

# EXECUTIVE SUMMARY

## MVA Single Audit Report as of September 30, 2006

Single Audit Summary No. 07-001, July 3, 2007

### Summary

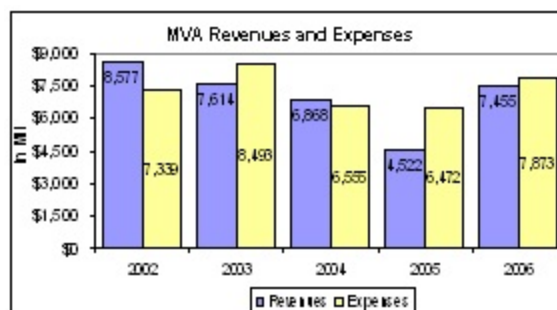
This summary presents the Office of the Public Auditor's (OPA) review of the *Report on the Audit of Financial Statements in Accordance with OMB Circular A-133* of the Marianas Visitors Authority (MVA) for the fiscal year ended September 30, 2006. This audit was conducted by the independent CPA firm J. Scott Magliari & Company. The audit was conducted in accordance with auditing standards generally accepted in the United States and with applicable provisions of *Government Auditing Standards* issued by the Comptroller General of the United States. This summary is provided solely for informational purposes. No audit opinion on the related data is expressed nor inferred by OPA. A copy of the audit report may be obtained at MVA or the Office of the Public Auditor.

The Opinion, Financial Statements, and Notes to the Financial Statements are the three primary components, which taken together, give an informed reader an overview of the financial condition of the audited entity. MVA received an unqualified opinion, or "clean" opinion, indicating that the data contained in the report can be relied upon. Additionally, management of MVA prepares an unaudited *Management Discussion and Analysis* (MD&A) which is presented on pages 3-12 of the audit report. The MD&A provides, in common language, a more detailed summary of the financial activity of the MVA.

### Fiscal Year 2006 Performance

MVA's main role is to promote the visitors industry within the Commonwealth of the Northern Mariana Islands (CNMI) of Saipan, Tinian and Rota by furthering new developments and changes in market conditions that affect the islands. To accomplish MVA's mission, corporate powers are held and exercised by a nine member board of directors, five of which are appointed by the Governor with the advice and consent of the Senate, while four are chosen by MVA. MVA receives a significant share of their revenues from CNMI appropriations which help MVA in its daily operations and activities.

#### *Fund Balance Reaches a Deficit of \$499K despite Revenue Increases*



Revenues rose from \$4.5M in FY 2005 to \$7.4M in FY 2006 or 64.86% due to MVA's restatement of its FY 2005 financial statements. The restatement was a result of deferred revenues from CNMI appropriations not realized at the end of FY 2005. Revenues also increased because more 'In-kind' contributions were made compared to the previous year, from \$635K to \$1.2M. Similarly, expenditures increased by 22% or \$1.4M, from \$6.4M in FY 2005 to

\$7.8M in FY 2006. Increases in marketing activities and special events contributed to the increase.

Since FY 2002, MVA's revenues were at its highest in FY 2002 and lowest in FY 2005. Its expenses were at its highest in FY 2003 and lowest in FY 2005, as depicted in the chart. As with FY 2005, deferred revenues of \$2.2M in CNMI appropriations were not realized by the end of FY 2006. Had these revenues been collected, the deficit amount would have been adequately covered and Fund Balance would be positive.



At September 30, 2006, MVA's cumulative fund deficit, which represents the cumulative deficiency of revenues over expenditures, was \$499,488. This was an increase of \$418,973 from the previous year.

*Total Net Assets Decline and Current Ratio Declines*

The Statement of Net Assets, or the Balance Sheet, which reports assets and liabilities at a given point in time assesses a government's overall financial position. Total assets increased by \$271K or 9.52% from \$2.8M in FY 2005 to \$3.1M for FY 2006. Total liabilities also increased by \$714K or 94% from \$762K to \$1.4M in FY 2006. Consequently, total Net Assets declined by \$443K from \$2.0M in FY 2005 to \$1.6M in FY 2006. The overall financial condition of MVA, however, remains stable as determined by its ratio of current assets to current liabilities. For FY 2005, current ratio was 4.64 to 1; for FY 2006 the ratio declined to 2.32 to 1. The higher the ratio, the more liquid a company is in meeting its short-term debt obligation.

*CNMI Visitors' Arrival Fall 16.2%*



CNMI visitor arrivals dropped significantly compared to the previous year from approximately 530,000 in 2005 to 444,000 in 2006. This represented a 16.2% drop in arrivals. According to MVA's CNMI Visitor Arrival statistics for 2006, Japan makes up the bulk of our visitor guests with 280,000 arrivals, followed by Korea with 80,000 arrivals, and China leading last with 36,000 arrivals.

### Audit Findings

Audit findings are reportable items considered material by the auditors. Findings document situations where established policy, procedures or standards have not been followed. Such deviations may lead to losses for the CNMI or misstatements in its financial reports. Findings, if they remain uncorrected, can ultimately lead to qualifications in the Opinion of the auditors. For FY 2006, there was no reported finding.



A copy of the full financial statements may be obtained from the Office of the Public Auditor or MVA

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