

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

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**FINANCIAL STATEMENTS AND SUPPLEMENTARY  
INFORMATION**

**YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

**WITH INDEPENDENT AUDITORS' REPORT THEREON**

**BURGER COMER & ASSOCIATES**

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

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Marianas Visitors Authority

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities, and the governmental funds of 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, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the MVA's basic financial statements as listed in the table of contents.

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, 2022 and 2021, 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.

#### *Basis for Opinions*

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the MVA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the MVA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 MVA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the MVA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***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 16 and page 46 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

### ***Supplementary 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 accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2024, 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 MVA's internal control over financial reporting and compliance.

*Bryce Conner & Associates*

Saipan, MP  
April 30, 2024



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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, 2022. 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

- ▶ The 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
- ▶ Pursuant to Public Law 21-35, known as Appropriations and Budget Authority Act of 2021, Chapter II Section 202 suspended earmarked funds, which included the MVA's entitlement to the Hotel Occupancy Tax. The MVA was provided an allocation of \$2,197,411 in the CNMI's budget for Fiscal Year 2021. This year's budget provides \$526,181 for Personnel and the remaining \$1,671,230 for All Others. MVA also received a supplemental appropriation of \$546,910 net of 1% OPA fee of \$27,171.
- ▶ Public Law 20-17 was enacted in fiscal year 2018. It amended §2159 to provide not less than two percent (2%) for each municipality, but not less than \$300,000 each, shall be remitted by MVA to the municipalities 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. The MVA did not remit any amount to the municipalities due to the suspension of earmarked funds for the fiscal years ended September 30, 2021 and 2022.

## Management's Discussion and Analysis, Continued

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- ▶ Pursuant to Public Law 22-08, known as Appropriations and Budget Authority Act of 2022, Chapter II Section 202 suspended earmarked funds, which included the MVA's entitlement to the Hotel Occupancy Tax. The MVA was provided an allocation of \$3,113,730 in the CNMI's budget for Fiscal Year 2022. This year's budget provides \$1,609,170 for Personnel and the remaining \$1,504,560 for All Others.
- ▶ April 2021 marked the first-year anniversary when the tourism industry was brought to a standstill due to the COVID-19 pandemic. The Governor tasked his Council of Economic Advisers to work with the MVA to come up with a plan to help jumpstart our tourism industry. The Tourism Resumption Investment Plan (TRIP) was developed through the collaborative efforts of the MVA, the administration, key travel industry stakeholders, Commonwealth Healthcare Corporation (CHCC) and the COVID-19 Task Force, Commonwealth Ports Authority (CPA), and other instrumental partners. The TRIP Program was adopted by the MVA during the June 1, 2021 Board meeting and continues during FY 2022. The TRIP was implemented to jumpstart the Marianas tourism economy to get people back to work, as Pandemic Unemployment Assistance, American Rescue Plan Act (ARPA), and other financial aid was anticipated to end.
- ▶ Beginning in 2021 and into 2022, the MVA has been restoring its annual signature events as well as other events it organizes or sponsors. The MVA's Community Projects Division will continue to engage local government and industry partners to carry forward ongoing Signature Events in Saipan, Tinian and Rota. At this time, events include the Annual Tinian Hot Pepper Festival (March 11-13, 2022), Saipan Marathon 2022 (April 9, 2022), Tourism Month (May), Taste of the Marianas International Food Festival & Beer Garden (June 2022), Hafa Adai & Tirow Summer Jam (tentative July 30), World Tourism Day (Tentative) and Christmas in the Marianas (December 2022). The continuity of signature events provides visitors and the local community an activity to enjoy, and businesses are able to showcase their delicacies, arts and crafts, music, etc.
- ▶ The tourism industry is seeing a very positive increase in visitor arrivals. The Korea market continues to recover steadily since reinstatement of international flights in July 2021. The first international flights were supported by TRIP and marked a cautious but optimistic start to the rebound of tourism. Since then, the market has continued to show improvement in both visitor arrivals and increased flight frequency. By the end of this fiscal year, we anticipate to recover 80% of air seats from Korea compared to pre-pandemic levels. Air service is provided by Jeju Air, T'Way, and Asiana Airlines.
- ▶ Regarding other source markets, in 2022 the Japan government started to ease its outbound restrictions of Japanese nationals travelling outside Japan. This prompted our office to extend the TRIP program to this market. In the last month of FY 2022, United Airlines started direct flights three times a week under the TRIP program, generating 735 arrivals for the year. Bookings are increasing, but there is capacity for more visitors from Japan if marketing and promotions could be increased.

## Management's Discussion and Analysis, Continued

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- ▶ During 2022 MVA contracted Geo Graphics Inc. of Japan to assist in the development of a new global brand, a clear identity for The Marianas that is recognizable and that resonates with the worldwide travel community...a brand that expresses The Marianas' identity with a clear and effective message that can be used with residents, businesses, and visitors. Several revisions of the brand and branding material have been made and a public survey was conducted.
- ▶ The Marianas received 96,634 visitor arrivals in 2022. This is an increase of 83,950 compared to calendar year 2021's 12,684 visitor arrivals.
- ▶ Destination enhancement at major tourism sites remain largely suspended due to funding constraints. However, the MVA continued its role of permitting liaison for projects of the Public-Private Partnership under the Governor's Council of Economic Advisors.
- ▶ In 2022, the MVA continues its Strategic Plan Toward Sustainable Tourism Industry 2021-2031 to chart priorities for the next decade. The Hafa Adai & Tirow Pledge program has been launched under the plan to promote indigenous Chamorro and Carolinian culture to visitors.
- ▶ MVA's total assets exceeded liabilities by \$9,018,733 and \$9,771,775 at the end of fiscal year 2022 and 2021, respectively. The restricted net position was \$8,933,162 and \$9,727,378 at the end of fiscal year 2022 and 2021, respectively. The change in net position in FY 2022 is a negative \$753,042 compared to FY 2021's positive change of \$606,376. Fiscal Year 2022 proved to be a difficult year for the tourism industry due to the impact the COVID-19 pandemic.
- ▶ PL 18-1 Section 102 includes a provision for Destination Enhancements. This amounted to \$164,482 and \$42,130 in Fiscal Year 2022 and 2021, respectively.
- ▶ The MVA received \$1,160 of in-kind contributions in Fiscal Year 2022. In-kind contributions decreased by approximately \$7,183 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 decreased by \$753,042 from the previous year.

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Net position, beginning	\$ 9,771,775	9,165,399	8,598,266
Revenues	4,511,958	5,315,057	6,973,490
Expenditures	<u>(5,265,000)</u>	<u>(4,708,681)</u>	<u>(6,406,357)</u>
Increase (decrease) in net position	<u>(753,042)</u>	<u>606,376</u>	<u>567,133</u>
Net position, ending	\$ <u>9,018,733</u>	<u>9,771,775</u>	<u>9,165,399</u>

**SUMMARY OF STATEMENT OF NET POSITION**

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Current assets	\$ 21,508,377	10,448,543	11,344,204
Capital assets	<u>85,571</u>	<u>44,397</u>	<u>74,390</u>
Total assets	<u>\$ 21,593,948</u>	<u>10,492,940</u>	<u>11,418,594</u>
Current liabilities	\$ 1,443,095	576,724	2,117,587
Non-current liabilities	<u>114,324</u>	<u>137,441</u>	<u>135,608</u>
Total liabilities	\$ 1,557,419	714,165	2,253,195
Deferred inflows of resources	11,017,796	7,000	-
Net investment in capital assets	85,571	44,397	74,390
Restricted	<u>8,933,162</u>	<u>9,727,378</u>	<u>9,091,009</u>
Total net position	<u>9,018,733</u>	<u>9,771,775</u>	<u>9,165,399</u>
Total liabilities and net position	<u>\$ 21,593,948</u>	<u>10,492,940</u>	<u>11,418,594</u>

The \$9,018,733 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 \$9,018,733 of restricted assets left.

**Assets.** Assets consist primarily of cash and cash equivalents (90%) and receivables, which include local government appropriation and entitlement (9%), others (.60%), and capital assets (.40%).

**Liabilities.** These are composed primarily of accounts payable for marketing activities, deferred revenue, accrued employee annual and sick leave and others. The significant increase in current liabilities to \$1,443,095 is due to MVA's new contracts.

**Net position.** Net position represents the MVA's residual interest in its assets net of liabilities. The restricted component of net position decreased by \$794,216 as compared to FY 2022. These are funds that are allocated for future expenditures.

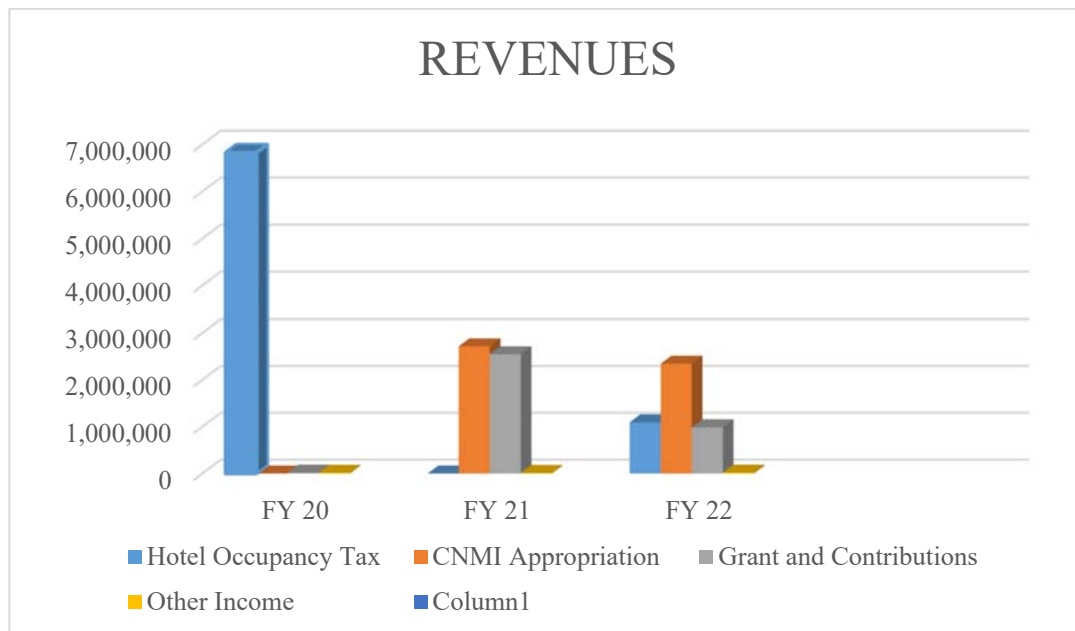
**Revenues**

Total revenues for Fiscal Year 2022 were \$4,511,958 which is an \$803,099 decrease from Fiscal Year 2021.

Management's Discussion and Analysis, Continued

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>General revenues</b>			
Hotel occupancy tax entitlement	\$ 1,093,819	-	6,830,628
CNMI appropriation (net of 1% OPA fee)	2,346,350	2,717,149	-
Grant and contributions	988,005	2,547,918	20,403
Other income	19,947	14,697	17,576
Royalty income	-	-	-
Interest income	<u>1,300</u>	<u>418</u>	<u>470</u>
Subtotal	<u>\$ 4,449,421</u>	<u>5,280,182</u>	<u>6,869,077</u>
<b>Program revenues</b>			
Membership fees	\$ 16,965	10,500	24,760
Tour guide certification	-	260	1,150
Special events	<u>45,572</u>	<u>24,115</u>	<u>78,503</u>
Subtotal	<u>62,537</u>	<u>34,875</u>	<u>104,413</u>
<b>Total revenues</b>	<b>\$ <u>4,511,958</u></b>	<b><u>5,315,057</u></b>	<b><u>6,973,490</u></b>

The chart below shows a comparison of actual revenues for a 3-year period.



Revenues are classified as either general revenues or program revenues.

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

Management’s Discussion and Analysis, Continued

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.

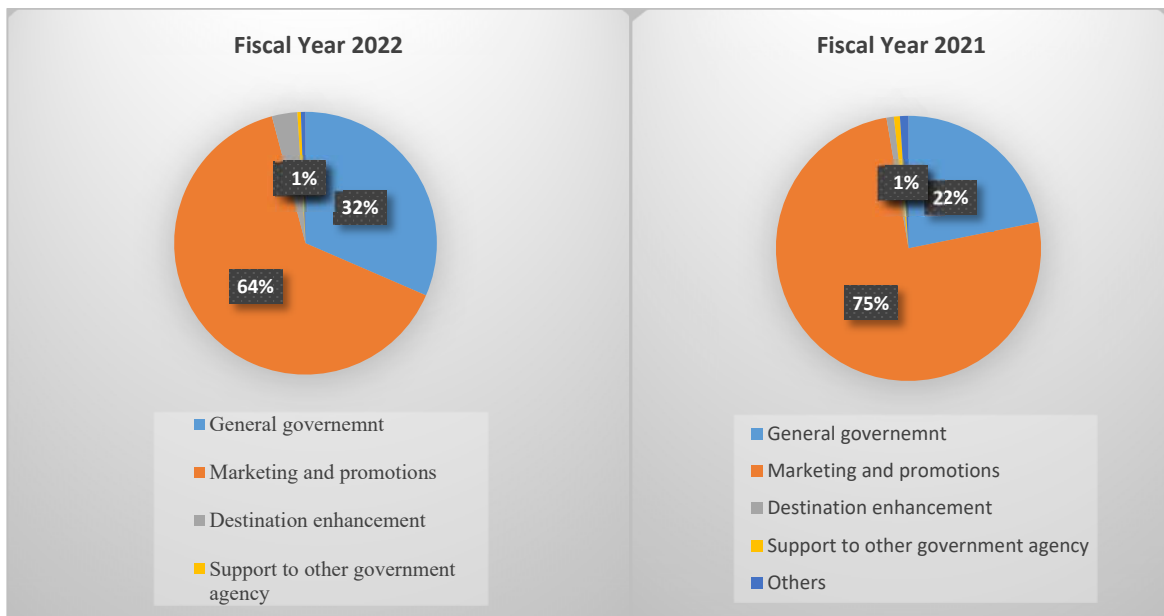
Grants and contributions (primarily in-kind contributions) include accommodations and free use of hotel facilities, among others, and are classified as marketing or special events revenue when the donor specifies for which MVA activities the donation is to be used or as general revenue for unrestricted 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>2022</u>	<u>2021</u>	<u>2020</u>
General government	\$ 1,658,036	1,027,838	1,358,461
Marketing	2,703,405	2,922,310	3,448,163
Advertising	686,875	633,002	267,407
Destination enhancement	164,482	42,130	374,908
Support to other government agency	22,890	34,964	900,000
Depreciation	<u>29,312</u>	<u>48,437</u>	<u>57,418</u>
Total expenditures	<u>\$ 5,265,000</u>	<u>4,708,681</u>	<u>6,406,357</u>



The pie chart above illustrates the distribution of expenses from last fiscal year compared to fiscal year 2022.

## Management's Discussion and Analysis, Continued

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Expenditures for the fiscal year ending September 30, 2022 increased by \$556,319 over the Fiscal Year 2021 total. Funds available in Fiscal Year 2022 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 the MVA decreased by \$753,042 with a significant decrease of \$803,099 to the MVA's revenue. The COVID-19 pandemic brought the tourism industry to a standstill. This caused a negative financial impact on the CNMI's economy, including the MVA. Visitor arrivals for FY 2021 decreased by 209,753 as compared to FY 2020's 215,118 visitor arrivals. This resulted in loss of jobs, loss of revenue for the central government, and loss of hotel occupancy tax for MVA's operations and marketing.

MVA believes that the financial position and the overall CNMI tourism industry will improve if sufficient funding is provided and invested wisely to promote and continue to improve visitor experience on Saipan, Tinian and Rota. This would include additional events of enhanced value that highlight attributes showcasing the Marianas as among the premier travel destinations. Also critical to this objective is to build demand in key markets and to implement a targeted plan for destination enhancement.

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

### FUND ANALYSIS

At the governmental fund level, MVA's fund balance in Fiscal Year 2022 decreased by \$817,336 due to suspension of MVA's Hotel Occupancy Tax entitlement and limited funding from the CNMI government.

### CAPITAL ASSETS

The MVA's investment in capital assets as of September 30, 2022, amounts to \$85,571 net of accumulated depreciation.

Depreciation expense for the year was \$29,312. Acquisition of capital assets for MVA's operation this fiscal year amounts to \$70,487.

Capital assets net of accumulated depreciation are as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Vehicles	\$ 1,507	12,477	46,705
Furniture and fixtures	15,328	3,757	10,141
Maintenance equipment	11,144	18,346	4,045
Leasehold improvements	<u>57,592</u>	<u>9,817</u>	<u>13,499</u>
Net capital assets	<u>\$ 85,571</u>	<u>44,397</u>	<u>74,390</u>

## **FUTURE PLANS**

The MVA seeks ways to create a global branding and marketing strategy establishing clear identity for The Marianas that resonates within the travel community as a desirable destination to visit. The initial idea for the MVA is to develop a comprehensive global branding strategy that incorporates traditional print materials, digital marketing, uniformity amongst social media platforms, implementation training, and to create global uniform branding in all major source markets (Japan, Korea, China, Taiwan, Russia, and U.S. states and territories), and potential new markets. Steps will also be taken to enhance existing marketing platforms locally and in our source markets creating new opportunities, ideas, and guidelines to brand The Marianas to current and potential new markets and to promote The Marianas as a premier and safe destination.

The tourism industry in the Marianas is very different as travel activities resume. The "new normal" involves enforced health security standards for both tourists and residents. It continues to require a rapid and robust response to changing local, national, and international requirements related to travel during the pandemic. While the industry continues to adjust to the "new normal," the MVA will focus on attracting its other key source markets back to the Marianas, the full restoration of events based on market demand, reinstatement of the Marianas Tour Guide Certification program, and more. The MVA will also continue its implementation of the MVA Strategic Plan Toward Sustainable Tourism Industry 2021-2031.

- **Marketing Programs**

The following activities and events will be undertaken by the Marketing Division:

- Continue to enhance the awareness and stimulate travel desires among potential travelers using social media platforms.
- Capitalize on market trends in South Korea specifically:
  - Real and perceived safety, health, uncompromised hygiene, quality brands, and good value;
  - The rise of small groups, close relationship travelers, and FITs; vaccinated travelers who are expected to travel first; increased preference for destinations focused on wellness, staycations, and increased focus on hygiene and public health and safety.
- Promote The Marianas as a Safe and Clean destination emphasizing a high level of COVID-19 preventative measures in airport, hotels, restaurants, tourist sites, and others.
- Work with our partners in promoting and selling travel packages to The Marianas.
- Implement the MVA Strategic Plan Towards Sustainable Tourism Industry 2021-2031
- Focus marketing programs targeting golfers, divers, families and friends, workation opportunities, and eco-tourism.
- Strengthen our overall support for Korea – Saipan, Japan-Saipan, Taiwan –Saipan, and China- Saipan flights.
- Narrow target marketing efforts with a focus on The Marianas' best prospects to counter competitors' larger marketing budgets;
- Tailor marketing efforts to address differences between Saipan, Tinian, Rota, and the Northern Islands;

## Management's Discussion and Analysis, Continued

- Coordinate islands specific marketing efforts for a unique experience on Saipan, Tinian, Rota, and the Northern Islands through targeted events and island-specific plan elements;
- Coordinate marketing and tourism product development efforts to maximize performance;
- Provide and promote opportunities that involve residents and visitors' interaction.

- **Community Projects Programs**

The MVA has been restoring its annual signature events as well as other events it organizes or sponsors. The MVA's Community Projects Division will continue to engage local government and industry partners to carry forward ongoing Signature Events in Saipan, Tinian and Rota.

It is crucial that the MVA tailors community events to maximize on-island and off-islands participation to include sporting events to attract niche markets to conduct training programs in the Marianas.

Continued support will be extended to other related and meaningful community events such as the Flame Tree Arts Festival, Saipan International Fishing Tournament, Miss Marianas Beauty Pageant, Miss Earth Northern Mariana Islands, Marianas Tourism Education Council, Rota and Tinian fishing tournaments, golf tournaments, fiesta activities, memorial groups and others. The cost of hosting events has increased, especially transportation to Rota and Tinian therefore, the MVA must be provided with adequate funding for the continuity of signature events that attract visitors to our beautiful Mariana Islands and add value to their stay

- **Tour Guide Certification Program**

The Tour Guide Certification Program (TGCP) 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 the Mariana Islands to visitors.

The Official Marianas Guide training program held in partnership with Northern Marianas College requires guides to attend a twenty-hour course and to pass a test at the end of training. The course focuses on history, environment, safety, and professional development. Those who pass are issued a badge and certificate from the MVA.

Program activity in 2022 mirrored the results of the previous year as the pandemic prevented the tourism industry, more precisely tour guide businesses, from continuing operations. The educational requirement through the Northern Marianas College was also halted, as no classes could be scheduled during this time. Similar to 2020, the steady repatriation and relocation off-island of Official Marianas Guides continued, thus further reducing the population of certified guides.



Forecasts and optimism have seen a rise in visitor arrivals to The Marianas. In preparation for this trend, the Tour Guide Certification Program has commenced activity that will support the future delivery of its services. The following objectives highlight the program's future outlook into 2022:

- Apply modifications to the education curriculum that include endemic considerations and other current information deemed valuable for tour operations.
- Develop a future program and curriculum that will support an online platform to minimize classroom contact and maximize student participation.
- Build relationships with regulatory partners to develop concepts and ideas on how to effectively regulate the industry and prevent unauthorized operations.
- Create a new platform for this program to be executed in 2023. The platform is expected to modify or add to existing regulations that support the program concept, industry partners, and most importantly, tour guides.

• **Destination Enhancement and Product Development**

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 where feasible.

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.

The Destination Enhancement and Product Development division, in collaboration with the Governor's Council of Economic Advisors (GCEA) has ongoing projects to enhance tourist sites in The Marianas under the Public Private Partnership (PPP) Program:

- SAIPAN
  1. Flower Islands Project Master Plan
  2. Suicide Cliff
  3. Banzai Cliff Enhancement Project
  4. Grotto
  5. Forbidden Island Lookout
  6. Directional Signs
  7. Garapan Area Trash Collection Service
  8. Lifeguard, Security, Maintenance, and Cleaning services
- TINIAN
  1. Carolinian Heights Viewer Deck

- ROTA
  - 1. Sabana Peace Memorial & Lookouts

All of these projects are in either the planning or permitting phase.

**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 [info@mymarianas](mailto:info@mymarianas) or 1.670.664.3200/01 or visit our office on the 1<sup>st</sup> Floor of Gold Beach Hotel Building, Beach Road, Saipan.

**MARIANAS VISITORS AUTHORITY**  
(A Component Unit of the CNMI Government)  
Governmental Activities - Statements of Net Position  
September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Current assets:		
Cash in bank and on hand - restricted	\$ 19,605,427	8,841,704
Accounts receivable entitlement - Government of CNMI	1,890,826	1,419,354
Other receivables	12,124	3,012
Prepaid expenses	<u>-</u>	<u>184,473</u>
Total current assets	21,508,377	10,448,543
Noncurrent assets:		
Capital assets, net of accumulated depreciation and amortization	<u>85,571</u>	<u>44,397</u>
Total assets	\$ <u><u>21,593,948</u></u>	<u><u>10,492,940</u></u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	\$ 1,239,509	417,802
Accrued liabilities and benefits	<u>203,586</u>	<u>158,922</u>
Total current liabilities	1,443,095	576,724
Noncurrent liabilities:		
Due within one year		
Accrued compensated absences	22,865	20,337
Due in more than one year		
Accrued compensated absences	<u>91,459</u>	<u>117,104</u>
Total liabilities	<u>1,557,419</u>	<u>714,165</u>
Deferred inflows of resources	<u>11,017,796</u>	<u>7,000</u>
<u>NET POSITION</u>		
Net investment in capital assets	85,571	44,397
Restricted - expendable	<u>8,933,162</u>	<u>9,727,378</u>
Total net position	<u>9,018,733</u>	<u>9,771,775</u>
	\$ <u><u>21,593,948</u></u>	<u><u>10,492,940</u></u>

*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, 2022

<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	\$ 1,658,036	16,965	-	(1,641,071)
Marketing	2,703,405	-	988,005	(1,715,400)
Advertising	686,875	45,572	-	(641,303)
Destination enhancement	164,482	-	-	(164,482)
Support to other government agency	22,890	-	-	(22,890)
Depreciation	<u>29,312</u>	<u>-</u>	<u>-</u>	<u>(29,312)</u>
Total governmental activities	\$ <u>5,265,000</u>	<u>62,537</u>	<u>988,005</u>	<u>(4,214,458)</u>
General revenues:				
Hotel occupancy tax entitlement				1,093,819
CNMI appropriation (net of 1% OPA fee)				2,346,350
Other income				19,947
Interest income				<u>1,300</u>
Total general revenues				<u>3,461,416</u>
Change in net position				(753,042)
Net position, beginning				<u>9,771,775</u>
Net position, ending				\$ <u><u>9,018,733</u></u>

*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, 2021

<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	\$ 1,027,838	10,500	-	(1,017,338)
Marketing	2,922,310	-	2,547,918	(374,392)
Advertising	633,002	24,375	-	(608,627)
Destination enhancement	42,130	-	-	(42,130)
Support to other government agency	34,964	-	-	(34,964)
Depreciation	<u>48,437</u>	<u>-</u>	<u>-</u>	<u>(48,437)</u>
Total governmental activities	\$ <u>4,708,681</u>	<u>34,875</u>	<u>2,547,918</u>	<u>(2,125,888)</u>
General revenues:				
Hotel occupancy tax entitlement				-
CNMI appropriation (net of 1% OPA fee)				2,717,149
Other income				14,697
Interest income				<u>418</u>
Total general revenues				<u>2,732,264</u>
Change in net position				606,376
Net position, beginning				<u>9,165,399</u>
Net position, ending				\$ <u><u>9,771,775</u></u>

*See accompanying notes to financial statements.*

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

Governmental Funds - Balance Sheets

September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Current assets:		
Cash in bank and on hand - restricted	\$ 19,605,427	8,841,704
Accounts receivable entitlement - Government of CNMI	1,890,826	1,419,354
Other receivables	12,124	3,012
Prepaid expenses	<u>-</u>	<u>184,473</u>
Total current and total assets	\$ <u>21,508,377</u>	<u>10,448,543</u>
 <u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</u>		
Current liabilities:		
Accounts payable	1,239,509	417,802
Accrued liabilities and benefits	<u>203,585</u>	<u>158,921</u>
Total current and total liabilities	<u>1,443,094</u>	<u>576,723</u>
Deferred inflows of resources	<u>12,074,540</u>	<u>1,063,743</u>
Fund balances:		
Nonspendable - not in spendable form	-	184,473
Assigned	<u>7,990,743</u>	<u>8,623,604</u>
Total fund balance	<u>7,990,743</u>	<u>8,808,077</u>
	\$ <u>21,508,377</u>	<u>10,448,543</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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenues:		
Hotel occupancy tax entitlement	\$ 1,093,819	6,274,784
CNMI appropriation (net of 1% OPA fee)	2,346,350	2,717,149
Grant income (ARPA funded marketing program)	988,005	2,547,918
Charges for services	62,537	34,875
In-kind contributions	1,160	8,343
Other income	18,785	6,354
Interest income	<u>1,300</u>	<u>418</u>
Total revenues	4,511,956	11,589,841
Expenditures:		
General government	1,681,153	1,017,662
Marketing	2,703,405	2,930,654
Advertising	686,875	633,002
Destination enhancement	164,482	42,130
Support to other government agency	22,890	34,964
Capital outlay-current expenditures	<u>70,487</u>	<u>18,444</u>
Total expenditures	<u>5,329,292</u>	<u>4,676,856</u>
Excess (deficiency) of revenues over expenditures	(817,336)	6,912,985
Assigned fund balance, beginning of year	<u>8,808,077</u>	<u>1,895,089</u>
Fund balance, end of year		
Nonspendable	-	184,473
Assigned	<u>7,990,743</u>	<u>8,623,604</u>
	<u>\$ 7,990,743</u>	<u>8,808,077</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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Fund balance	\$ 7,990,743	8,808,077
<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	(114,324)	(137,442)
Deferred inflows of resources for receivables from CNMI that are not available within 60 days after the year-end	1,056,743	1,056,743
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	<u>85,571</u>	<u>44,397</u>
Total net position - governmental activities	\$ <u>9,018,733</u>	<u>9,771,775</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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Net change in fund balance - governmental funds	\$ (817,336)	6,912,985
<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>		
Unearned revenues for receivables from CNMI that are not available within 60 days after the year end.	-	(6,274,784)
<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	23,119	(1,833)
<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	\$ 70,487	
Depreciation expense	<u>(29,312)</u>	<u>41,175</u>
		<u>(29,992)</u>
Changes in net position of governmental activities	\$ <u>(753,042)</u>	<u>606,376</u>

*See accompanying notes to financial statements.*

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

Notes to Financial Statements, Continued

September 30, 2022 and 2021

(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 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, 2022 and 2021

(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.

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 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.

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

Notes to Financial Statements, Continued

September 30, 2022 and 2021

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION, Continued

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 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. The GASB model 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.

Consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

- Restricted:

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

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

Notes to Financial Statements, Continued

September 30, 2022 and 2021

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION, Continued

- Restricted, Continued

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.

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.

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

Notes to Financial Statements, Continued

September 30, 2022 and 2021

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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. 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.

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

Notes to Financial Statements, Continued

September 30, 2022 and 2021

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. ASSETS, LIABILITIES AND EQUITY, Continued

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, 2022 and 2021, accrued annual leave was \$114,324 and \$137,441, 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.

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.

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

Notes to Financial Statements, Continued

September 30, 2022 and 2021

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. LEASES

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition is accounted for under GASB Statement No. 87 unless explicitly excluded.

A contract that transfers ownership of the underlying asset to the lessee by the end of the contract and does not contain termination options but that may contain a fiscal funding or cancellation clause that is not reasonably certain of being exercised is reported as a financed purchase of the underlying asset or sale of the asset by MVA.

MVA accounts for the lease and non-lease components of a lease as separate contracts. If a lease involves multiple underlying assets, MVA, in certain cases, accounts for each underlying asset as a separate lease contract. To allocate the contract price to different components, MVA uses contract prices for individual components as long as they do not appear to be unreasonable based on professional judgment or use professional judgment to determine their best estimate if there are no stated prices or if stated prices appear to be unreasonable. If determining a best estimate is not practicable, multiple components in a lease contract are accounted for as a single lease unit. Contracts that are entered into at or near the same time with the same counterparty and that meet certain criteria are considered part of the same lease contract and are evaluated in accordance with the guidance for contracts with multiple components.

The lease term is defined as the period during which a lessee has a non-cancelable right-to-use (RTU) an underlying asset, plus the following periods, if applicable:

- Periods covered by a lessee's option to extend the lease if it is reasonably certain, based on all relevant factors, that the lessee will exercise that option
- Periods covered by a lessee's option to terminate the lease if it is reasonably certain, based on all relevant factors, that the lessee will not exercise that option
- Periods covered by a lessor's option to extend the lease if it is reasonably certain, based on all relevant factors, that the lessor will exercise that option
- Periods covered by a lessor's option to terminate the lease if it is reasonably certain, based on all relevant factors, that the lessor will not exercise that option.

A fiscal funding or cancellation clause should affect the lease term only when it is reasonably certain that the clause will be exercised.



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Notes to Financial Statements, Continued

September 30, 2022 and 2021

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. LEASES, Continued

The lease term is reassessed only if one or more of the following occur:

- The lessee or lessor elects to exercise an option even though it was previously determined that it was reasonably certain that the lessee or lessor would not exercise that option.
- The lessee or lessor elects not to exercise an option even though it was previously determined that it was reasonably certain that the lessee or lessor would exercise that option.
- An event specified in the lease contract that requires an extension or termination of the lease takes place.

An amendment to a lease contract is considered a lease modification unless the MVA's right to use the underlying asset decreases, in which case it would be a partial or full lease termination. MVA accounts for lease termination by reducing the carrying values of the lease liability and lease asset or the lease receivable and deferred inflows of resources, with any difference being recognized as a gain or loss. A lease modification that does not qualify as a separate lease is accounted for by remeasuring the lease liability and adjusting the related lease asset or remeasuring the lease receivable and adjusting the related deferred inflows of resources.

A short-term lease is defined as a lease that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Short-term lease payments are recognized as outflows of resources or inflows of resources based on the payment provisions of the lease contract.

MVA adopted GASB Statement No. 87 retroactively by restating the financial statements for all prior periods presented.

Lessee Accounting

MVA recognizes a lease liability and a RTU asset at the commencement of the lease term unless the lease is a short-term lease or it transfers ownership of the underlying asset. The lease liability is measured at the present value of payments expected to be made during the lease term less any lease incentives. The RTU asset is measured at the amount of the initial measurement of the lease liability, including any payments made to the lessor at or before the commencement of the lease term and certain direct costs. For short-term leases, it is MVA's policy to record the lease payments as rental expense.

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Notes to Financial Statements, Continued

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(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Lessee Accounting, Continued

The future lease payments are discounted using the interest rate the lessor charges MVA, which may be the interest rate implicit in the lease. If the interest rate cannot be readily determined, an estimated incremental borrowing rate (an estimate of the interest rate that would be charged for borrowing the lease payment amounts during the lease term) will be used.

MVA reduces the lease liability as payments are made and recognizes an outflow of resources for interest on the liability. MVA amortizes the RTU asset using the straight-line method over the shorter of the lease term or the useful life of the underlying asset.

Variable payments based on future performance of MVA or usage of the underlying asset should not be included in the measurement of the lease liability but are recognized as outflows of resources in the period in which the obligation for those payments is incurred. However, any component of those variable payments that is fixed in substance should be included in the measurement of the lease liability.

G. NEW ACCOUNTING STANDARDS

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. GASB Statement No. 90 is effective for the fiscal year ending September 30, 2021. Management does not believe that the implementation of this statement had a material effect on the MVA's financial statements.

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 is effective for fiscal year ending September 30, 2022. Management does not believe that the implementation of this statement had a material effect on the MVA's financial statements.

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Notes to Financial Statements, Continued

September 30, 2022 and 2021

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

G. NEW ACCOUNTING STANDARDS, Continued

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates (LIBOR)*. The primary objective of the Statement is to address those and other accounting and financial reporting implications of the replacement of LIBOR. GASB Statement No. 93 is effective for the fiscal year ending September 30, 2021. Management does not believe that the implementation of this statement had a material effect on the MVA's financial statements.

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. 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*
- 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*.

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Notes to Financial Statements, Continued

September 30, 2022 and 2021

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

G. NEW ACCOUNTING STANDARDS, Continued

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during the implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports, the terminology used to refer to derivative instruments and the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to post-employment benefits. The requirements related to the effective date of GASB Statement No. 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. In accordance with GASB Statement No. 95, the remaining requirements of GASB Statement No. 92 were adopted for the fiscal year ending September 30, 2022.

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 year ending September 30, 2023.

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 – an amendment of GASB Statement No. 14 and No. 84, and a supersession of GASB Statement No. 32*. 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.

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Notes to Financial Statements, Continued

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(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

G. NEW ACCOUNTING STANDARDS, Continued

Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 97 is effective for fiscal year ending September 30, 2022. Management does not believe that the implementation of this statement had a material effect on the MVA’s financial statements.

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. GASB Statement No. 98 is effective for fiscal year ending September 30, 2022. Management does not believe that the implementation of this statement had a material effect on the MVA’s financial statements.

(2) RECONCILIATION OF AGENCY-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the agency-wide statement of net position.

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the agency-wide statements of net position. The net adjustments for 2022 and 2021 consist of the following:

<u>Description</u>	<u>2022</u>	<u>2021</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):	\$ 912,731	842,245
Less accumulated depreciation	<u>(827,160)</u>	<u>(797,848)</u>
Net capital assets	85,571	44,397

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:

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Notes to Financial Statements, Continued

September 30, 2022 and 2021

(2) RECONCILIATION OF AGENCY-WIDE AND FUND FINANCIAL STATEMENTS,  
Continued

Annual leave liability	(114,324)	(137,441)
Receivable from CNMI that is not available within 60 days after year end	<u>1,056,743</u>	<u>1,056,743</u>
Net adjustment	\$ <u>1,027,990</u>	<u>963,699</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>2022</u>	<u>2021</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	\$ (23,117)	(1,833)
Capital outlays reported in the fund statements	70,487	18,445
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.	<u>(29,312)</u>	<u>(48,437)</u>
Net adjustments	\$ <u>18,058</u>	<u>(31,825)</u>

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Notes to Financial Statements, Continued

September 30, 2022 and 2021

(3) BUDGETARY INFORMATION

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

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

(4) CASH IN BANK AND ON HAND

For purpose of statement of cash flows, the MVA considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

At September 30, 2022 and 2021 cash and cash equivalents consist of the following:

	<u>2022</u>	<u>2021</u>
Petty cash and other currency	\$ 803	803
Cash in bank	<u>19,604,624</u>	<u>8,840,901</u>
	<u>\$ 19,605,427</u>	<u>8,841,704</u>

(5) RECEIVABLE FROM THE CNMI GOVERNMENT

The CNMI Government appropriated a total of \$3,440,169 and \$2,717,149 for MVA’s operational use for the years 2022 and 2021, respectively, under the Appropriations Budget Authority Act of 2022 (Public Law 22-08), 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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Due from CNMI government, beginning	\$ 1,419,354	7,879,669
CNMI appropriation and entitlement	<u>3,911,641</u>	<u>1,631,741</u>
Sub-total	5,330,995	9,511,410

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Notes to Financial Statements, Continued

September 30, 2022 and 2021

(5) RECEIVABLE FROM THE CNMI GOVERNMENT, Continued

Collections:		
For prior year's appropriation and entitlement	(1,093,819)	(6,822,925)
For current year's appropriations and entitlement	(2,346,350)	(1,269,131)
Sub-total	(3,440,169)	(8,092,056)
Due from CNMI government, net	\$ <u>1,890,826</u>	<u>1,419,354</u>

(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, 2022, MVA had no investments.



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Notes to Financial Statements, Continued

September 30, 2022 and 2021

(7) DEFERRED INFLOWS OF RESOURCES

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

(8) NONCURRENT LIABILITIES

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

	<u>2022</u>	<u>2021</u>
Beginning balance	\$ 137,441	135,608
Additional accrual	97,677	51,209
Annual leave used	<u>(120,794)</u>	<u>(49,376)</u>
Ending balance	114,324	137,441
Due within one year	<u>22,865</u>	<u>20,337</u>
Due in more than one year	\$ <u>91,459</u>	<u>117,104</u>

(9) CHANGES IN CAPITAL ASSETS

The following is a summary of changes in capital assets for the fiscal years ended September 30, 2022 and 2021:

	Balance October 1, 2021	<u>September 30, 2022</u>		Balance September 30, 2022
		Additions Transfer	Deletions Retirements	
Vehicle and equipment	\$ 319,316	-	-	319,316
Office furniture, fixtures and equipment	228,705	16,273	-	244,978
Leasehold improvements	175,729	52,765	-	228,494
Maintenance equipment	<u>118,495</u>	<u>1,448</u>	-	<u>119,943</u>
	<u>842,245</u>	<u>70,486</u>	-	<u>912,731</u>
Less accumulated depreciation and amortization:				
Vehicle and equipment	306,839	10,970	-	317,809
Office furniture, fixtures and equipment	224,948	4,702	-	229,650
Leasehold improvements	165,912	4,990	-	170,902
Maintenance equipment	<u>100,149</u>	<u>8,650</u>	-	<u>108,799</u>
	<u>797,848</u>	<u>29,312</u>	-	<u>827,160</u>
Governmental activities capital assets, net	\$ <u>44,397</u>	<u>41,174</u>	-	<u>85,571</u>

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Notes to Financial Statements, Continued

September 30, 2022 and 2021

(9) CHANGES IN CAPITAL ASSETS, Continued

	Balance October 1, 2020	<u>September 30, 2021</u>		Balance September 30, 2021
		Additions Transfer	Deletions Retirements	
Vehicle and equipment	\$ 319,316	-	-	319,316
Office furniture, fixtures and equipment	228,705	-	-	228,705
Leasehold improvements	175,729	-	-	175,729
Maintenance equipment	100,051	18,444	-	118,495
	<u>823,801</u>	<u>18,444</u>	<u>-</u>	<u>842,245</u>
Less accumulated depreciation and amortization:				
Vehicle and equipment	272,611	34,228	-	306,839
Office furniture, fixtures and equipment	218,564	6,384	-	224,948
Leasehold improvements	162,230	3,682	-	165,912
Maintenance equipment	96,006	4,143	-	100,149
	<u>749,411</u>	<u>48,437</u>	<u>-</u>	<u>797,848</u>
Governmental activities capital assets, net	\$ <u>74,390</u>	<u>(29,993)</u>	<u>-</u>	<u>44,397</u>

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

A. Leases

MVA entered into a short-term lease agreement covering their office in Saipan with a term of one year and option to renew for five (5) 1-year terms expiring on May 13, 2023 with an option to renew for an additional three years on the same terms and conditions. Rent expense was \$77,500 and \$51,750 for years ended September 30, 2022 and 2021, respectively.

B. Representation, Promotional and Public Relations Services  
Tourism Resumption Investment Plan (TRIP) - Airlines

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Notes to Financial Statements, Continued

September 30, 2022 and 2021

(11) COMMITMENTS AND CONTINGENCIES

MVA entered into promotional roundtrip flights contracts with Asiana Airlines, Jeju Air and T'Way Air in Seoul, Korea, including promoting CNMI on their company website and social media platforms such as Facebook and Instagram, promote the CNMI through their in-flight entertainment such as destination videos, throughout the Pilot Program. The contracts include and provide incentive programs to stakeholders in Korea and the CNMI Airlines, Travel Agents, Corridor Hotels, Hybrid Hotel Quarantine Services and Tourist Travel Bucks.

At September 30, 2022, the minimum future contract fees are as follows:

Years ending September 30:

2023	\$ <u>1,730,000</u>
	\$ <u>1,730,000</u>

C. Professional Services

MVA entered into contracts for professional services for local public relation media fees.

At September 30, 2022, the minimum future contract fees are as follows:

Years ending September 30:

2023	\$ 46,105
2024	<u>38,420</u>
	\$ <u>84,525</u>

(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.

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Notes to Financial Statements, Continued

September 30, 2022 and 2021

(12) RETIREMENT PLAN, Continued

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

Further, Public Law 17-82 allows the CNMI Government to continue remitting its 4% employer contribution to the DC Plan unless the employee ceases to contribute its employee share.

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

*Defined Contribution Plan (DC Plan)*

On June 16, 2006, Public Law 15-13 was enacted which created the DC Plan, a multi-employer pension plan and is the single retirement program for all employees whose first time CNMI government employment commences on or after January 1, 2007. Each member of the DC Plan is required to contribute to the member's individual account an amount equal to 10% of the member's compensation. MVA is required to contribute to each member's individual account an amount equal to 4% of the member's compensation. MVA's recorded DC contributions for the years ended September 30, 2022 and 2021 totaled \$14,327 and \$8,123, 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.

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Notes to Financial Statements, Continued

September 30, 2022 and 2021

(12) RETIREMENT PLAN, Continued

*Unremitted Employer Contribution prior to September 30, 2013*

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

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

*Medical and Life Insurance Benefits*

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

(13) INVENTORIES

Inventories are valued at cost which approximates market, using the first-in/first-out (FIFO) method. The costs of inventories are recorded as expenditures when used (consumption method).

(14) IN-KIND CONTRIBUTIONS

MVA receives in-kind contributions from its members and records them as of the date of receipt of the attendant goods or services. Material and other noncash donations are recorded at cost or estimated fair value determined at the date of donation. For the years ended September 30, 2022 and 2021, the MVA recorded donated goods and services of \$1,160 and \$8,343, respectively.

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September 30, 2022 and 2021

(15) CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject to MVA to concentration of credit risk consist principally of cash deposits and accounts receivable.

At September 30, 2022 and 2021 the carrying amount of MVA's total cash and cash equivalents (excluding petty cash) was \$19,604,624 and \$8,840,901, respectively. The corresponding bank balances as of September 30, 2022 and 2021 were \$18,651,236 and \$8,938,655, respectively, of which \$500,000 for each year was covered under within FDIC insurance limits. The remaining balances are not insured. The MVA has not experienced any losses in such accounts and believes that they are not exposed to any significant credit risk.

Substantially all MVA's accounts receivable are due from companies and government agencies based in CNMI. MVA establishes an allowance for doubtful accounts based on management's evaluation of potential collectability.

(16) RISK MANAGEMENT

MVA is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; employee injuries and illnesses; natural disasters and employee health, and accident benefits. Commercial insurance coverage is provided for claims arising from such matters. No losses as a result of this practice have occurred during the past two years.

(17) RELATED PARTY TRANSACTIONS

Public Law 20-17 was enacted in fiscal year 2018. It amended §2159 to provide not less than two percent (2%) for each municipality, but not less than \$300,000 each, shall be remitted by MVA to the municipalities 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. The MVA did not remit any amount to the municipalities due to the suspension of earmarked funds for the fiscal year ended September 30, 2022 and 2021, respectively

For the year ended September 30, 2022 MVA expended \$22,890 to support other government agency.

(18) COVID-19

As the pandemic continues, the recovery of the tourism industry from COVID-19 is expected to take more than one year. Globally, the world tourism is at an estimated of \$2 trillion in lost revenue according to the United Nations World Tourism Organization. The pace of recovery remains slow and uneven from our major source markets.

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Notes to Financial Statements, Continued

September 30, 2022 and 2021

(18) COVID-19, Continued

Digitizing our destination to provide a touchless experience in an industry that “touches” almost every part of our economy and society is a vision that we encourage all our partners to adopt. With the right technology in place, our tourism industry can rebuild and welcome visitors again with safeguards that will protect everyone.

While the industry adjusts to the “new normal”, preparing the destination with tourist resumption plans to continue promote our destination for future sales, organized clean ups, beautification enhancement and product development, evaluating and upgrading the tourism attraction sites, are just a few of the projects undertaken by MVA while we wait for the easing of entry restrictions in Asia.

(19) DATE OF MANAGEMENT’S REVIEW

In preparing the accompanying financial statements and these footnotes, management has evaluated subsequent events through April 30, 2024, which is the date the financial statements were available to be issued. MVA has determined that none of the events occurring after the date of the balance sheet substantially affects the amounts, presentation, and disclosure of the accompanying financial statements.

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

Budgetary Comparison Schedule

For the Year Ended September 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>Revenues:</b>				
Hotel occupancy tax entitlement, net of PL 22-08	\$ -	-	-	-
CNMI appropriation (net of 1% OPA fee)	3,082,593	3,461,229	3,440,169	(21,060)
Special events	-	-	36,789	36,789
Membership dues	-	-	16,965	16,965
In-kind contributions	-	-	1,160	1,160
Other income	-	-	18,787	18,787
Memorial trust income	-	-	8,783	8,783
Interest income	-	-	1,300	1,300
Tour guide certification	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>3,082,593</u>	<u>3,461,229</u>	<u>3,523,953</u>	<u>62,724</u>
<b>Expenditures:</b>				
Promotion and advertising	766,423	1,138,407	3,390,280	(2,251,873)
Personnel service	1,609,170	1,609,170	1,284,538	324,632
Rental	64,000	61,029	77,500	(16,471)
Destination enhancement	260,000	257,400	164,482	92,918
Travel	20,000	29,017	26,905	2,112
Support to other government agencies	40,000	40,000	22,890	17,110
Professional fees	40,000	43,827	65,055	(21,228)
Insurance	32,500	30,991	28,364	2,627
Utilities	30,000	49,607	32,581	17,026
Capital expenditures including MVA office	25,000	23,839	70,487	(46,648)
Communications	30,000	28,623	21,568	7,055
Office equipment, rentals, repairs	15,000	14,304	10,465	3,839
Office supplies	10,000	12,536	10,484	2,052
Maintenance supplies	26,000	17,793	17,609	184
Printing and publications	50,000	26,179	25,246	933
Fuel and lubrication	24,000	20,886	15,676	5,210
In-kind contribution of promotion and advertising	-	-	1,160	(1,160)
Computer systems and equipment	10,000	9,536	6,744	2,792
Repairs and maintenance	15,000	40,304	50,165	(9,861)
Tour guide certification	10,000	1,536	-	1,536
Bank charges and penalties	-	-	4,807	(4,807)
Dues and subscriptions	1,000	1,954	1,094	860
Postage and freight	2,000	1,907	1,192	715
Staff development training	2,500	2,384	-	2,384
	<u>3,082,593</u>	<u>3,461,229</u>	<u>5,329,292</u>	<u>(1,868,063)</u>
Excess of revenues over expenditures	-	-	(1,805,339)	(1,805,339)
Federal grants (ARPA funded marketing program)	-	-	988,005	988,005
Assigned fund balance, beginning of year	<u>-</u>	<u>8,808,077</u>	<u>8,808,077</u>	<u>-</u>
Assigned fund balance, end of year	\$ <u>-</u>	<u>8,808,077</u>	<u>7,990,743</u>	<u>(817,334)</u>

*See independent auditor's report.*



**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, 2022 and 2021

	General Government	Marketing	Advertising	Destination Enhancement	Support to other government agency	Depreciation	Total 2022	Total 2021
Advertising and marketing	\$ -	2,703,405	686,875	-	-	-	3,390,280	3,555,312
Personnel service	1,261,421	-	-	-	-	-	1,261,421	763,772
Rental	77,500	-	-	-	-	-	77,500	51,750
Depreciation	-	-	-	-	-	29,312	29,312	48,437
Destination enhancement	-	-	-	164,482	-	-	164,482	42,130
Travel	26,905	-	-	-	-	-	26,905	37,117
Support to other government agency	-	-	-	-	22,890	-	22,890	34,964
Professional fees	65,055	-	-	-	-	-	65,055	33,494
Insurance	28,364	-	-	-	-	-	28,364	22,656
Utilities	32,581	-	-	-	-	-	32,581	18,501
Communications	21,568	-	-	-	-	-	21,568	16,024
Office equipment, rental, repairs	10,465	-	-	-	-	-	10,465	14,717
Office supplies	10,484	-	-	-	-	-	10,484	11,926
Maintenance supplies	17,609	-	-	-	-	-	17,609	10,762
Printing and publication	25,246	-	-	-	-	-	25,246	10,381
Fuel and lubrication	15,676	-	-	-	-	-	15,676	8,480
In-kind contributions	1,160	-	-	-	-	-	1,160	8,343
Computer systems and equipment	6,744	-	-	-	-	-	6,744	7,573
Repairs and maintenance	50,165	-	-	-	-	-	50,165	4,385
Tourist guide certification	-	-	-	-	-	-	-	3,000
Bank charges and penalties	4,807	-	-	-	-	-	4,807	2,373
Dues and subscriptions	1,094	-	-	-	-	-	1,094	1,659
Postage and freight	1,192	-	-	-	-	-	1,192	925
Staff development training	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>\$ 1,658,036</b>	<b>2,703,405</b>	<b>686,875</b>	<b>164,482</b>	<b>22,890</b>	<b>29,312</b>	<b>5,265,000</b>	<b>4,708,681</b>

See independent auditor's report.

**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, 2022

**BURGER COMER & ASSOCIATES**

1930 Picarro Lane I Liyang  
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**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 and for the year ended September 30, 2022, 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 April 30, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the MVA’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 the MVA’s internal control. Accordingly, we do not express an opinion on the effectiveness of the MVA’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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 or significant deficiencies may exist that were not identified.

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## **Report on Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Bryce Combs & Associates*

Saipan, MP 96950  
April 30, 2024

**SINGLE AUDITS REPORTS UNDER  
UNIFORM GUIDANCE**

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

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YEAR ENDED SEPTEMBER 30, 2022

**BURGER COMER & ASSOCIATES**

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors  
Marianas Visitors Authority

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the Marianas Visitors Authority's (MVA's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the MVA's major federal programs for the year ended September 30, 2022. The MVA's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the MVA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the MVA and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the MVA's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the MVA's federal programs.

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### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the MVA's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the MVA's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the MVA's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the MVA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the MVA's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***Report on Internal Control over Compliance***

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

*A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance.

Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Bryce Conner & Associates*

Saipan, MP 96950  
April 30, 2024



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

Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2022

Federal Grantor's Program Title	ALN	Expenditures FY 2022	Receivable from Federal Grantors October 31, 2022
<u>U.S. Department of the Treasury:</u>			
Pass-Through CNMI Government - Department of Administration COV19 Coronavirus Relief Fund/Coronavirus State Fiscal Recovery Fund and the Coronavirus Local Fiscal Recovery Fund established under the American Rescue Plan Act (ARPA) (Speeding the recovery of tourism, travel and hospitality sectors)	21.027	\$ <u>988,005</u>	<u>-</u>
Total (ALN 21.027)		\$ <u><u>988,005</u></u>	<u><u>-</u></u>

See accompanying notes to schedule of expenditures of federal awards.

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

Notes to the Schedule of Expenditures of Federal Awards

Year Ended September 30, 2022

(1) BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Marianas Visitors Authority (A Component Unit of the Commonwealth of the Northern Marianas government) under programs of the federal government for the year ended September 30, 2022. The information in the Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the “Uniform Guidance”).

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the MVA and is presented on the accrual basis of accounting, consistent with the manner in which the organization maintains its accounting records.

(3) INDIRECT COST ALLOCATION

For fiscal year 2022, the MVA did not utilize an indirect cost rate.

(4) ASSISTANCE LISTING NUMBER 21.027

Expenditures for Assistance Listing Number (ALN) 21.027 in the amount of \$988,005 was reported in MVA’s expenditures and have been included in the Schedule for the purpose of reporting such expenditures that were funded by the COVID-19, Coronavirus Relief Fund – State Fiscal Recovery Fund and the Coronavirus Local Fiscal Recovery Fund established under the American Rescue Plan Act (ARPA) (Speeding the Recovery of Tourism, travel and hospitality sectors).

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

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2022

**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  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  No
- Noncompliance material to financial statements?  Yes  No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  No

Type of auditor’s report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516 (a)?  Yes  No

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

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2022

Identification of major programs:

<u>ALN</u>	<u>Name of Federal Program or Cluster</u>	
21.027	U.S. Department of the Treasury/ COV19 Coronavirus Relief Fund/Coronavirus State Fiscal Recovery Fund Established under the American Rescue Plan Act (ARPA) (Speeding the recovery of tourism, travel and hospitality sectors)	\$ <u>988,005</u>
Total expenditures Major Programs		\$ <u>988,005</u>
	Percentage of total federal awards tested	<u>100%</u>
	Dollar threshold used to distinguish Type A and Type B programs:	\$ 750,000
	MVA Auditee qualified as low-risk auditee?	No

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

**CURRENT YEAR FINDINGS:**

There were no financial statement audit findings reported during the fiscal year ending September 30, 2022.

**PRIOR YEAR FINDINGS:**

There were no financial statement audit findings reported from prior year.