

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

WITH INDEPENDENT AUDITORS' REPORT THEREON

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

YEARS ENDED SEPTEMBER 30, 2009 AND 2008

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

YEARS ENDED SEPTEMBER 30, 2009 AND 2008

CONTENTS

I.	<u>FINANCIAL STATEMENTS</u>	
	INDEPENDENT AUDITORS' REPORT	1-2
	MANAGEMENT'S DISCUSSION AND ANALYSIS	3-9
	AGENCY-WIDE FINANCIAL STATEMENTS	
	Statement of Net Assets – Governmental Activities	10
	Statement of Activities	11
	Balance Sheet	12
	Statement of Revenues, Expenditures and Changes in Fund Balance	13
	Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance with the Agency-wide Statement of Activities	14-15
	Notes to Financial Statements	16-31
	Supplemental Information – Budgetary Comparison Schedule	32
	Supplemental Information – Functional Expenditures	33
II.	<u>INTERNAL CONTROLS AND COMPLIANCE</u>	
	Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	34-35
	Schedule of Findings and Questioned Costs	36

BURGER & COMER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Marianas Visitors Authority

We have audited the accompanying financial statements of the governmental activities and governmental funds of the Marianas Visitors Authority (MVA), a component unit of the Commonwealth of the Northern Mariana Islands government, as of and for the years ended September 30, 2009 and 2008, which collectively comprise the MVA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of MVA's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2009 and 2008, and the respective changes in financial position thereof, and the respective budgetary comparison for the general fund for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2010, on our consideration of the MVA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) and budgetary comparison information on pages 3 through 9 and 31 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the MVA's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Bryant & Comer, P.C.

Commonwealth of the Northern Mariana Islands
January 20, 2010



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, 2009. Management has prepared this overview as required supplemental information to the financial statements and the footnotes that follow. This MD&A should be read in conjunction with the financial statements and accompanying footnotes.

FINANCIAL HIGHLIGHTS

- ▶ Pursuant to Public Law 16-32 and Continuing Resolution per Public Law 16-2, the MVA's budgeted appropriation for fiscal year 2009 is \$6,677,609. The budgeted appropriation was reduced by \$213,396. The net appropriations for FY 2009 will amount to \$6,610,833 further reduced by a 1% allocation for the Office of the Public Auditor (OPA) in the amount of \$66,776.
- ▶ MVA's total assets exceeded liabilities at the end of FY 2009 by \$185,959 compared to \$710,709 and \$1,580,455 at the end of FY 2008 and 2007, respectively. Unrestricted net assets for the fiscal years 2009, 2008 and 2007 were \$138,959, \$642,740 and \$1,525,645, respectively.
- ▶ MVA experienced a decrease in net assets in fiscal year 2009. This is due primarily to a decrease in appropriations from the CNMI Government.
- ▶ MVA received \$358,860 of in-kind contributions in 2009. In-kind contributions decreased by approximately 30% or \$156,439 compared to the previous year.

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.

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 Assets 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 Assets

The Statement of Net Assets presents information similar to a balance sheet. It reflects the MVA's assets, liabilities and the resources remaining after liabilities are satisfied. The statement is an indicator of overall financial condition, and whether the management's financial health has improved or deteriorated during the fiscal year.

Statement of Activities

The Statement of Activities is the operating statement for the MVA as a whole. It is based on full accrual accounting rather than the traditional modified accrual basis. Depreciation of capital assets is recognized as an expense.

Fund Financial Statements

The financial reporting package includes the fund financial statements. Fund reporting focuses on showing how money flows into and out of funds and the balance left at year-end that is available for spending. A fund is a grouping of related accounts that is used to maintain control over specific activities.

The MVA, like other state and local governments, uses fund accounting to demonstrate and ensure compliance with finance related legal requirements.

Balance Sheet

Statement of Revenues, Expenditures, and Changes in Fund Balance

These statements present MVA's major funds. MVA has only one fund, the general fund. The fund statements are prepared using the traditional government model of modified accrual basis, which measures cash and all financial assets that can be readily converted to cash. These statements provide a detailed short-term view of the MVA's operations.

Reconciliation from Agency-Wide to Fund Statements

Because the numbers on these statements do not agree to the numbers on the agency-wide statements, a reconciliation schedule is presented.

Statements of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual

A budgetary comparison statement for the general fund is considered to be required supplementary information and is included in the basic financial statements.

COMPARISON OF RESULTS

Assets, Liabilities and Net Assets

The MVA's net assets on an agency-wide basis decreased by \$524,750 from the previous year. The decrease was the result of declining CNMI government revenues and appropriations, coupled with increased marketing and promotional expenditures.

SUMMARY OF CHANGE IN NET ASSETS (STATEMENT OF ACTIVITIES)

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Net assets, beginning	\$ <u>710,709</u>	\$ <u>1,580,455</u>	\$ <u>875,990</u>
Revenues	7,078,947	6,609,989	6,678,935
Expenditures	<u>7,603,697</u>	<u>7,279,735</u>	<u>5,974,470</u>
Increase (decrease) in net assets	(524,750)	(669,746)	704,465
Restatement, reduction for uncollectible receivable	<u>-</u>	<u>(200,000)</u>	<u>-</u>
Net assets, ending	\$ <u>185,959</u>	\$ <u>710,709</u>	\$ <u>1,580,455</u>

SUMMARY OF STATEMENT OF NET ASSETS

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Current assets	\$ 3,141,500	\$ 2,812,159	\$ 2,620,074
Capital assets	<u>47,000</u>	<u>67,969</u>	<u>54,810</u>
Total assets	\$ <u>3,188,500</u>	\$ <u>2,880,128</u>	\$ <u>2,674,884</u>
Current liabilities	\$ 2,858,539	\$ 2,005,085	\$ 930,095
Non-current liabilities	<u>144,002</u>	<u>164,334</u>	<u>164,334</u>
Total liabilities	\$ <u>3,002,541</u>	\$ <u>2,169,419</u>	\$ <u>1,094,429</u>
Invested in capital assets	\$ 47,000	\$ 67,969	\$ 54,810
Unrestricted	<u>138,959</u>	<u>642,740</u>	<u>1,525,645</u>
Total net assets	\$ <u>185,959</u>	\$ <u>710,709</u>	\$ <u>1,580,455</u>
Total liabilities and net assets	\$ <u>3,188,500</u>	\$ <u>2,880,128</u>	\$ <u>2,674,884</u>

The \$185,959 in unrestricted net assets 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 \$185,959 of unrestricted assets left.

If, however, the receivable from the CNMI government appropriation is not collected, MVA would have a fund deficit of \$1,069,903 as reflected in the fund-level balance sheet and statement of revenues, expenditures, and changes in fund balance.

Management's Discussion and Analysis

Assets. Assets consist primarily of cash and cash equivalents (1%) and receivables, which include local government appropriations (96%), others (1%) and capital assets (2%).

Liabilities. These are composed primarily of accounts payable for marketing activities, deferred revenue, accrued employee annual and sick leave and others. The net increase in liabilities of \$853,454 is due primarily to joint airline promotion activities and accrued payroll benefits.

Net assets. Net assets represent the MVA's residual interest in its assets net of liabilities. The unrestricted component of net assets decreased by \$503,781. At the end of FY 2009, net assets decreased by \$524,750 primarily due to a increase in expenditures for marketing and advertising to support its activity for the fiscal year 2009.

Revenues

General revenues for FY 2009 amounted to \$6,657,352 a \$252,346 or 4% increase from FY 2008. The increase in revenue is due to recognition of revenue from prior year.

	<u>2009</u>	<u>2008</u>	<u>2007</u>
General Revenues			
CNMI appropriation	\$ 6,610,831	5,903,140	6,140,324
CNMI supplemental appropriation	-	-	200,000
Other income	7,805	104,953	21,807
Royalty income	38,689	36,860	47,293
Interest income	<u>27</u>	<u>53</u>	<u>103</u>
Subtotal	<u>6,657,352</u>	<u>6,045,006</u>	<u>6,409,527</u>
Program Revenues			
Grant and contributions	358,860	515,299	218,842
Membership fees	20,200	24,100	21,400
Special events	<u>42,535</u>	<u>25,584</u>	<u>29,166</u>
Subtotal	<u>421,595</u>	<u>564,983</u>	<u>269,408</u>
Total Revenues	<u>\$ 7,078,947</u>	<u>6,609,989</u>	<u>6,678,935</u>

Revenues are classified as either general or program.

Program revenues are those directly generated by a function or activity of the government entity. These revenues include membership dues, special events revenues for sale of goods during special events and other fees that MVA charges for the specific events, and contributions from the private sector to support MVA programs.

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.

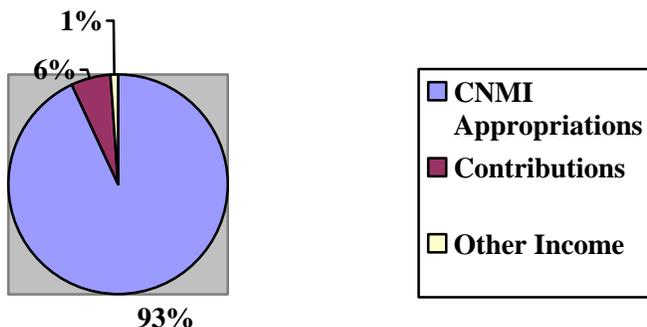
The increase in program revenues over the three year period is from increased contributions from the private sector, primarily MVA member organizations. The collaboration with MVA members is an important aspect to maintaining the CNMI's global competitiveness as a premier leisure destination in the Asia Pacific region. With the support and assistance of MVA members, this destination has

Management’s Discussion and Analysis

continually expanded media exposure, advertising and publicity coverage with print media and trade journals.

The general revenue classification includes appropriations, royalties, interest and other income not identifiable with specific activities.

REVENUES



This graph shows MVA’s fiscal year 2009 revenues are primarily from appropriations from the CNMI government, making MVA a component unit of the CNMI government engaged in governmental activities.

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

Expenses

Total agency-wide expenses by function were as follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
General government	\$ 1,948,655	\$ 1,930,433	\$ 1,607,079
Marketing	4,119,913	3,711,245	2,254,529
Advertising	1,247,469	1,400,638	1,462,733
Special events	260,195	209,910	611,844
Depreciation	27,465	27,509	38,285
Total expenditures	<u>\$ 7,603,697</u>	<u>\$ 7,279,735</u>	<u>\$ 5,974,470</u>

Total expenditures for the fiscal year ending September 30, 2009 increased by \$323,962 against fiscal year 2008. This is due to an increase in marketing and advertising support, extended promotional efforts not only primarily for Japan and Korea but also to include other markets such as China, Guam and Russia.

In fiscal year 2009, MVA focused its limited resources to specific target markets not only in Japan, but also in Korea, China, and Russia. The limited budget from CNMI appropriations was supplemented by the strong support MVA receives from its member organizations.

OVERALL FINANCIAL POSITION

The overall financial position (net assets) decreased by approximately \$525,000, due to increase in expenditures for marketing and advertising activity for fiscal year 2009. The in-kind contributions received by MVA were not sufficient to offset the increase in operating expenditures to support its activities.

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

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

FUND ANALYSIS

At the governmental fund level, MVA's fund balance in FY 2009 decreased by approximately \$47,000. In FY 2008 the fund balance decreased by approximately \$600,000. Over the past two years, MVA's fund balance has decreased by more than \$1 million. The CNMI government is experiencing declining revenues due to the loss of the garment manufacturing industry, and must therefore reduce expenses wherever possible.

CAPITAL ASSETS

The MVA's investment in capital assets as of September 30, 2009 amounts to \$47,000, net of accumulated depreciation. Depreciation expense for the year was \$27,465.

Capital assets, net of accumulated depreciation are as follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Maintenance equipment	\$ 36,163	\$ 42,317	\$ 8,745
Furniture and fixtures	7,090	12,503	23,515
Vehicles	-	5,436	10,863
Leasehold improvements	<u>3,747</u>	<u>7,713</u>	<u>11,687</u>
	<u>\$ 47,000</u>	<u>\$ 67,969</u>	<u>\$ 54,810</u>

FUTURE PLANS

The recovery of the Commonwealth's visitor industry has proven more difficult than anticipated. We have not yet replaced the airline capacity that was lost with the departure of Japan Airlines and Continental from our market, although both Northwest/Delta Airlines and Asiana Airlines have made major strides in this direction over the last two years. We also need to deal with the perception of the Commonwealth as a "low-yield" destination due to limited business class revenues, limited cargo revenues, and standard discounted fares and packages. Our destination enhancement projects aim to help achieve this turnaround.

MVA is confident that the strong partnership forged between our office and our partners, both in the public and private sector, will overcome these challenges. As the promotional arm of the CNMI's tourism industry, MVA is leading the way toward a greater level of cooperation and commitment between our local and international stakeholders and partners to build a much stronger, more profitable and sustainable industry. The development of the strategic plan is one example of strong collaboration and support of industry players.

In Fiscal year 2010, the MVA will work on the following:

- to submit a grant to the Office of Insular Affairs to provide funding for a Tourism Master Plan. This plan will replace the "Northern Mariana Islands Strategic Initiative for 2006-2010";
- to continue to work with DHS and CBP to include Russia and China under the Guam/CNMI Visa Waiver Program
- to continue dialogue with airline partners to provide flights from new cities and maintain existing flights;
- to leverage limited marketing funds by focusing on emerging market segments
- to find funding through grant programs to develop our destination such as enhancement of existing sites and development of new sites and attractions.

CONTACTING MVA

This financial report is designed to provide CNMI residents and taxpayers with an overview of MVA's finances and to show MVA's accountability for the money it receives. If you have questions about this report or need additional financial information, contact MVA at (670) 664-3200 or visit our office on Beach Road, next to the San Jose intersection.

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

Governmental Activities - Statement of Net Assets

September 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 37,090	581,290
Receivable from CNMI government - appropriations	3,074,432	2,207,519
Other receivables	24,029	10,156
Prepaid expenses	<u>5,949</u>	<u>13,194</u>
Total current assets	3,141,500	2,812,159
Noncurrent assets:		
Capital assets, net of accumulated depreciation and amortization	<u>47,000</u>	<u>67,969</u>
	<u>3,188,500</u>	<u>2,880,128</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	2,228,859	1,775,247
Accrued payroll and benefits	628,895	226,310
Deferred revenues	700	700
Other liabilities	<u>85</u>	<u>2,828</u>
Total current liabilities	2,858,539	2,005,085
Noncurrent liabilities:		
Due within one year		
Accrued compensated absences	7,739	-
Due in more than one year		
Accrued compensated absences	<u>136,263</u>	<u>164,334</u>
Total liabilities	<u>3,002,541</u>	<u>2,169,419</u>
<u>NET ASSETS</u>		
Invested in capital assets	47,000	67,969
Unrestricted	<u>138,959</u>	<u>642,740</u>
Total net assets	<u>185,959</u>	<u>710,709</u>
	<u>\$ 3,188,500</u>	<u>2,880,128</u>

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

Governmental Activities - Statement of Activities

For the Years Ended September 30, 2009 and 2008

		Program Revenue		Net (Expenses) Revenues and Change in Net Assets	
	Expenses	Charges for Services	Grants and Contributions	Governmental Activities	
				2009	2008
Governmental activities:					
General government	\$ 1,948,655	20,200	-	(1,928,455)	(1,906,333)
Marketing	4,119,913	-	67,076	(4,052,837)	(3,369,353)
Advertising	1,247,469	-	257,564	(989,905)	(1,244,189)
Special events	260,195	42,535	34,220	(183,440)	(167,368)
Depreciation	27,465	-	-	(27,465)	(27,509)
Total governmental activities	7,603,697	62,735	358,860	(7,182,102)	(6,714,752)
General revenues:					
CNMI appropriations				6,610,831	5,903,140
Royalty income				38,689	36,860
Other income				7,805	104,953
Interest income				27	53
Total general revenues				6,657,352	6,045,006
Change in net assets				(524,750)	(669,746)
Net assets, beginning, as previously reported				710,709	1,580,455
Adjustment - uncollectible CNMI appropriations				-	(200,000)
Net assets, beginning, as restated				710,709	1,380,455
Net assets, ending				\$ 185,959	710,709

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

Governmental Funds - Balance Sheets

September 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 37,090	581,290
Receivable from CNMI government - appropriations	3,074,432	2,207,519
Other receivables	24,029	10,156
Prepaid expenses	<u>5,949</u>	<u>13,194</u>
Total current assets	<u><u>3,141,500</u></u>	<u><u>2,812,159</u></u>
 <u>LIABILITIES AND FUND BALANCE</u>		
Current liabilities:		
Accounts payable	2,228,859	1,775,247
Accrued payroll and benefits	628,895	226,310
Deferred revenues	1,353,564	1,830,261
Other liabilities	<u>85</u>	<u>2,828</u>
Total current liabilities	4,211,403	3,834,646
 Fund balance (deficit):		
Unrestricted	<u>(1,069,903)</u>	<u>(1,022,487)</u>
Total fund balance (deficit)	<u>(1,069,903)</u>	<u>(1,022,487)</u>
	<u><u>\$ 3,141,500</u></u>	<u><u>2,812,159</u></u>

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

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

For the Years Ended September 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Revenues:		
CNMI appropriation and supplemental budget	\$ 6,160,748	5,360,448
CNMI appropriation deferred in prior year	906,448	825,745
In-kind contributions	358,860	515,299
Charges for services	47,995	49,684
Miscellaneous	<u>61,261</u>	<u>141,866</u>
Total revenues	7,535,312	6,893,042
Expenditures:		
General government	1,955,744	1,967,763
Marketing	4,119,319	3,711,245
Advertising	1,247,469	1,400,639
Special events	260,196	209,910
Capital outlay-current expenditures	<u>-</u>	<u>3,337</u>
Total expenditures	<u>7,582,728</u>	<u>7,292,894</u>
Excess (deficiency) of revenues over expenditures	(47,416)	(399,852)
Fund balance (deficit), beginning of year, as originally reported	(1,022,487)	(422,635)
Adjustment - uncollectible CNMI appropriation	<u>-</u>	<u>(200,000)</u>
Fund balance (deficit), beginning of year, as stated	<u>(1,022,487)</u>	<u>(622,635)</u>
Fund deficit, end of year	\$ <u>(1,069,903)</u>	<u>(1,022,487)</u>

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

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

For the Years Ended September 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Unreserved fund balance (deficit)	\$ (1,069,903)	(1,022,487)
<p>Amounts reported for governmental activities in the Balance Sheet differ from the amounts reported in the Statements of Net Assets 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	(144,002)	(164,334)
Deferred revenues for receivables from CNMI that are not available within 60 days after the year-end.	1,352,864	1,829,561
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	<u>47,000</u>	<u>67,969</u>
Total net assets - governmental activities	\$ <u><u>185,959</u></u>	<u><u>710,709</u></u>

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

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

For the Years Ended September 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Net change in fund balance - governmental funds	\$ (47,416)	(399,852)
<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>		
Deferred revenues for receivables from CNMI that are not available within 60 days after the year-end.	1,353,564	
Collections for 2008 appropriations that were deferred in prior year	<u>(1,830,898)</u>	(477,334) (283,053)
Governmental funds report capital outlays as expenditures; however, in the Statement of Activities, the costs of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.	<u>-</u>	<u>13,159</u>
Changes in net assets of governmental activities	\$ <u>(524,750)</u>	<u>(669,746)</u>

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

Notes to Financial Statements
September 30, 2009 and 2008

(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 visitors 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 which five members are appointed by the Governor with the advice and consent of the Senate and four members chosen by the members of MVA.

In accordance with its enabling legislation and subsequent amendments, MVA receives an appropriation 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, 2009 and 2008

(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, the general fund.

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, 2008, 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.

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

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

Notes to Financial Statements, Continued
September 30, 2009 and 2008

(1) Summary of Significant Accounting Policies, Continued

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

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 government the discretion to include as major funds those having particular importance.

D. Assets, Liabilities and Equity

1. Receivables and Payables

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

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

Notes to Financial Statements, Continued
September 30, 2009 and 2008

(1) Summary of Significant Accounting Policies, Continued

D. Assets, Liabilities and Equity, Continued

2. Prepaid expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

3. Capital Assets

Capital assets, which include property and equipment, are accounted for in the agency-wide section of the financial statements. All capital assets are valued at historical cost. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Donated assets are valued at their fair value on the date of gift.

Capital assets purchased or acquired with original cost of \$500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of assets are capitalized. The cost of normal repairs and maintenance that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in the Statement of Net Assets.

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.

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

Notes to Financial Statements, Continued
September 30, 2009 and 2008

(1) Summary of Significant Accounting Policies, Continued

4. Compensated Absences, Continued

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, 2009 and 2008, accrued annual leave was \$144,002 and \$164,334, respectively.

E. Use of Estimates

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

F. GASB 40 Implementation

MVA implemented, as of September 30, 2005, GASB Statement No. 40, “*Deposit and Investment Risk Disclosures*”, an amendment of GASB Statement No. 3. GASB 40 modifies previous custodial credit risk disclosure requirements and establishes more comprehensive risk disclosure requirements relating to other common risks of investments, such as credit risk, concentration of credit risk, interest rate risk and foreign currency risk. As of September 30, 2009, MVA is not exposed to any risks required to be disclosed under GASB 40 as all its deposits are under MVA’s name and are fully covered by FDIC insured limits (Note 4).

G. New Pronouncements

MVA adopted GASB Statement No. 42, “*Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*”, which establishes accounting and financial reporting standards for impairment of capital assets. There is no financial impact to MVA for the fiscal year ended September 30, 2009 as a result of the implementation of this statement.

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

Notes to Financial Statements, Continued
September 30, 2009 and 2008

(1) Summary of Significant Accounting Policies, Continued

G. New Pronouncements, Continued

GASB Statement No. 43 – In April 2004, the GASB issued Statement No. 43, “*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*”. This statement establishes accounting and financial reporting standards for plans that provide postemployment benefits other than pension benefits (known as other postemployment benefits or OPEB). This statement did not have an impact on the financial statements of the MVA.

GASB Statement No. 45 – In June 2004, the GASB issued Statement No. 45, “*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*”. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. This Statement is effective June 30, 2008. There is no financial impact to MVA for the fiscal year ended September 30, 2009 as a result of the implementation of this statement.

GASB Statement No. 47 – In June 2005, the GASB issued Statement No. 47, “*Accounting for Termination Benefits*”. This Statement establishes accounting guidance and disclosure requirements for termination benefits. This statement is effective in two parts. For termination benefits provided through an existing defined Other Postemployment Benefit Plan (OPEB), the provisions should be implemented simultaneously with GASB Statement No. 45. For all other termination benefits, this statement is effective for periods beginning after June 15, 2005. There is no financial impact to MVA for the fiscal year ended September 30, 2009 as a result of the implementation of this statement.

GASB Statement No. 48 – In September 2006, the GASB issued Statement No. 48, “*Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*”. This statement addresses accounting and financial reporting standards for transactions where governments exchange an interest in their expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. This statement establishes criteria and reporting standards regarding the exchange as either a sale or collateralized borrowing, resulting in a liability. There is no financial impact to MVA for the fiscal year ended September 30, 2009 as a result of the implementation of this statement.

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

Notes to Financial Statements, Continued
September 30, 2009 and 2008

(1) Summary of Significant Accounting Policies, Continued

G. New Pronouncements, Continued

GASB Statement No. 49 – In November 2006, the GASB issued Statement No. 49, *“Accounting and Financial Reporting for Pollution Remediation Obligations”*. This statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. This statement became effective until June 30, 2009. There is no financial impact to MVA for the fiscal year ended September 30, 2009 as a result of the implementation of this statement.

GASB Statement No. 50 – In May 2007, the GASB issued Statement No. 50 *“Pension Disclosures – an amendment for GASB Statement No. 25 and No. 27”*. This statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. This statement is effective June 30, 2008. There is no financial impact to MVA for the fiscal year ended September 30, 2009 as a result of the implementation of this statement.

GASB Statement No. 51 – In June 2007, the GASB issued Statement No. 51, *“Accounting and Financial Reporting for Intangible Assets”*. This statement establishes accounting and financial reporting standards for many different types of assets that may be considered intangible assets, including easements, water rights, timber rights, patents, trademarks, and computer software. This statement is not effective until June 30, 2010. The MVA has not determined its effect on the financial statements.

GASB Statement No. 52 – In November 2007, the GASB issued Statement No. 52, *“Land and Other Real Estate Held as Investments by Endowments.”* This statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments are also required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2008. The MVA does not believe the implementation of this Statement will have a material effect on its financial statements.

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

Notes to Financial Statements, Continued
September 30, 2009 and 2008

(1) Summary of Significant Accounting Policies, Continued

GASB Statement No. 53 – In June 2008, the GASB issued Statement No. 53, “*Accounting and Financial Reporting for Derivative Instruments.*” This statement addresses the recognition, measurement and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are often complex financial arrangements used by governments to manage specific risk or to make investments. By entering into these arrangements, governments receive and make payments based on market prices without actually entering into the related financial or commodity transaction. Derivative instruments, however, also can expose governments to significant risk and liabilities. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. The MVA does not believe the implementation of this Statement will have a material effect on its financial statements.

GASB Statement No. 54 – In March 2009, the GASB issued Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions.*” This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This Statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010. There is no financial impact to MVA for the fiscal year ended September 30, 2009 as a result of the implementation of this statement.

GASB Statement No. 55 – In March 2009, the GASB issued Statement No. 55, “*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.*” This Statement is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board’s (GASB) authoritative literature. The requirements in this Statement will improve financial reporting by contributing to the GASB’s efforts to codify all GAAP for state and local governments so that they derive from a single source. This Statement is effective as of June 30, 2009. The MVA does not believe the implementation of this Statement will have a material effect on its financial statements.

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

Notes to Financial Statements, Continued
September 30, 2009 and 2008

(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 assets.

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the agency-wide statements of net assets. The net adjustments for 2009 and 2008 consist of the following:

<u>Description</u>	<u>2009</u>	<u>2008</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):	\$ 556,143	550,459
Less accumulated depreciation	<u>(509,143)</u>	<u>(482,490)</u>
Net capital assets	\$ 47,000	67,969
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	(144,002)	(164,334)
Receivable from CNMI that is not available within 60 days after year end	<u>1,353,864</u>	<u>1,829,561</u>
Net adjustment	\$ <u>1,256,862</u>	<u>1,773,196</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 assets of governmental activities as reported in the agency-wide statement of activities. The adjustments are as follows:

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

Notes to Financial Statements, Continued
September 30, 2009 and 2008

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

<u>Description</u>	<u>2009</u>	<u>2008</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	\$ 144,002	-
Some revenues reported in the Statement of Activities are not available for current financial obligations and therefore not reported as income.		
CNMI appropriation	450,083	283,053
Capital outlays reported in the fund statements	-	40,668
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.	(27,465)	(27,509)
Net adjustments	\$ <u>566,620</u>	<u>296,212</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 in Fund Balance – Budget and Actual – General Fund (which are presented on a non-GAAP budgetary basis) reconcile to the unreserved fund balance on the accompanying Balance Sheet and Statement of Net Assets.

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

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

Notes to Financial Statements, Continued
September 30, 2009 and 2008

(4) Cash and Cash Equivalents

As of September 30, 2009 and 2008 cash and cash equivalents consist of the following:

	<u>2009</u>	<u>2008</u>
Petty cash	\$ 1,117	2,003
Cash on deposit	<u>35,937</u>	<u>579,287</u>
	<u>\$ 37,090</u>	<u>581,290</u>

At September 30, 2009 and 2008, the carrying amount of MVA's total cash and cash equivalents (excluding petty cash) was \$35,937 and \$579,287, respectively. The corresponding bank balances as of September 30, 2009 and 2008 were approximately \$65,000 and \$585,000, respectively, with \$250,000 subject to coverage by Federal Deposit Insurance Corporation (FDIC) and the remaining balance (in 2008) exceeding insurance limits.

(5) Due from the CNMI Government

The CNMI Government appropriated a total of \$6,610,833 and \$5,903,140, for MVA's operational use for the years 2009 and 2008, respectively, under the continuing appropriation act (Public Law 11-41).

The following is a summary of the changes in the due from CNMI government account group for the fiscal years September 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Due from CNMI government, beginning	\$ 2,207,519	2,201,848
CNMI appropriation	<u>6,610,833</u>	<u>5,903,140</u>
Subtotal	8,818,352	8,104,988
Collections:		
For prior year's appropriation	(905,748)	(904,979)
For current year's appropriation	<u>(4,838,172)</u>	<u>(4,992,490)</u>
Due from CNMI government, end	\$ <u>3,074,432</u>	<u>2,207,519</u>

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

Notes to Financial Statements, Continued
September 30, 2009 and 2008

6) Changes in Capital Assets

The following is a summary of changes in capital assets for the fiscal years ended September 30, 2009 and 2008:

	<u>September 30, 2009</u>			
	Balance October 1, <u>2008</u>	Additions <u>Transfers</u>	Deletions <u>Retirements</u>	Balance September 30, <u>2009</u>
Vehicle and equipment	\$ 136,006	-	-	136,006
Office furniture, fixtures and equipment	190,042	899	-	190,941
Leasehold improvements	152,513	-	-	152,513
Maintenance equipment	<u>71,896</u>	<u>5,597</u>	-	<u>77,493</u>
	<u>550,457</u>	<u>6,496</u>	<u>-</u>	<u>556,953</u>
Less accumulated depreciation and amortization:				
Vehicle and equipment	130,572	5,428	-	136,000
Office furniture, fixtures and equipment	177,538	6,313	-	183,851
Leasehold improvements	144,799	3,973	-	148,772
Maintenance equipment	<u>29,579</u>	<u>11,751</u>	-	<u>41,330</u>
	<u>482,488</u>	<u>27,465</u>	<u>-</u>	<u>509,953</u>
Governmental activities capital assets, net	\$ <u>67,969</u>	<u>(20,969)</u>	<u>-</u>	<u>47,000</u>
	<u>September 30, 2008</u>			
	Balance October 1, <u>2007</u>	Additions <u>Transfers</u>	Deletions <u>Retirements</u>	Balance September 30, <u>2008</u>
Vehicle and equipment	\$ 136,006	-	-	136,006
Office furniture, fixtures and equipment	208,005	2,568	(20,531)	190,042
Leasehold improvements	152,513	-	-	152,513
Maintenance equipment	<u>42,119</u>	<u>38,100</u>	<u>(8,323)</u>	<u>71,896</u>
	<u>538,643</u>	<u>40,668</u>	<u>(28,854)</u>	<u>550,457</u>

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

Notes to Financial Statements, Continued
September 30, 2009 and 2008

(6) Changes in Capital Assets, Continued

Less accumulated depreciation
and amortization:

Vehicle and equipment	125,143	5,429	-	130,572
Office furniture, fixtures equipment	184,490	13,215	(20,167)	177,538
Leasehold improvements	140,826	3,973	-	144,799
Maintenance equipment	<u>33,374</u>	<u>4,525</u>	<u>(8,320)</u>	<u>29,579</u>
	<u>483,833</u>	<u>27,142</u>	<u>(28,487)</u>	<u>482,488</u>
Governmental activities capital assets, net	\$ <u>54,810</u>	<u>13,526</u>	<u>(367)</u>	<u>67,969</u>

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

(7) Deferred Revenue

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

At September 30, 2009, deferred revenues totaled \$1,353,564 as reported in the accompanying fund financial statements.

(8) Noncurrent Liabilities

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

	<u>2009</u>	<u>2008</u>
Beginning balance	\$ 164,334	158,385
Additional accrual	-	5,949
Used	(20,332)	(-)
Ending balance	144,002	164,334
Due within one year	<u>7,739</u>	<u>-</u>
Due in more than one year	\$ <u>136,263</u>	<u>164,334</u>

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

Notes to Financial Statements, Continued
September 30, 2009 and 2008

(9) Risk Management

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

(10) Commitments and Contingencies

MVA entered into a non-cancelable lease agreement covering their office in Saipan with an initial term of five years expiring on April 16, 2013 with an option to renew for an additional five years with the same terms. The lease agreement calls for payment of \$4,700 per month.

Future minimum lease payments are as follows:

Years ending September 30:

2010	\$ 56,400
2011	56,400
2012	56,400
2013	<u>32,900</u>
	\$ <u>202,100</u>

(11) Retirement Plan

MVA contributes to the Northern Mariana Islands Retirement Fund (NMIRF), a defined benefit, cost-sharing multi-employer pension plan established and administered by the CNMI. NMIRF provides retirement, security and other benefits to employees of the CNMI government and CNMI agencies, instrumentalities and public corporations, and to their spouses and dependents. Benefits are based on the average annual salary over the term of credited service. Generally, benefits vest after three years of credited service. Early retirement is available after 10 years of vesting service if the member is at least 52 years of age. Members who retire at or after age 60 or with 25 years of vesting service are entitled to retirement benefits. CNMI Public Law 6-17, the Northern Mariana Islands Retirement Fund Act of 1988, is the authority under which benefit provisions are established.

As a result of the Fund's actuarial valuation report as of October 1, 2007, the funding requirement for employers for the plan year ending September 30, 2008 is 37.3909% of covered payroll, and funding requirements for employees are 8.5% and 11.0% of covered payroll for Class I and Class II members, respectively. The actuarial valuation included changes to assumptions for cost of living increases and retirement age, the effect of Public Law 15-70, and capping the cost of living increase to the first \$30,000 of benefits.

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

Notes to Financial Statements, Continued
September 30, 2009 and 2008

(11) Retirement Plan, Continued

The funding requirement is calculated as that percentage of total payroll which is necessary to accumulate sufficient assets to pay benefits when due. The Fund uses the level percentage of payroll method to amortize the unfunded liability over a period not to exceed 40 years from October 1980. Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the pension benefit obligation.

The Fund utilizes the actuarial cost method termed “entry age normal cost” with actuarial assumptions used to compute the pension benefit obligation as follows: (a) a rate of return of 7.5% per year on the investment of present and future assets, (b) a 3% increase in employee salaries compounded annually until retirement, (c) expenses at 1.1% of total payroll, and (d) retirement age of the earlier of age 62 and 3 years of vesting service (not including 5 additional years granted after 20 years of service) for Class I or age 60 and 25 years of service for Class II members (including 5 additional years granted after 20 years of service).

Required contributions and the percentage actually contributed for the current year and for the preceding two years are follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Required</u> <u>Contribution</u>	<u>Percentage of Required</u> <u>Contribution Paid</u>
09/30/09	\$ 346,000	65%
09/30/08	334,500	65%
09/30/07	354,900	65%

(12) 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 retired CNMI government employees who retire as a result of length of service, disability or age, as well as their dependents. Further, these eligible persons must have elected to enroll during the period permitted in the Emergency Regulations adopted on September 6, 1996. Life insurance coverage is to be provided by a private carrier. Contributions from employees and employers are based on rates as determined by NMIRF Board of Trustees. Employee deductions are made through payroll or pension or benefit withholdings.

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

Notes to Financial Statements, Continued
September 30, 2009 and 2008

(13) Reclassification of Accounts

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

(14) Subsequent Events

In preparing the accompanying financial statements and these footnotes, management has evaluated subsequent events through January 20, 2010, which is the date the financial statements were available to be issued. There were no such events requiring disclosure.

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

Budgetary Comparison Schedule

For the Year Ended September 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
CNMI appropriation	\$ 6,677,609	6,610,833	6,160,748	(450,085)
CNMI appropriation, collected from prior year	-	-	906,448	906,448
In-kind contributions	-	-	358,860	358,860
Royalty income	-	-	38,689	38,689
Other income	-	-	7,805	7,805
Membership dues	-	-	20,200	20,200
Concession vendor fees	-	-	30,010	30,010
Memorial trust income	-	-	12,525	12,525
Interest income	-	-	27	27
	<u>6,677,609</u>	<u>6,610,833</u>	<u>7,535,312</u>	<u>924,479</u>
Expenditures:				
Promotion and advertising	5,013,837	4,907,736	5,268,123	(360,387)
Personnel service	955,597	1,151,459	1,423,469	(272,010)
In-kind contribution of promotion and advertising	-	-	358,860	(358,860)
Tourist site maintenance supplies	101,172	100,898	92,491	8,407
Rentals	56,400	56,400	56,400	-
Utilities	85,200	63,918	52,807	11,111
Printing and publications	55,000	59,366	52,798	6,568
Professional fees	152,523	54,255	51,910	2,345
Repairs and maintenance	30,000	28,245	41,699	(13,454)
Travel	38,000	29,870	26,959	2,911
Communications	29,960	24,868	26,427	(1,559)
Dues and subscriptions	27,570	24,870	24,710	160
Insurance	20,000	17,389	22,634	(5,245)
Maintenance supplies	29,000	23,077	21,694	1,383
Fuel and lubrication	26,400	19,582	19,454	128
Office supplies	18,800	18,800	16,798	2,002
Office equipment rentals, repairs	9,650	8,865	8,680	185
Computer systems and equipment	10,000	7,280	7,215	65
Postage and freight	9,500	9,500	6,005	3,495
Equipment rental	6,000	4,125	3,515	610
Staff development training	3,000	330	80	250
	<u>6,677,609</u>	<u>6,610,833</u>	<u>7,582,728</u>	<u>(971,895)</u>
Excess (deficiency) of revenues over expenditures	-	-	(47,416)	(47,416)
Fund balance, beginning of year	<u>(1,022,487)</u>	<u>(1,022,487)</u>	<u>(1,022,487)</u>	-
Unreserved fund balance (deficit), end of year	\$ <u>(1,022,487)</u>	<u>(1,022,487)</u>	<u>(1,069,903)</u>	<u>(47,416)</u>

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, 2009 and 2008

	General Government	Marketing	Advertising	Special Events	Depreciation	Total 2009	Total 2008
Advertising and marketing	\$ -	4,119,319	1,247,469	260,195	-	5,626,983	4,395,043
Personnel service and related expenses	867,722	198,306	-	-	-	1,066,028	1,758,086
In-kind contributions	-	67,076	257,564	34,220	-	358,860	515,299
Repairs and maintenance	155,184	-	-	-	-	155,184	188,352
Rentals	56,400	-	-	-	-	56,400	72,211
Professional fees	51,910	-	-	-	-	51,910	63,303
Utilities	52,807	-	-	-	-	52,807	46,060
Travel	26,959	-	-	-	-	26,959	39,251
Communications	26,427	-	-	-	-	26,427	26,447
Depreciation	-	-	-	-	27,465	27,465	27,509
Dues and subscriptions	24,710	-	-	-	-	24,710	24,503
Printing and copying	52,798	-	-	-	-	52,798	23,375
Fuel and lubrication	19,454	-	-	-	-	19,454	21,748
Office supplies	16,798	-	-	-	-	16,798	16,942
Office equipment rental	12,195	-	-	-	-	12,195	10,858
Postage and freight	6,005	-	-	-	-	6,005	7,573
Insurance	22,634	-	-	-	-	22,634	7,021
Personnel training cost	80	-	-	-	-	80	2,191
Bank charges	-	-	-	-	-	-	2,566
Total expenditures	\$ <u>1,392,083</u>	<u>4,384,701</u>	<u>1,505,033</u>	<u>294,415</u>	<u>27,465</u>	<u>7,603,697</u>	<u>7,248,338</u>

**INDEPENDENT AUDITORS' REPORTS ON
INTERNAL CONTROL AND ON COMPLIANCE**

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

YEAR ENDED SEPTEMBER 30, 2009

**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 the financial statements of the Marianas Visitors Authority (MVA), a component unit of the Commonwealth of the Northern Mariana Islands government, as of and for the year ended September 30, 2009, which collectively comprise the MVA's basic financial statements and have issued our report thereon dated January 20, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Marianas Visitors Authority's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Marianas Visitors Authority's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marianas Visitors Authority's financial statements are free of 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*.

We noted certain matters that we reported to management of Mariana Visitors Authority, in a separate letter dated January 20, 2010.

This report is intended solely for the information and use of management, The Board of Directors, the Office of the Public Auditor and the cognizant audit agency and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public record.

Bryant & Comer, P.C.

Commonwealth of the Northern Mariana Island
January 20, 2010

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

Schedule of Findings and Questioned Costs
Year Ended September 30, 2009

A. SUMMARY OF AUDITORS' RESULTS

1. The Independent Auditors' Report on the financial statements of the MVA expressed an unqualified opinion.
2. No reportable conditions in internal control over financial reporting were identified for 2009.
3. No instance of noncompliance considered material to the financial statements was disclosed by the audit.

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

Current Year Findings:

None reported

Prior Year Findings:

None reported