

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

**FINANCIAL STATEMENTS AND SUPPLEMENTARY
INFORMATION**

YEARS ENDED SEPTEMBER 30, 2023 AND 2022

WITH INDEPENDENT AUDITOR'S 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

Opinions

We have audited the accompanying financial statements of the governmental activities and the governmental funds Marianas Visitors Authority (MVA), a component unit of the Commonwealth of the Northern Marianas Islands Government, as of and for the years ended September 30, 2023 and 2022, 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, 2023 and 2022, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 50 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 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2026 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.

Bruce Comer & Associates

Saipan, MP
January 16, 2026

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, 2023. 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
- ▶ 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, 2022 and 2023.
- ▶ 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.



Management's Discussion and Analysis, Continued

- ▶ In FY 2023, based on Public Law 22-22, total budget received was only \$821,745 of which \$676,181 for Personnel and the \$145,564 goes to All Others including Marketing. We have been left with no choice but to tap our reserve fund that we had earmarked for destination enhancement and our own, rent-free permanent office building. Funds under the Tourism Resumption Investment Plan (TRIP) that were carried over has been obligated to contractual agreements, including continued marketing in Korea and Japan.
- ▶ The TRIP Program was adopted by the MVA during the June 1, 2021 Board meeting and continues during FY 2023. 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), Saipan Marathon (April), Tourism Month (May), Taste of the Marianas International Food Festival & Beer Garden (June), Hafa Adai & Tirow Summer Jam (tentative July), World Tourism Day (Tentative) and Christmas in the Marianas (December). 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.
- ▶ In fiscal year 2023, Korea arrivals to The Marianas comprise 82% of total visitor arrivals - or market share – and have recovered or exceeded arrivals as compared to pre-pandemic arrivals (FY 2020). This is a positive impact to the CNMI's tourism industry as it is reported that the overall Korea national outbound has not reached pre-pandemic arrival level. This is a strong indication that there is strong consumer demand for The Marianas despite the challenging exchange rate. Direct flights from Seoul to Saipan include two flights a day by Jeju Air and one daily flight by T'Way. Asiana Airlines operates twice weekly flights.
- ▶ 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.
- ▶ 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 194,744 visitor arrivals in FY 2023. This is an increase of 98,110 compared to Fiscal Year 2022's 96,634 visitor arrivals.

Management's Discussion and Analysis, Continued

- ▶ The Marianas was featured in early 2023 on one of Japan's most popular and longest running television travel shows "Tabi Salad," bringing the destination an estimated \$2.7 million in ad exposure value. The program, produced by Asahi Broadcasting Co., was filmed as part of a destination awareness media promotion organized by the Marianas Visitors Authority in December 2022 to help attract more Japanese visitors to the destination.

The MVA has had a number of projects with Tabi Salad through the years. For all of the MVA's destination awareness media promotions, the office negotiates a tangible product, either a broadcast show, print coverage, or online content. "Tabi Salad" introduces international and domestic destinations to its viewership each week.

The broadcast highlighted the newly opened Crowne Resort Plaza Saipan in downtown Garapan. While in Saipan in December, the 3-member film crew also covered Aqua Resort Club Saipan, Mariana Lighthouse, diving at Laulau Beach, Sabalu Market, Micro Beach, Mt. Carmel Cathedral, Sugar Dock, trekking to Bird Island Beach, a sunset beach barbecue, and more.

- ▶ In 2023, 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 \$8,062,855 and \$9,018,733 at the end of fiscal year 2023 and 2022, respectively. The restricted net position was \$7,990,557 and \$8,933,162 at the end of fiscal year 2023 and 2022, respectively. The change in net position in FY 2023 is a negative \$955,848 compared to FY 2022's negative change of \$753,042. Fiscal Year 2023 proved to be a difficult year for the tourism industry due to the lingering impact of the COVID-19 pandemic.
- ▶ The MVA received \$1,000 and \$1,160 of in-kind contributions in the Fiscal Year 2023 and 2022 respectively.

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.

Governmental Accounting Standard Board (GASB) Statement No. 87, *Leases*. Management has reviewed its leases and has determined its qualification as short-term lease, as the maximum possible lease terms does not exceed 12 months. Accordingly, no lease asset and liability has been recorded, and the lease payments have been recognized as expenditure when incurred. The application of GASB Statement No. 87 did not have a material impact on MVA's 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 \$955,848 from the previous year.

SUMMARY OF CHANGE IN NET POSITION (STATEMENT OF ACTIVITIES)

	2023	2022	2021
Net position, beginning	\$ 9,018,733	9,771,775	9,165,399
Revenues	13,361,262	4,511,958	5,315,057
Expenditures	<u>(14,317,110)</u>	<u>(5,265,000)</u>	<u>(4,708,681)</u>
Increase (decrease) in net position	<u>(955,848)</u>	<u>(753,042)</u>	<u>606,376</u>
Net position, ending	\$ <u>8,062,885</u>	<u>9,018,733</u>	<u>9,771,775</u>

SUMMARY OF STATEMENT OF NET POSITION

		2023	2022	2021
Current assets	\$	12,377,701	21,508,377	10,448,543
Capital assets		<u>72,328</u>	<u>85,571</u>	<u>44,397</u>
Total assets	\$	<u>12,450,029</u>	<u>21,593,948</u>	<u>10,492,940</u>
Current liabilities	\$	3,904,836	1,443,095	576,724
Non-current liabilities		<u>125,189</u>	<u>114,324</u>	<u>137,441</u>
Total liabilities	\$	4,030,025	1,557,419	714,165
Deferred inflows of resources		357,119	11,017,796	7,000
Net investment in capital assets		72,328	85,571	44,397
Restricted		<u>7,990,557</u>	<u>8,933,162</u>	<u>9,727,378</u>
Total net position		<u>8,062,885</u>	<u>9,018,733</u>	<u>9,771,775</u>
Total liabilities and net position	\$	<u>12,450,029</u>	<u>21,593,948</u>	<u>10,492,940</u>

The \$8,062,885 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 \$8,062,885 of restricted assets left.

Assets. Assets consist primarily of cash and cash equivalents (85%) and receivables, which include local government appropriation and entitlement (14%), others (.40%), and capital assets (.60%).

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 of \$2,461,741 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 \$955,848 as compared to FY2022. These are funds that are allocated for future expenditures.

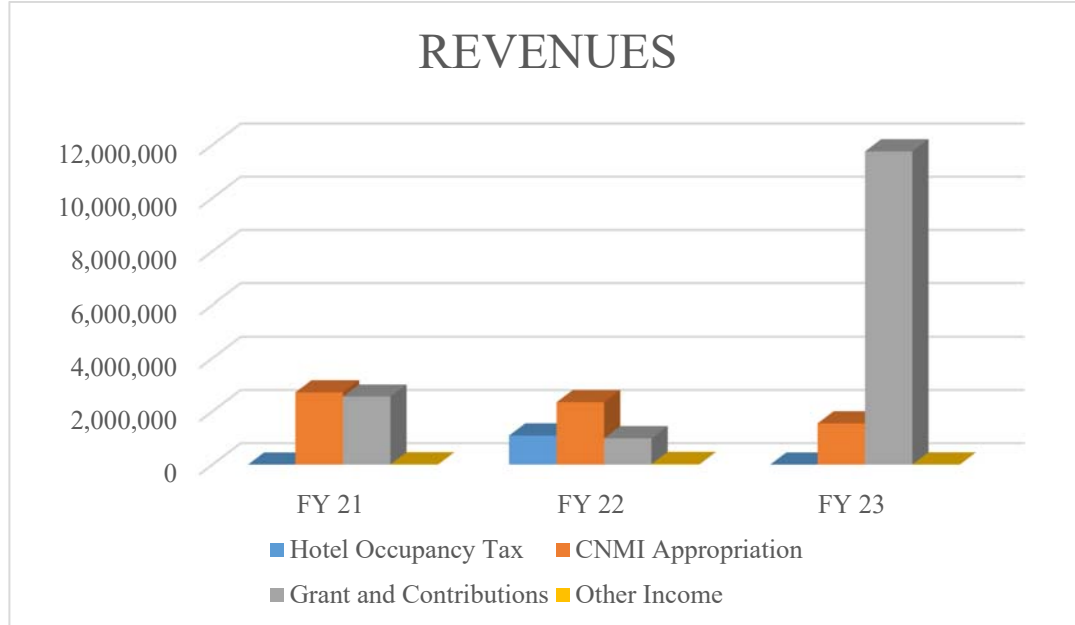
Revenues

Total revenues for Fiscal Year 2023 were \$13,361,262 which is an \$8,849,304 increase from Fiscal Year 2022.

Management’s Discussion and Analysis, Continued

	2023	2022	2021
General revenues			
Hotel occupancy tax entitlement	\$ -	1,093,819	-
CNMI appropriation (net of 1% OPA fee)	1,550,846	2,346,350	2,717,149
Grants and contributions	11,758,080	988,005	2,547,918
Other income	3,449	19,947	14,697
Royalty income	-	-	-
Interest income	<u>109</u>	<u>1,300</u>	<u>418</u>
Subtotal	\$ <u>13,312,484</u>	<u>4,449,421</u>	<u>5,280,182</u>
Program revenues			
Membership fees	19,587	16,965	10,500
Tour guide certification	-	-	260
Special events	<u>29,191</u>	<u>45,572</u>	<u>24,115</u>
Subtotal	\$ <u>48,778</u>	<u>62,537</u>	<u>34,875</u>
Total revenues	\$ <u>13,361,262</u>	<u>4,511,958</u>	<u>5,315,057</u>

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.

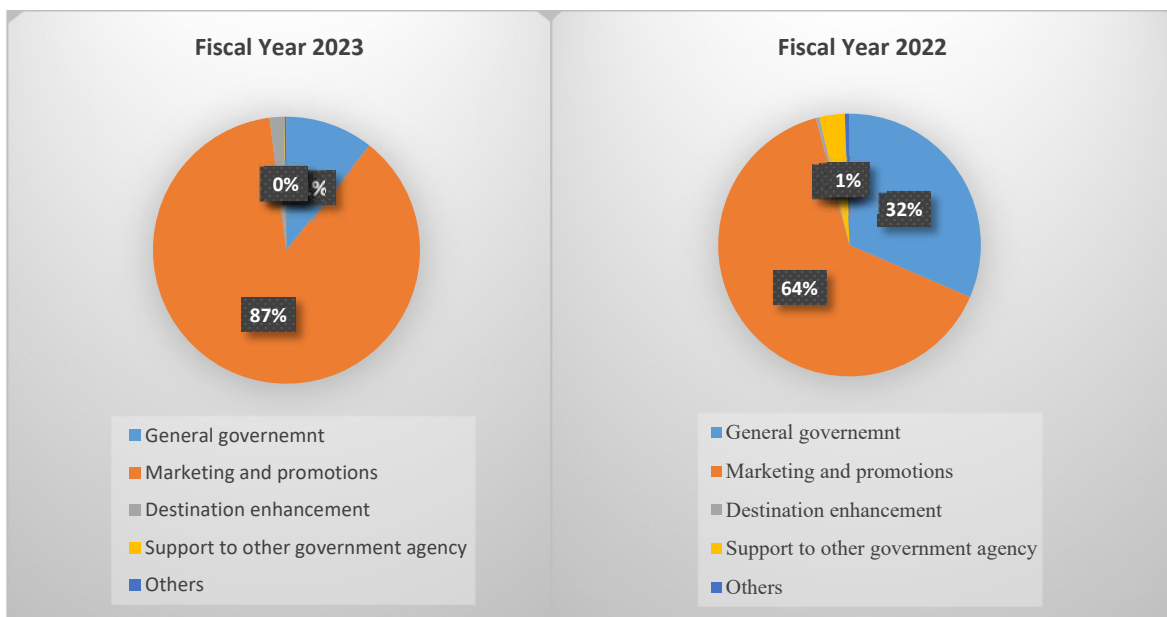
Grants and contributions (primarily in-kind contributions) include accommodations and free use of hotel facilities, among others, and are classified as marketing or special events revenue when the donor specifies for which MVA activities the donation is to be used or as general revenue for unrestricted 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:

	2023	2022	2021
General government	\$ 1,527,894	1,658,036	1,027,838
Marketing	12,048,133	2,703,405	2,922,310
Advertising	449,325	686,875	633,002
Destination enhancement	248,140	164,482	42,130
Support to other government agency	9,718	22,890	34,964
Depreciation	<u>33,900</u>	<u>29,312</u>	<u>48,437</u>
Total expenditures	\$ <u>14,317,110</u>	<u>5,265,000</u>	<u>4,708,681</u>



Management's Discussion and Analysis, Continued

The pie chart above illustrates the distribution of expenses from last fiscal year compared to fiscal year 2023.

Expenditures for the fiscal year ending September 30, 2023 increased by \$9,052,110 over the Fiscal Year 2022 total. Funds available in Fiscal Year 2023 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 \$955,848. 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 2023 increased by 98,110 as compared to FY 2022's 96,634 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 2023 decreased by \$931,741 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, 2023, amounts to \$72,328 net of accumulated depreciation. Depreciation expense for the year was \$33,900. Acquisition of capital assets for MVA's operation for Fiscal Year 2023 amounts to \$20,658. Capital assets net of accumulated depreciation are as follows:

	2023	2022	2021
Vehicles	\$ 10,000	1,507	12,477
Furniture and fixtures	9,495	15,328	3,757
Maintenance equipment	4,633	11,144	18,346
Leasehold improvements	<u>48,200</u>	<u>57,592</u>	<u>9,817</u>
Net capital assets	\$ <u>72,328</u>	<u>85,571</u>	<u>44,397</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**

- Promote The Marianas as a premier and safe destination.
- Continue to improve visitor experience on Saipan, Tinian, and Rota with additional events of enhanced value that highlight attributes showcasing The Marianas as among the premier travel destinations. We will create more cultural events that will advance our indigenous culture and engage community participation. In response to shifting market trends, we must also diversify our activities to attract further visitors.
- 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, U.S., Guam), 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.
- Promote multi-island visits by emphasizing the unique travel appeal each island has to offer.
- Develop online marketing strategies to expand our reach to social media users. Utilize the various social media platforms which will allow us to provide customized information and real time information.
- Continue to enhance the awareness and stimulate travel desires among potential travelers using social media platforms.

Management's Discussion and Analysis, Continued

- 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, and other potential destination
 - 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;
 - 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-island participation to include sporting events to attract niche markets to conduct training programs in the Marianas.

Continued support 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.

- **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.

- Increase tour guides knowledge of the native Chamorro and Carolinian history and culture;

- Increase tour guides knowledge in protecting and preserving the CNMI natural resources;
- Support tour guides participation, collaboration, interaction on tourism issues;
- Encourage tour operators to incorporate Chamorro and Carolinian values into their business models;
- To support and strengthen tour guide enforcement regulations.

MVA continues to work towards better enforcement of Tour Guide Certification regulations with support from government agencies including the Bureau of Environmental and Coastal Quality (BECQ), Department of Lands and Natural Resources (DLNR), Department of Public Safety (DPS), Department of Public Lands (DPL), Department of Commerce (DOC), Commonwealth Ports Authority (CPA), Department of Finance and the Commonwealth Zoning Board along with our security guards.

- **Destination Enhancement and Product Development**

- The Product Development Division/Destination Enhancement will continue to plan and work on the improvement, restoration, rehabilitation and renovation of tourist sites with its partners, including the Governor's Council of Economic Advisors with Public Private Partnership, Community Outreach Program, Grants Office, Saipan Mayor's Office, Tinian Mayor's Office, Rota Mayor's Office, and Northern Islands Mayor's Office.
- Exploring innovative means to repair, maintain and improve tourist sites; and
- Improving value-added amenities at natural resource sites.
- Facility upgrades to multiple attractions are under consideration. Specified modifications include replacement of signage, functionality of equipment, and facility cleanliness/beautification and safety.
- Improve visitor experience. In a joint effort with the Public Private Partnership, the installation of shower stalls along the beach at several sites on Saipan is under consideration. These showers will add a touch of comfort to improve the beach goer experience for visitors and locals, alike.
- The Product Development Division will continue to explore innovative means to repair, maintain and improve tourist sites to enhance the Marianas as a premier destination.

Future project plans include:

- Bird Island Revitalization Plan – The MVA plans to upgrade stairs, railings, pathways, benches and tables. In addition to these upgrades, the MVA will install two lookout decks and warning signs. One upper lookout deck allows easy accessibility for tourists and the lower lookout deck provide a better view of the cliff edge. The plans also include landscaping work, beautification, and lighting installation.
- Mount Tapochau Railing Repairs – The MVA plans to repair the railings at Mount Tapochau. Pieces of the railings are broken, missing, and falling apart. This serves as a safety hazard to visitors of the site. The MVA will partner with the Division of Parks and Recreation to repair the railings.

Management's Discussion and Analysis, Continued

- Suicide Cliff Site Improvements – Suicide Cliff is an important landmark in Saipan, making it one of the most visited spots in Saipan. The MVA plans to make site improvements that involve upgrading the railings, pathways and benches, and installing lighting and signage. These improvements will enhance the visitors' experience.
- Latte Stone Flower Sculpture at Airport Field – This Latte Stone Sculpture was installed by the MVA several years ago, but has not been maintained. The Latte Stone is meant to be filled with flowers and plants to make it a beautiful sculpture that tourists get to see right after they land in Saipan. The MVA plans to revive this project through plant/shrub removal, replanting flowers, and repainting the sculpture.
- Tinian Long Beach Interpretative Trail – The MVA would aim to make the Long Beach Interpretative Trail in Tinian accessible to visitors due to its historical importance. The plans include clearing vegetation, installing markers, safety warning signs, informative signs, safety railings and ropes, and a trail map overview.
- Tinian Suicide Cliff Railings – The MVA plans to install about 200 feet of railings at Tinian's Suicide Cliff. Currently, there are no railings at the cliff making it a safety hazard for tourists and residents alike. Installing railings will promote safety in Tinian and will enhance the experience for visitors to the site.
- Rota Hand Waving Monument – The MVA together with the Rota Mayor's Office aim to create a hand waving monument to commemorate the cultural norm of the "Rota Wave". This sculpture will be unique to Rota's friendly and hospitable culture and it will be one of Rota's main attractions for residents and tourists to enjoy.
- Rota Latte Stone Quarry – The Latte Stone Quarry is a historical site unique to Rota. Tourists are able to see the location where latte stones were carved out from the ground and used in their societies. The project plans include installing accessible viewing decks to give an aerial view of the stones in the ground, informational signs, lighting, benches, and trash cans. The plans also include some landscaping around the area.

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.org or 1.670.664.3200/01 or visit our office on the 1st 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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
Current assets:		
Cash in bank and on hand - restricted	\$ 10,545,185	19,605,427
Accounts receivable entitlement - Government of CNMI	1,794,088	1,890,826
Other receivables	38,428	12,124
Total current assets	12,377,701	21,508,377
Noncurrent assets:		
Capital assets, net of accumulated depreciation and amortization	72,328	85,571
Total assets	\$ 12,450,029	21,593,948
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	3,713,407	1,239,509
Accrued liabilities and benefits	191,429	203,586
Total current liabilities	3,904,836	1,443,095
Noncurrent liabilities:		
Due within one year		
Accrued compensated absences	25,038	22,865
Due in more than one year		
Accrued compensated absences	100,151	91,459
Total liabilities	4,030,025	1,557,419
Deferred inflows of resources	357,119	11,017,796
<u>NET POSITION</u>		
Net investment in capital assets	72,328	85,571
Restricted - expendable	7,990,557	8,933,162
Total net position	8,062,885	9,018,733
	\$ 12,450,029	21,593,948

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, 2023

<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	\$ 1,527,894	19,587	-	(1,508,307)
Marketing	12,048,133	-	11,758,080	(290,053)
Advertising	449,325	29,191	-	(420,134)
Destination enhancement	248,140	-	-	(248,140)
Support to other government agency	9,718	-	-	(9,718)
Depreciation	<u>33,900</u>	<u>-</u>	<u>-</u>	<u>(33,900)</u>
Total governmental activities	\$ <u>14,317,110</u>	<u>48,778</u>	<u>11,758,080</u>	<u>(2,510,252)</u>
General revenues:				
Hotel occupancy tax entitlement				-
CNMI appropriation (net of 1% OPA fee)				1,550,846
Other income				3,449
Interest income				<u>109</u>
Total general revenues				<u>1,554,404</u>
Change in net position				(955,848)
Net position, beginning				<u>9,018,733</u>
Net position, ending				\$ <u><u>8,062,885</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)

Governmental Funds - Balance Sheets

September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
Current assets:		
Cash in bank and on hand - restricted	\$ 10,545,185	19,605,427
Accounts receivable entitlement - Government of CNMI	1,794,088	1,890,826
Other receivables	<u>38,428</u>	<u>12,124</u>
Total current and total assets	\$ <u><u>12,377,701</u></u>	<u><u>21,508,377</u></u>
<u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</u>		
Current liabilities:		
Accounts payable	3,713,407	1,239,509
Accrued liabilities and benefits	<u>191,429</u>	<u>203,585</u>
Total current and total liabilities	<u><u>3,904,836</u></u>	<u><u>1,443,094</u></u>
Deferred inflows of resources	<u>1,413,863</u>	<u>12,074,540</u>
Fund balances:		
Nonspendable - not in spendable form	-	-
Assigned	<u>7,059,002</u>	<u>7,990,743</u>
Total fund balance	<u><u>7,059,002</u></u>	<u><u>7,990,743</u></u>
	\$ <u><u>12,377,701</u></u>	<u><u>21,508,377</u></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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Revenues:		
Hotel occupancy tax entitlement	\$ -	1,093,819
CNMI appropriation (net of 1% OPA fee)	1,550,846	2,346,350
Grant income (ARPA and CDBG-DR funded marketing program)	11,758,080	988,005
Charges for services	48,778	62,537
In-kind contributions	1,000	1,160
Other income	2,449	18,787
Interest income	<u>109</u>	<u>1,300</u>
Total revenues	13,361,262	4,511,958
Expenditures:		
General government	1,517,029	1,681,153
Marketing	12,048,133	2,703,405
Advertising	449,325	686,875
Destination enhancement	248,140	164,482
Support to other government agency	9,718	22,890
Capital outlay-current expenditures	<u>20,658</u>	<u>70,487</u>
Total expenditures	<u>14,293,003</u>	<u>5,329,292</u>
Excess (deficiency) of revenues over expenditures	(931,741)	(817,334)
Assigned fund balance, beginning of year	<u>7,990,743</u>	<u>8,808,077</u>
Fund balance, end of year		
Nonspendable		-
Assigned	<u>7,059,002</u>	<u>7,990,743</u>
	<u>\$ 7,059,002</u>	<u>7,990,743</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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Fund balance	\$ 7,059,002	7,990,743
<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	(125,189)	(114,324)
Deferred inflows of resources for receivables from CNMI that are not available within 60 days after the year-end	1,056,744	1,056,743
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	<u>72,328</u>	<u>85,571</u>
Total net position - governmental activities	\$ <u><u>8,062,885</u></u>	<u><u>9,018,733</u></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, 2023 and 2022

	2023	<u>2022</u>
Net change in fund balance - governmental funds	\$ (931,741)	(817,334)
<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 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	(10,865)	23,117
<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	\$ 20,658	
Depreciation expense	<u>(33,900)</u>	<u>(13,242)</u> <u>41,175</u>
Changes in net position of governmental activities	\$ <u>(955,848)</u>	<u>(753,042)</u>

See accompanying notes to financial statements.

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

Notes to Financial Statements, Continued

September 30, 2023 and 2022

(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, 2023 and 2022

(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, 2023 and 2022

(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. For this purpose, the government considers revenues to be available when they are collectible within 60 days of the end of the current fiscal 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, 2023 and 2022

(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, 2023 and 2022

(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, 2023 and 2022

(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, 2023 and 2022, accrued annual leave was \$125,189 and \$114,324, 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, 2023 and 2022

(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, 2023 and 2022

(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. Management does not believe the implementation of this statement will have a material effect on the MVA's financial statements.

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.

MARIANAS VISITORS AUTHORITY
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Notes to Financial Statements, Continued

September 30, 2023 and 2022

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. LEASES, 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

MVA has adopted the following GASB 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. MVA adopted GASB Statement No. 91 during the 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, 2023 and 2022

(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. 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). MVA adopted GASB Statement No. 94 during the fiscal year ending September 30, 2023. Management does not believe that the implementation of this statement had a material effect on the MVA's financial statements.

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*

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Notes to Financial Statements, Continued

September 30, 2023 and 2022

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

G. NEW ACCOUNTING STANDARDS, Continued

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

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. MVA adopted GASB Statement No. 96 during the fiscal year ending September 30, 2023. Management does not believe that the implementation of this statement had a material effect on the MVA’s financial statements.

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. 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.

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Notes to Financial Statements, Continued

September 30, 2023 and 2022

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

G. NEW ACCOUNTING STANDARDS, Continued

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

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to more easily locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of local government financial statements. GASB Statement No. 99 was adopted during the fiscal year ending September 30, 2023. Management does not believe that the implementation of this statement had a material effect on the MVA's financial statements.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

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Notes to Financial Statements, Continued

September 30, 2023 and 2022

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

G. NEW ACCOUNTING STANDARDS, Continued

This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement.

This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature.

In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated.

Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Management is evaluating whether implementation of this statement will have a material impact on the financial statements.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

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Notes to Financial Statements, Continued

September 30, 2023 and 2022

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

G. NEW ACCOUNTING STANDARDS, Continued

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences - including parental leave, military leave, and jury duty leave - not be recognized until the leave commences. This Statement also requires that liability for specific types of compensated absences not be recognized until the leave is used.

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.

This Statement amends the existing requirement to disclose the gross increases and decreases in the liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Management is evaluating whether the implementation of this statement will have a material effect on the financial statements.

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Notes to Financial Statements, Continued

September 30, 2023 and 2022

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

G. NEW ACCOUNTING STANDARDS, Continued

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. State and local governments face a variety of risks that could negatively affect the level of service they provide or their ability to meet obligations as they come due. Although governments are required to disclose information about their exposure to some of those risks, essential information about other risks that are prevalent among state and local governments is not routinely disclosed because it is not explicitly required. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints.

This Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending.

This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. The disclosure should include descriptions of the following:

- The concentration or constraint
- Each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements
- Actions taken by the government prior to the issuance of the financial statements to mitigate the risk.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Management is evaluating whether the implementation of this statement will have a material effect on the financial statements.

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Notes to Financial Statements, Continued

September 30, 2023 and 2022

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

G. NEW ACCOUNTING STANDARDS, Continued

In December 2023, GASB issued Statement No. 103, *Accounting and Financial Reporting for Nonexchange Transactions*. State and local governments engage in various nonexchange transactions, in which resources are transferred to or from the government without a direct exchange of goods or services. The objective of this Statement is to enhance the consistency and transparency of financial reporting for these types of transactions by establishing clear guidance on how governments should account for and report these transactions.

This Statement provides specific guidance on the recognition, measurement, and reporting of revenues and expenditures for nonexchange transactions, including grants, donations, and entitlements. It requires that governments recognize revenue when an eligibility requirement is met, and expenditures when the related liability is incurred. Additionally, the Statement clarifies the treatment of certain items such as property taxes, fines, and penalties, ensuring consistency in their recognition and measurement.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Management is evaluating whether the implementation of this statement will have a material effect on the financial statements.

In December 2023, GASB issued Statement No. 104, *Accounting and Financial Reporting for Investments and Investment Pools*. State and local governments invest funds to support their operations and meet future financial obligations. The objective of this Statement is to establish comprehensive standards for accounting and financial reporting related to investments and investment pools, to improve the consistency, transparency, and comparability of investment reporting.

This Statement outlines new requirements for the recognition, measurement, and reporting of investments, including how to classify investments as either "investments" or "cash equivalents" and how to report changes in the fair value of investments. The Statement also provides guidance on the reporting of investment pools, including disclosures regarding the pooling arrangement, the type of investments, and the risks associated with the investments.

Additionally, the Statement establishes requirements for the reporting of investment income, including interest, dividends, and realized and unrealized gains or losses. The goal is to provide users of financial statements with relevant and reliable information that reflects the financial position and performance of governmental investments and investment pools.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Management is evaluating whether the implementation of this statement will have a material effect on the financial statements.

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Notes to Financial Statements, Continued

September 30, 2023 and 2022

(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 2023 and 2022 consist of the following:

<u>Description</u>	<u>2023</u>	<u>2022</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):	\$ 933,389	912,731
Less accumulated depreciation	<u>(861,061)</u>	<u>(827,160)</u>
Net capital assets	72,328	85,571
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:		
Annual leave liability	(125,189)	(114,324)
Receivable from CNMI that is not available within 60 days after year end	<u>1,056,744</u>	<u>1,056,743</u>
Net adjustment	\$ <u>1,003,883</u>	<u>1,027,990</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:

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Notes to Financial Statements, Continued

September 30, 2023 and 2022

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

<u>Description</u>	<u>2023</u>	<u>2022</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	\$ 10,865	(23,117)
Capital outlays reported in the fund statements	20,658	70,487
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.	(33,900)	(29,312)
Net adjustments	\$ <u>2,377</u>	<u>18,058</u>

(3) BUDGETARY INFORMATION

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

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 purposes of the statements of net position, the MVA considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

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Notes to Financial Statements, Continued

September 30, 2023 and 2022

(4) CASH IN BANK AND ON HAND, Continued

At September 30, 2023 and 2022 cash and cash equivalents consist of the following:

	<u>2023</u>	<u>2022</u>
Petty cash and other currency	\$ 803	803
Cash in bank	<u>10,544,382</u>	<u>19,604,624</u>
	<u>\$ 10,545,185</u>	<u>19,605,427</u>

(5) RECEIVABLE FROM THE CNMI GOVERNMENT

The CNMI Government appropriated a total of \$1,550,846 and \$3,440,169 for MVA's operational use for the years 2023 and 2022, respectively, under the Appropriations Budget Authority Act of 2023 (Public Law 23-04), 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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Due from CNMI government, beginning	\$ 1,890,826	1,419,354
CNMI appropriation and entitlement	<u>1,454,108</u>	<u>3,911,641</u>
Sub-total	3,344,934	5,330,995
Collections:		
For prior year's appropriation and entitlement	-	(1,093,819)
For current year's appropriations and entitlement	<u>(1,550,846)</u>	<u>(2,346,350)</u>
Sub-total	<u>(1,550,846)</u>	<u>(3,440,169)</u>
Due from CNMI government, net	<u>\$ 1,794,088</u>	<u>1,890,826</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:

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Notes to Financial Statements, Continued

September 30, 2023 and 2022

(6) INVESTMENTS AT FAIR VALUE, Continued

- 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. For the years ended September 30, 2023 and 2022, MVA had no investments.

(7) DEFERRED INFLOWS OF RESOURCES

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

(8) NONCURRENT LIABILITIES

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

	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 114,324	137,441
Additional accrual	48,021	97,677
Annual leave used	<u>(37,156)</u>	<u>(120,794)</u>
Ending balance	125,189	114,324
Due within one year	25,038	22,865
Due in more than one year	\$ <u>100,151</u>	<u>91,459</u>

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Notes to Financial Statements, Continued

September 30, 2023 and 2022

(9) CHANGES IN CAPITAL ASSETS

The following is a summary of changes in capital assets for the fiscal years ended September 30, 2023 and 2022:

	Balance October 1, 2022	<u>September 30, 2023</u>		Balance September 30, 2023
		Additions Transfer	Deletions Retirements	
Vehicle and equipment	\$ 319,316	12,500	-	331,816
Office furniture, fixtures and equipment	244,978	-	-	244,978
Leasehold improvements	228,494	-	-	228,494
Maintenance equipment	<u>119,943</u>	<u>8,158</u>	<u>-</u>	<u>128,101</u>
	912,731	20,658	-	933,389
Less accumulated depreciation and amortization:				
Vehicle and equipment	317,809	4,007	-	321,816
Office furniture, fixtures and equipment	229,650	5,833	-	235,483
Leasehold improvements	170,902	9,392	-	180,294
Maintenance equipment	<u>108,799</u>	<u>14,669</u>	<u>-</u>	<u>123,468</u>
	827,160	33,900	-	861,061
Governmental activities capital assets, net	<u>\$ 85,571</u>	<u>(13,242)</u>	<u>-</u>	<u>72,328</u>

	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>-</u>	<u>119,943</u>
	842,245	70,486	-	912,731
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>-</u>	<u>108,799</u>
	797,848	29,312	-	827,160
Governmental activities capital assets, net	<u>\$ 44,397</u>	<u>41,174</u>	<u>-</u>	<u>85,571</u>

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

Notes to Financial Statements, Continued

September 30, 2023 and 2022

(9) CHANGES IN CAPITAL ASSETS, Continued

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

(10) RISK MANAGEMENT

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

(11) COMMITMENTS AND CONTINGENCIES

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 \$134,151 and \$77,500 for the years ended September 30, 2023 and 2022, respectively.

B. Professional Services

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

At September 30, 2023, the minimum future contract fees are as follows:

Years ending September 30:	
2024	\$ 47,063
2025	<u>51,855</u>
	\$ <u>98,918</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.

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

Notes to Financial Statements, Continued

September 30, 2023 and 2022

(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 his or her 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, 2023 and 2022 totaled \$12,736 and \$14,327, equal to the required yearly contribution.

Members of the DC Plan who have completed five years of government service have a vested balance of 100% of both member and employer contributions plus any earnings thereon.

Unremitted Employer Contribution prior to September 30, 2013

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

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

Notes to Financial Statements, Continued

September 30, 2023 and 2022

(12) RETIREMENT PLAN, Continued

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, 2023 and 2022, the MVA recorded donated goods and services of \$1,000 and \$1,160, respectively.

(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.

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

Notes to Financial Statements, Continued

September 30, 2023 and 2022

(15) CONCENTRATION OF CREDIT RISK, Continued

At September 30, 2023 and 2022 the carrying amount of MVA's total cash and cash equivalents (excluding petty cash) was \$10,544,382 and \$19,604,624, respectively. The corresponding bank balances as of September 30, 2023 and 2022 were \$10,538,082 and \$18,651,236, respectively, of which \$500,000 for each year was covered under 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 the 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 years ended September 30, 2023 and 2022, respectively.

For the years ended September 30, 2023 and 2022 the MVA expended \$9,718 and \$22,890 respectively to support other CNMI government agencies.

(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.

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.

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

Notes to Financial Statements, Continued

September 30, 2023 and 2022

(18) COVID-19, Continued

While the industry adjusts to the “new normal”, preparing the destination with tourist resumption plans to continue to 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 January 6, 2026, 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, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Hotel occupancy tax entitlement, net of PL 22-08	\$ -	-	-	-
CNMI appropriation (net of 1% OPA fee)	1,550,872	1,550,872	1,550,846	(26)
Special events	-	-	22,466	22,466
Membership dues	-	-	19,587	19,587
In-kind contributions	-	-	1,000	1,000
Other income	-	-	2,449	2,449
Memorial trust income	-	-	6,725	6,725
Interest income	-	-	109	109
Tour guide certification	-	-	-	-
	<u>1,550,872</u>	<u>1,550,872</u>	<u>1,603,182</u>	<u>52,310</u>
Total revenues				
Expenditures:				
Promotion and advertising	632,880	854,293	12,497,458	(11,643,165)
Personnel service	1,582,119	1,582,119	1,082,526	499,593
Rental	161,850	161,850	134,151	27,699
Destination enhancement	173,968	193,647	248,140	(54,493)
Travel	107,959	107,959	68,347	39,612
Support to other government agencies	10,000	10,000	9,718	282
Professional fees	94,663	94,663	74,393	20,270
Insurance	35,455	35,455	17,939	17,516
Utilities	42,343	42,343	23,924	18,419
Capital expenditures including MVA office	36,000	36,000	20,658	15,342
Communications	25,614	25,614	16,267	9,347
Office equipment, rentals, repairs	13,380	13,380	15,553	(2,173)
Office supplies	12,551	12,551	8,596	3,955
Maintenance supplies	16,993	16,993	9,336	7,657
Printing and publications	28,502	30,002	25,339	4,663
Fuel and lubrication	19,779	19,779	16,203	3,576
In-kind contribution of promotion and advertising	-	-	-	-
Computer systems and equipment	36,000	36,000	9,452	26,548
Repairs and maintenance	38,675	18,675	9,287	9,388
Tour guide certification	5,000	3,500	-	3,500
Bank charges and penalties	-	-	2,876	(2,876)
Dues and subscriptions	1,621	1,621	632	989
Postage and freight	1,500	2,300	701	1,599
Miscellaneous	4,000	9,255	1,267	7,988
Staff development training	5,000	5,000	240	4,760
	<u>3,085,852</u>	<u>3,312,999</u>	<u>14,293,003</u>	<u>(10,980,004)</u>
Total expenditures				
Excess of expenditures over revenue	(1,534,980)	(1,762,127)	(12,689,821)	(10,927,694)
Federal grants (ARPA and CDBG-DR funded marketing program)	-	-	11,758,080	11,758,080
Assigned fund balance, beginning of year	-	7,990,743	7,990,743	-
Assigned fund balance, end of year	\$ (1,534,980)	6,228,616	7,059,002	830,386

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, 2023 and 2022

	General Government	Marketing	Advertising	Destination Enhancement	Support to other government agency	Depreciation	Total 2023	Total 2022
Advertising and marketing	\$ -	12,048,133	449,325	-	-	-	12,497,458	3,390,280
Personnel service	1,093,391	-	-	-	-	-	1,093,391	1,261,421
Rental	134,151	-	-	-	-	-	134,151	77,500
Depreciation	-	-	-	-	-	33,900	33,900	29,312
Destination enhancement	-	-	-	248,140	-	-	248,140	164,482
Travel	68,347	-	-	-	-	-	68,347	26,905
Support to other government agency	-	-	-	-	9,718	-	9,718	22,890
Professional fees	74,393	-	-	-	-	-	74,393	65,055
Insurance	17,939	-	-	-	-	-	17,939	28,364
Utilities	23,924	-	-	-	-	-	23,924	32,581
Communications	16,267	-	-	-	-	-	16,267	21,568
Office equipment, rental, repairs	15,553	-	-	-	-	-	15,553	10,465
Office supplies	8,596	-	-	-	-	-	8,596	10,484
Maintenance supplies	9,336	-	-	-	-	-	9,336	17,609
Printing and publication	25,339	-	-	-	-	-	25,339	25,246
Fuel and lubrication	16,203	-	-	-	-	-	16,203	15,676
In-kind contributions	-	-	-	-	-	-	-	1,160
Computer systems and equipment	9,452	-	-	-	-	-	9,452	6,744
Repairs and maintenance	9,287	-	-	-	-	-	9,287	50,165
Tourist guide certification	-	-	-	-	-	-	-	-
Bank charges and penalties	2,876	-	-	-	-	-	2,876	4,807
Dues and subscriptions	632	-	-	-	-	-	632	1,094
Postage and freight	701	-	-	-	-	-	701	1,192
Miscellaneous	1,267	-	-	-	-	-	1,267	-
Staff development training	240	-	-	-	-	-	240	-
Total expenditures	\$ <u>1,527,894</u>	<u>12,048,133</u>	<u>449,325</u>	<u>248,140</u>	<u>9,718</u>	<u>33,900</u>	<u>14,317,110</u>	<u>5,265,000</u>

See independent auditor's report.

**INDEPENDENT AUDITOR'S REPORTS ON
INTERNAL CONTROL AND ON COMPLIANCE**

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

YEAR ENDED SEPTEMBER 30, 2023

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, 2023, and the related notes to the financial statements, which collectively comprise Marianas Visitors Authority's basic financial statements, and have issued our report thereon dated January 16, 2026.

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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001, 2023-002 and 2023-003 that we consider to be significant deficiencies.

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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*.

Marianas Visitors Authority's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the MVA's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The MVA's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Buysen Comer & Associates

Saipan, MP 96950
January 16, 2026

**AUDIT REPORTS UNDER
UNIFORM GUIDANCE**

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

YEAR ENDED SEPTEMBER 30, 2023

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, 2023. 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, 2023.

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.

Bryan Comer & Associates

Saipan, MP 96950
January 16, 2026

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

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2023

Federal Agency (Pass-Through Agency)	Federal Program	Assistance Listing	Other Award Number	Expenditures			Passed- Through to
				From Pass- Through	From Direct Awards	Total	
U.S. Department of Treasury: (CNMI Government)	COV19 Coronavirus Relief Fund/Coronavirus State Fiscal Recovery Fund and the Coronavirus Local Fiscal Recovery Fund established under the American Rescue Plan Act (ARPA)	21.027		10,660,502	-	10,660,502	-
	Total U.S. Department of Treasury			10,660,502	-	10,660,502	-
U.S. Department of Housing and Urban Development (HUD): (Northern Marianas Housing Corporation)	Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.269		\$ 1,097,578	-	1,097,578	-
	Total U.S. Department of Housing and Urban Development (HUD)			1,097,578	-	1,097,578	-
Total Expenditures of Federal Awards				\$ 11,758,080	\$ -	\$ 11,758,080	\$ -

See accompanying notes to the schedule of expenditure 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, 2023

(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, 2023. 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 2023, 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 \$10,660,502 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).

(5) ASSISTANCE LISTING NUMBER 14.269

Expenditures for Assistance Listing Number (ALN) 14.269 in the amount of \$1,097,578 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 Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR).

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Schedule of Findings and Questioned Costs
Year Ended September 30, 2023

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:	Unqualified	
Internal Control over Financial Reporting:		
• Were material weakness(es) identified?	___ Yes	___ <u>x</u> No
• Were significant deficiency(ies) identified that are not considered to be material weaknesses?	___ <u>x</u> Yes	___ None Reported
Non-compliance material to financial statements noted?	___ Yes	___ <u>x</u> No

Federal Awards

Internal Control over Major Federal Programs:		
• Material weakness(es) identified?	___ Yes	___ <u>x</u> No
• Were significant deficiency(ies) identified that are not considered to be material weaknesses?	___ Yes	___ <u>x</u> None Reported

Type of auditors’ report issued on compliance for Major Federal Program:

- | | |
|---|-------------|
| • 21.027 Coronavirus State and Local Fiscal Recovery Funds | Unqualified |
| • 14.269 Community Development Block Grant Disaster Recovery Grants (CDBG-DR) | Unqualified |

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Schedule of Findings and Questioned Costs
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SECTION I – SUMMARY OF AUDITOR’S RESULT, continued

Federal Awards, continued

Are there any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? x Yes No

Identification of Major Programs

AL No.	Description	Federal Expenditures
21.027	Coronavirus State and Local Fiscal Recovery Funds	\$ 10,660,502
14.269	Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	<u>1,097,578</u>
	Total Major Program Expenditures	<u>\$ 11,758,080</u>
Total Federal Expenditures		<u>\$ 11,758,080</u>
Percentage of Federal Expenditures tested as Major Programs		<u>100.00%</u>

Dollar threshold used to distinguish between Type A and Type B Programs: \$750,000

Did the auditee qualify as low-risk? Yes x No

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Schedule of Findings and Questioned Costs
Year Ended September 30, 2023

SECTION II – FINANCIAL STATEMENTS FINDINGS

Finding No. 2023-001

Area: Procurement
Repeat Finding from Prior Audit? No
Finding Type: Significant Deficiency in Internal Control

Criteria:

According to MVA’s internal procurement policies and procedures, the procurement process must include sufficient transparency and competition to ensure fair vendor selection. Specifically:

- a. Publication of notice in a newspaper of general circulation in the Commonwealth once in each week over a period of 30 calendar days shall be deemed to be adequate notice.
- b. A contract may be awarded when the supplies or services to be rendered are unique and the Managing Director determines it is in the best interest of the Bureau to procure the supplies or services without competitive bidding. A written justification for the sole source procurement shall be prepared by the contracting officer and the written determination shall state the unique capabilities required and why they should be procured without competition bidding.
- c. When the contracting officer determines in writing that the use of a competitive sealed bidding is either not practical or not advantageous to the Bureau, a contract may be entered by competitive sealed proposals.

Condition:

- a. For 1 or 7% of the 15 contracts tested, the numeric consideration for payment does not match its worded amount.

Contract Number
CT-23-2031

- b. For 4 or 27% of the 15 contracts tested, no written determination from the Managing Director and contracting officer to support the uniqueness of the goods and/or services as the best interest of the MVA to conduct a sole source procurement instead of a competitive sealed bidding.

Contract Number
CT-23-2303
CT-22-2054
CT-23-2302
CT-22-2049

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Schedule of Findings and Questioned Costs
Year Ended September 30, 2023

SECTION II – FINANCIAL STATEMENTS FINDINGS, continued

Finding No. 2023-001, continued

- c. For 7 or 47% of the 15 contracts tested, no written justification for the use of Competitive Sealed Bidding as impractical and to use competitive sealed proposal procedure instead.

<u>Contract Number</u>
CT-21-2024
CT-21-2026
CT 21-2030
CT 23-2030
CT-21-2028
CT-22-2048
CT-22-2051

- d. For 3 or 20% of the 15 contracts tested, public notice was not done at least once (1) per week over a minimum of 30 days.

<u>Contract Number</u>	<u>Days of Public Notice</u>
CT 23-2030	21
CT-22-2051	14
CT-22-2048	14

Cause:

The procurement timelines were not effectively managed, causing public notices to be posted for fewer than the mandated 30 days and shortening the bidding periods. The contracting officer failed to provide proper written justification for the method of source selection for contracting goods and services. This points to a failure in the internal control systems designed to ensure compliance with procurement rules.

The public notice postings were not properly monitored for the required 30-day advertising requirement and the improper application of the procurement method for its contracts. These issues indicate a lapse in the internal control process intended to ensure compliance with procurement requirements.

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SECTION II – FINANCIAL STATEMENTS FINDINGS, continued

Finding No. 2023-001, continued

Effect:

Failing to fully comply with the 30-day public notice and bidding period may have restricted vendor participation and lead to a decrease in transparency of the procurement process. This noncompliance raises the risk of vendor disputes, questions about the fairness of the process, and potential legal issues for the MVA. Lack of competition often results in higher prices or suboptimal terms. The use of sole source contracts without proper justification, when a competitive process is required, can lead to the organization paying more for goods or services.

Recommendation:

MVA should strengthen its internal control procedures for procurement by implementing a more rigorous process to ensure compliance with its procurement policies. This can be achieved by:

1. To ensure compliance with procurement methods and timeline requirements by enhancing internal monitoring and review procedures.
2. Providing targeted training for procurement personnel on applicable policies and procedures.
3. Implementing standardized checklists to verify adherence to required public notice and bidding periods.
4. Use a multi-step approval process for procurement method selection, requiring justification and sign-off from different levels of management.

Views of the Officials:

Management will improve upon the review process during draft phases and final versions by implementing standard measures to ensure accuracy and consistency.

Management will adhere to regulations and ensure such errors does not persist. Procurement division will create and utilize an improved process that includes checklists, templates, and other quality assurance measures that avoid clerical errors and support rule following.

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Schedule of Findings and Questioned Costs
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SECTION II – FINANCIAL STATEMENTS FINDINGS, continued

Finding No. 2023-002

Area: Payroll
Repeat Finding from Prior Audit? No
Finding Type: Significant Deficiency in Internal Control

Criteria:

MVA personnel, including employees and the executive are required to have a Notice of Personnel Action (NPA) to record and communicate personnel-related decisions within the organization. The form serves as an official record of any action taken regarding an employee's status or position within the organization. The NPA can be used for a variety of personnel actions, such as promotions, reassignments, terminations, salary changes, and/or the establishment of benefits—including the accrual of leave. To ensure transparency, accountability, and compliance with financial policies, MVA has established formal Personnel Regulation procedures, which require:

- a. No person shall report to work or receive a salary unless an appropriate personnel action has been approved by the managing director.
- b. Retroactive personnel actions shall not be made unless approved by the Personnel Committee prior to commencement of such action.

These controls are in place to safeguard MVA's financial integrity, prevent errors or misstatements, and ensure that payroll expenditures are properly authorized, documented, and accounted for.

Condition:

- a. For 12 or 36% of the 33 Notice of Personnel Actions tested, no explicit effective date was stated.

Employee Number	
168060	168010
168061	168030
168062	168009
168035	168067
168051	168002
168011	168052

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SECTION II – FINANCIAL STATEMENTS FINDINGS, continued

Finding No. 2023-002, continued

- b. For 22 or 64% of the 33 Notice of Personnel Actions tested, the Managing Director signed after the effective date.

Employee Number	
168066	168067
168035	168053
168005	168072
168073	168045
168068	168063
168070	168069
168008	168002
168051	168055
168003	168071
168011	168052
168009	168067

- c. For 2 or 6% of the 33 Notice of Personnel Actions tested, a signature was missing by a required party.

Employee Number	Missing Signature
168002	Funds Certification
168067	Administrative Services Manager (HR)

Cause:

The timeline for approving the Notice of Personnel Action forms were not effectively managed, resulting in cases where the authorized officers and the Managing Director would sign on a much later date than the employees’ effective date of hire. Proper oversight and a signature of reviewed by the officers and Managing Director were not conducted. These scenarios point to a failure in the internal control systems designed to ensure compliance with personnel regulations.

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Year Ended September 30, 2023

SECTION II – FINANCIAL STATEMENTS FINDINGS, continued

Finding No. 2023-002, continued

Effect:

If hiring proceeds before authorization, it means the control designed to ensure proper approval was bypassed or ignored. This noncompliance can increase the risk of unauthorized or inappropriate hires (e.g., nepotism or hiring unqualified persons). This breach in the established approval procedures could lead to unbudgeted payroll expenses or liabilities if the hire is later deemed invalid.

Recommendation:

The MVA should implement stricter pre-employment authorization procedures to ensure compliance with its personnel regulations. This can be accomplished through:

1. The use of a Pre-employment Authorization Checklist to gather all the required signatures.
2. Providing awareness training to teach and remind human resources and managers on the importance of following approval procedures.
3. Requiring justification and written approval if hiring proceeds under exceptional circumstances.

Views of the Officials:

Management acknowledges the auditor's findings related to deficiencies in the processing and documentation of Personnel Actions (PAs). The following provides our detailed response to each subsection of the finding:

(a) Notice of Personnel Actions Lacking Explicit Effective Dates

The absence of explicit effective dates on certain PAs occurred during a period when the Administrative Services Manager position was vacant and another staff member was temporarily performing those duties. The individual preparing the PAs at the time may not have been aware that an effective date was required, may have had difficulty entering the effective date, or may not have realized it needed to be included.

Now that the Administrative Services Manager position is filled, effective dates are consistently included on all PAs. This issue has been corrected.

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SECTION II – FINANCIAL STATEMENTS FINDINGS, continued

Finding No. 2023-002, continued

(b) Delays in Processing Personnel Actions for New Hires

Management acknowledges the finding regarding delays in processing PAs for new hires. These delays resulted from HR waiting for employees to select their health, life, dental, and retirement benefits before completing the PA. This practice began several years ago when the Accounting Division requested that insurance information be incorporated into the PA. To avoid duplicating efforts and issuing multiple PAs, HR delayed preparation until benefit selections were finalized.

To correct this, PAs are now completed prior to the employee's start date, ensuring timely processing. Once the employee selects their benefits, the PA is updated accordingly. This revised procedure strengthens internal controls and prevents future delays.

(c) Multiple Signatures by the Same Individual

It is possible for a single individual to sign the same PA more than once in cases where that person legitimately holds multiple roles, such as immediate supervisor/manager, Administrative Services Manager, Chief Accountant, or Managing Director. In such instances, duplicate signatures reflect overlapping responsibilities rather than a control weakness.

(d) Missing Signatures in HR Files

Missing signatures within HR files may be due to the HR office not having copies of the original fully executed PAs. The absence of signatures in HR's records does not necessarily indicate that the PA itself was incomplete.

We have worked closely with the Deputy Managing Director and the Accounting Office to update and reconcile all personnel files. HR is actively ensuring that its records accurately reflect all required documentation moving forward.

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Year Ended September 30, 2023

SECTION II – FINANCIAL STATEMENTS FINDINGS

Finding No. 2023-003

Area:	Procurement
Repeat Finding from Prior Audit?	No
Finding Type:	Significant Deficiency in Internal Control

Criteria:

MVA Procurement Regulations contain procedures to be followed for processing purchase orders and identify the required documents. MVA’s procurement policies and procedures are as follows:

Purchases:

- a) For small purchases of \$1,000 or less, the Chair of the MVA Board delegates the expenditure and authority for purchases of \$1,000 or less to the Managing Director. MVA must obtain at least one price quotation.
- b) Purchases between \$1,000.01 and \$25,000. The Chair of the MVA Board is the expenditure authority for purchases between \$1,000.01 and \$10,000. MVA must obtain at least (3) quotations from vendors. If MVA is unable to obtain (3) quotations, must attach all corresponding emails and written justification documenting the circumstances, and for sole source contracts must submit justification letter approved by Managing Director.
- c) Purchase orders exceeding \$10,000 shall comply with Procurement Regulations by issuing Invitation to Bid, Request for Proposal, or justification for sole source contracts.
 - a. In addition, if the purchase is for Destination Enhancement is \$15,000.01 to \$25,000, the Chair of the MVA Board is the expenditure authority. MVA must obtain at least (3) quotations from vendors. If MVA is unable to obtain three (3) quotations, must attach all corresponding emails and written justification documenting the circumstances, and for sole source contracts must submit justification letter approved by Managing Director. Intentional splitting of procurement requirements to qualify as a destination enhancement purchase under this section is prohibited.
 - b. For Destination Enhancement purchases of \$15,000 or less, the expenditure authority is delegated to the Managing Director. MVA must obtain at least one (1) quotation from vendors and may use any reasonable methods to exercise best efforts.
 - c. MVA may use purchase orders for Destination Enhancement of \$5,000 or less and must maintain a destination purchase enhancement log.

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SECTION II – FINANCIAL STATEMENTS FINDINGS

Finding No. 2023-003, continued

Condition:

- a. For 11 or 12% of the 93 tested, the Purchase Order was not authorized before the invoices were received.

<u>Purchase Order Number</u>	<u>Purchase Order Date</u>	<u>Invoice Date</u>
24448	11/7/2022	11/4/2022
24445	11/2/2022	10/1/2022 9/1/2022
25141	8/3/2023	7/31/2023
24533	12/16/2022	12/15/2022 12/15/2022 12/15/2022
24403	10/21/2022	10/6/2022 10/6/2022 10/6/2022 10/20/2022 10/20/2022 10/20/2022 10/20/2022 10/20/2022
25087	6/9/2023	6/2/2023
24377	10/20/2022	10/5/2022
24542	1/3/2023	12/2/2022

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SECTION II – FINANCIAL STATEMENTS FINDINGS, continued

Finding No. 2023-003, continued

		12/15/2022
		12/16/2022
		12/17/2022
		12/18/2022
		12/19/2022
24585	3/14/2023	12/20/2022
		12/21/2022
		12/22/2022
		12/23/2022
		12/24/2022
		12/25/2022
		12/26/2022
25142	8/4/2023	8/1/2023
25177	8/31/2023	8/24/2023

- b. For 1 or 1% of the 93 tested, the Purchase Order was not authorized prior to the issuance of a check/payment.

Purchase Order Number
024445

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SECTION II – FINANCIAL STATEMENTS FINDINGS, continued

Finding No. 2023-003, continued

- c. For 12 or 13% of the 93 tested, for the following Purchase Orders which were greater than \$10,000, we did not see evidence of an Invitation for Bid, Request for Proposals, or a Sole Source procurement with signed justification from the Managing Director.

Purchase Order Number	Purchase Order Amount
024490	23,600.00
024999	18,560.00
024424	14,360.00
024959	14,450.00
024960	14,000.00
024379	25,000.00
024967	19,500.00
025058	16,000.00
025141	15,000.00
025184	15,000.00
025072	12,098.00
025140	12,000.00

- d. For 9 or 10% of the 93 tested, Purchase Orders appear to be split to circumvent other procurement processes.

Purchase Order Number	Description	Purchase Order Amount
24448	Labor for Christmas Illumination project 2022	2,280
24491	Christmas Illumination Project Manpower	2,640
24490	Manpower/Installation of Sculptures	23,600
24482	Picket Fence for Christmas in the Marianas Illumination Project.	3,400
24424	Christmas in the Marianas (CITM) booth construction, disassembly, and return of materials to warehouse.	14,360
24999	2023 Taste of the Marianas Booth Installation	18,560

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SECTION II – FINANCIAL STATEMENTS FINDINGS, continued

Finding No. 2023-003, continued

24992	2023 Taste of the Marianas Arch & Booth Installation (Electrical)	7,400
24990	24ftx10ft LED Screen Rental for June 3, 10, 17, & 24, 2023 -- 24th Taste of the Marianas 2023	8,000
24960	Professional sound system and Stage system for the Taste of the Marianas 2023	14,000

- e. For 12 or 13% of the 93 tested, there was no justification from Managing Director for having less than three Quotations solicited for Small Purchases of \$1,000.01 to \$10,000.

Purchase Order Number	Purchase Order Amount
25079	5,666
24418	6,000
24493	8,755
24535	1,635
24942	1,760
24996	3,598
24492	5,000
24533	3,600
24453	4,800
24403	4,800
24411	2,000

Cause:

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

Effect:

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

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SECTION II – FINANCIAL STATEMENTS FINDINGS, continued

Finding No. 2023-003, continued

Recommendation:

MVA should document its compliance with its procurement policies to ensure that MVA can demonstrate that it adhered to the established requirements. Authorized purchased orders should have proper supporting documents as evidence of proper oversight over the procurement process. MVA can accomplish this by having a staff member maintain a log sheet for purchases. A person at a higher level than the preparer of the log sheet should review the log sheet periodically to ensure that procurement policies were properly followed and documented.

Views of the Officials:

The MVA continues to work with legal advisors and the Board of Directors to undergo appropriate responses and procedures to address purchases made in error during this timeframe and beyond that have exceeded the threshold for small purchases listed in MVA-90-20-210. Moving forward, management has committed to adhering to these rules and regulations through improving processes and quality assurances. Management will perform re-training with Staff and Management to improve this process and prevent future occurrences of the same errors.

MVA 90-20-240 c) states “MVA may make destination enhancement purchases of \$15,000 or less by any commercially reasonable method... If the destination enhancement purchase is for \$5,000 or less, MVA may use a purchase order for the transaction.” A purchase order is considered to be a part of “any commercially reasonable method.” As for the \$5,000 or less, the verbiage states “may use a purchase order” which does not restrict the usage of purchase orders for other thresholds.

Regardless, the MVA will continue to improve upon its processes towards the utilization of this rule to avoid ambiguous usage and errors overall.