u>	<u>96,006</u>
	691,993	57,418	-	749,411
Governmental activities capital assets, net	<u>127,009</u>	<u>(52,619)</u>	<u>-</u>	<u>74,390</u>
	Balance October 1, 2018	<u>September 30, 2019</u>		Balance September 30, 2019
		Additions Transfer	Deletions Retirements	
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	<u>94,401</u>	<u>5,650</u>	<u>-</u>	<u>100,051</u>
	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	<u>77,898</u>	<u>11,569</u>	<u>-</u>	<u>89,467</u>
	605,917	86,076	-	691,993
Governmental activities capital assets, net	<u>186,067</u>	<u>(58,264)</u>	<u>794</u>	<u>127,009</u>

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

Notes to Financial Statements, Continued

September 30, 2020 and 2019

(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. Subsequently, MVA will lease its office facility on a month to month basis for \$4,500 per month.

(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.

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.

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

Notes to Financial Statements, Continued

September 30, 2020 and 2019

(12) Retirement Plan, Continued

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, 2020 and 2019 totaled \$10,763 and \$17,723, 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.



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

Notes to Financial Statements, Continued

September 30, 2020 and 2019

(12) Retirement Plan, Continued

*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 2019 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) Coronavirus Pandemic

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. As a result of the spread of the coronavirus pandemic, economic uncertainties have arisen which are likely to impact the day-to-day administration of the MVA. While this matter is expected to negatively impact the funding of MVA’s results of operations and financial position, the related financial impact cannot be reasonably estimated at this time.

(15) Subsequent Events

In preparing the accompanying financial statements and these footnotes, management has evaluated subsequent events through January 31, 2022, which is the date the financial statements were available to be issued.

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

Budgetary Comparison Schedule

For the Year Ended September 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Hotel and container tax entitlement, net of PL 21-8	\$ 13,605,748	8,962,511	4,701,011	(4,261,500)
In-kind contributions	-	-	20,403	20,403
Special events	-	-	78,503	78,503
Other income	-	-	11,690	11,690
Membership dues	-	-	24,760	24,760
Memorial trust income	-	-	5,886	5,886
Tour guide certification	-	-	1,150	1,150
Interest income	-	-	470	470
	<u>13,605,748</u>	<u>8,962,511</u>	<u>4,843,873</u>	<u>(4,118,638)</u>
<b>Expenditures:</b>				
Promotion and advertising	9,369,200	5,385,536	3,695,168	1,690,368
Personnel service	1,620,048	1,208,692	985,152	223,540
Support to other government agencies	900,000	992,000	900,000	92,000
Destination enhancement	862,000	862,000	374,908	487,092
Professional fees	350,000	94,000	65,928	28,072
Rental	54,000	54,000	54,000	-
Printing and publications	80,000	80,000	49,249	30,751
Travel	40,000	40,390	39,316	1,074
Insurance	32,500	34,933	27,933	7,000
Communications	30,000	30,000	22,757	7,243
In-kind contribution of promotion and advertising	-	-	20,403	(20,403)
Utilities	35,000	33,472	17,321	16,151
Computer systems and equipment	15,000	15,000	13,672	1,328
Office equipment, rentals, repairs	25,000	20,068	11,667	8,401
Repairs and maintenance	15,000	15,000	11,110	3,890
Office supplies	25,000	18,263	10,386	7,877
Maintenance supplies	15,000	14,443	8,640	5,803
Fuel and lubrication	22,000	22,000	8,289	13,711
Tour guide certification	25,000	15,000	6,052	8,948
Bank charges and penalties	-	-	4,231	(4,231)
Staff development training	25,000	6,715	3,340	3,375
Postage and freight	13,000	7,249	1,428	5,821
Dues and subscriptions	3,000	2,000	1,025	975
Capital expenditures including MVA office	50,000	11,750	4,796	6,954
	<u>13,605,748</u>	<u>8,962,511</u>	<u>6,336,771</u>	<u>2,625,740</u>
Excess of revenues over expenditures	-	-	(1,492,898)	(1,492,898)
Assigned fund balance, beginning of year	<u>-</u>	<u>3,387,987</u>	<u>3,387,987</u>	<u>-</u>
Assigned fund balance, end of year	<u>\$ -</u>	<u>3,387,987</u>	<u>1,895,089</u>	<u>(1,492,898)</u>

*See accompanying notes to financial statements.*

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

Supplemental Schedule

Schedule of Functional Expenditures - Statement of Activities  
For the Years Ended September 30, 2020 and 2019

	General Government	Marketing	Advertising	Destination Enhancement	Support to other government agency	Depreciation	Total 2020	Total 2019
Advertising and marketing	\$ -	3,448,163	267,407	-	-	-	3,715,570	7,230,716
Personnel service	985,152	-	-	-	-	-	985,152	1,456,704
Support to other government agency	-	-	-	-	900,000	-	900,000	900,000
Destination enhancement	-	-	-	374,908	-	-	374,908	950,307
Professional fees	65,928	-	-	-	-	-	65,928	102,500
Depreciation	-	-	-	-	-	57,418	57,418	86,870
Rental	54,000	-	-	-	-	-	54,000	53,890
Printing and publication	49,249	-	-	-	-	-	49,249	45,018
Travel	39,316	-	-	-	-	-	39,316	66,382
Insurance	27,933	-	-	-	-	-	27,933	24,482
Communications	22,757	-	-	-	-	-	22,757	20,778
In-kind contributions	20,403	-	-	-	-	-	20,403	204,701
Utilities	17,321	-	-	-	-	-	17,321	27,754
Office equipment, rental, repairs	11,667	-	-	-	-	-	11,667	12,011
Repairs and maintenance	11,110	-	-	-	-	-	11,110	12,451
Office supplies	10,386	-	-	-	-	-	10,386	12,822
Computer systems and equipment	10,234	-	-	-	-	-	10,234	8,210
Maintenance supplies	8,640	-	-	-	-	-	8,640	9,514
Fuel and lubrication	8,289	-	-	-	-	-	8,289	16,886
Tourist guide certification	6,052	-	-	-	-	-	6,052	304
Bank charges and penalties	4,231	-	-	-	-	-	4,231	6,419
Staff development training	3,340	-	-	-	-	-	3,340	8,762
Postage and freight	1,428	-	-	-	-	-	1,428	2,058
Dues and subscriptions	1,025	-	-	-	-	-	1,025	1,174
<b>Total expenditures</b>	<b>\$ 1,358,461</b>	<b>3,448,163</b>	<b>267,407</b>	<b>374,908</b>	<b>900,000</b>	<b>57,418</b>	<b>6,406,357</b>	<b>11,260,713</b>

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)**

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YEAR ENDED SEPTEMBER 30, 2020

**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, 2020, 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 January 31, 2022.

**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.

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 2020-01 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  
Saipan, MP  
January 31, 2022

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

Schedule of Findings and Question Costs  
Year Ended September 30, 2020

**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

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

Schedule of Findings and Question Costs  
Year Ended September 30, 2020

**SECTION II – FINDINGS ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

**CURRENT YEAR FINDINGS:**

**Finding No. : 2020-01**

**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;

Purchases:

- 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. MVA must obtain at least one price quotation.
- b) Purchases between \$5,000.01 and \$25,000. The Chair of the MVA Board is the expenditure authority for purchases between \$5,000.01 and \$25,000. MVA must obtain at least (3) quotations from vendors. If MVA is unable to obtain (3) quotations, must attach all corresponding emails and written justification documenting the circumstances, and for sole source contracts must submit justification letter approved by Managing Director.
- c) Purchase orders exceeding \$25,000.01 shall comply with Procurement Regulations by issuing Invitation to Bid, Request for Proposal, or justification for sole source contracts.

In addition, if the purchase is for Destination Enhancement, the Chair of the MVA Board can delegate expenditure authority for destination enhancement purchases of \$15,000.01 to \$25,000 to the Managing Director. MVA must obtain at least (3) quotations from vendors. If MVA is unable to obtain (3) quotations, must attach all corresponding emails and written justification documenting the circumstances, and for sole source contracts must submit justification letter approved by Managing Director.

Condition:

We found one purchase order where MVA did not document that they obtained at least 3 quotations, or provide a sole source contract justification related to this purchase order. The vendor invoice showed a date prior to the date of the purchase order. The contract was executed prior to obtaining approval from the proper expenditure authority. The expenditure is for booth rental and advertising at the 2020 Travel & Adventure Show.



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

Schedule of Findings and Question Costs  
Year Ended September 30, 2020

**Finding No. : 2020-01, Continued**

The purchase order is detailed as follows:

		Purchase Order				
Number	Reference	Date	Event	Check No.	Date Paid	Amount
1	PO 22828	10/09/19	2020 Travel & Adventure Show (Booth & Advertisement)	G-8530	12/05/19	<u>\$ 12,950</u>

Cause:

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

Effect:

MVA did not follow its procurement policies and procedures, and runs the risk of not obtaining the best combination of price and quality when expending public funds.

Recommendation:

MVA should document its compliance with its procurement policies to ensure that MVA can demonstrate that it adhered to the established requirements. Disbursements should be properly supported with an approved purchase order as evidence that the purchase of goods or performance of services is authorized. MVA can accomplish this by having a staff member maintain a log sheet for purchases. A person at a higher level than the preparer of the log sheet should review the log sheet periodically to ensure that procurement policies were properly followed and documented.

Auditee Response and Corrective Action Plan:

MVA partially agrees with this finding. Thereafter, MVA will do its due diligence to inform its personnel periodically of the MVA's procurement procedure for its small purchase order request to ensure its compliance. Documentation will be provided using a step-by-step process to be taken in addition to identifying the required documents needed to adhere to its established policies and procedures. In addition, the MVA will continue to work diligently to strengthen internal control over its procurement activities.

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

Schedule of Findings and Question Costs  
Year Ended September 30, 2020

**PRIOR 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;

Purchases:

- 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. MVA must obtain at least one price quotation.
- b) Purchases between \$5,000.01 and \$25,000. The Chair of the MVA Board is the expenditure authority for purchases between \$5,000.01 and \$25,000. MVA must obtain at least (3) quotations from vendors. If MVA is unable to obtain (3) quotations, must attach all corresponding emails and written justification documenting the circumstances, and for sole source contracts must submit justification letter approved by Managing Director.
- c) Purchase orders exceeding \$25,000.01 shall comply with Procurement Regulations by issuing Invitation to Bid, Request for Proposal, or justification for sole source contracts.

In addition, if the purchase is for Destination Enhancement, the Chair of the MVA Board can delegate expenditure authority for destination enhancement purchases of \$15,000.01 to \$25,000 to the Managing Director. MVA must obtain at least (3) quotations from vendors. If MVA is unable to obtain (3) quotations, must attach all corresponding emails and written justification documenting the circumstances, and for sole source contracts must submit justification letter approved by Managing Director.

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.

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

Schedule of Findings and Question Costs  
Year Ended September 30, 2020

**Finding No. : 2019-01, Continued**

The three purchase orders are detailed as follows:

Purchase Order						
Number	Reference	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
						<u>\$ 28,215</u>

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.

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

Schedule of Findings and Question Costs  
Year Ended September 30, 2020

**Finding No. : 2019-01, Continued**

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.

Prior Year Status:

Corrective action has been taken. Beginning October 1, 2019 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. This procedure will continue to be observed.



**MARIANAS**  
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February 22, 2022

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, 2020

Hafa Adai and Tirow Mr. Burger:

Please see below MVA's response to the finding regarding the FY 2020 Audit:

**Finding 2020-01 Procurement Policies and Procedures**

MVA partially agrees with this finding.

Three price quotations were not obtained for the largest series of Travel Shows in the United States, the 2020 Travel & Adventure Show (Booth & Adventure) purchase order request as services were found to be unique and provided the MVA an opportunity to promote the Commonwealth of the Northern Mariana Islands (CNMI) as part of the United States and for travelers looking for leisure and experiential travel destinations such as the CNMI.

Attending this show served as the best interest to the CNMI as the MVA cannot heavily rely on few source markets and there is a need to expand the CNMI's tourism industry to other traveling markets.

Unicommn LLC organizes and manages Travel & Adventure shows across the United States attracting destinations, tour operators, and hoteliers from around the world and connecting them to travel agents, media and travelers. There were no other vendors that could provide the same services, except for Unicommn LLC. Therefore, MVA had no other sources to obtain various vendors' quotations to participate in the Travel Adventure Show. This is a standard procedure for all Travel and Adventure Show.

The MVA will do its due diligence to inform its personnel periodically of the MVA's procurement procedure for its small purchase order requests to ensure compliance. Documentation will be provided using a step-by-step process to be taken in addition to identifying the required documents needed to adhere to its established policies and procedures. In addition, the MVA will continue to work diligently in strengthening internal control over its procurement activities.

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](mailto:piakopo@mymarianas.com).

Sincerely,

PRISCILLA M. IAKOPO  
Managing Director

