

**MARSHALL ISLANDS VISITORS AUTHORITY**  
**(A COMPONENT UNIT OF THE REPUBLIC OF**  
**THE MARSHALL ISLANDS)**

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**FINANCIAL STATEMENTS**  
**AND**  
**INDEPENDENT AUDITORS' REPORT**

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**YEAR ENDED SEPTEMBER 30, 2017**

**MARSHALL ISLANDS VISITORS AUTHORITY  
(A COMPONENT UNIT OF THE REPUBLIC OF THE MARSHALL ISLANDS)**

Year Ended September 30, 2017  
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## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Marshall Islands Visitors Authority:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Marshall Islands Visitors Authority (MIVA), a component unit of the Republic of the Marshall Islands, which comprise the statement of net position as of September 30, 2017, and the related statement of revenues, expenses and changes in net position and of cash flows for the year then ended, and the related notes to the financial statements.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Marshall Islands Visitors Authority as of September 30, 2017, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

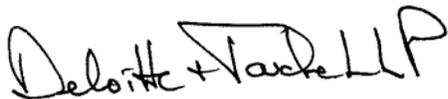
## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 5 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2018, on our consideration of MIVA'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 MIVA'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 MIVA's internal control over financial reporting and compliance.



June 22, 2018

## MARSHALL ISLANDS VISITORS AUTHORITY

Management's Discussion and Analysis  
September 30, 2017

### KEY ACHIEVEMENTS IN 2017

- An unqualified opinion received from the independent auditor's report after 2 years;
- Full operational website; <http://www.visitmarshallislands.org/>
- Full operational Facebook page <https://www.facebook.com/visitmarshallislands/>
- Number of visitors increased by 118.50% due to frequent engagements in tourism events overseas
- MIVA was able to conduct 6 trainings in tourism in FY2017.
- A monthly payment method was designed to settle long outstanding payables from previous years. MIVA paid 95% of long outstanding liabilities to affiliates and other relevant vendors as of FY17.

### FINANCIAL HIGHLIGHTS

MIVA's net position decreased by \$42,653 or 161% from a net deficiency of \$26,430 in 2015 to \$69,083 in 2016 and increased by \$72,166 or 104% from a net deficiency of \$69,083 in 2016 to a net position of \$3,083 in 2017. Net operating revenues increased by \$23,680 or 8% from \$289,809 in 2015 to \$313,489 in 2016 and increased by \$90,757 or 29% from \$313,489 in 2016 to \$404,246 in 2017.

### FINANCIAL ANALYSIS OF MIVA

The Statement of Net Position (page 6) and the Statement of Revenues, Expenses, and Changes in Net Position (page 7) provide an indication of MIVA's financial condition. MIVA's net position reflects the difference between assets and liabilities. An increase in net position over time typically indicates an improvement in the financial condition of the organization.

A summary of MIVA's Statements of Net Position is presented below:

	<u>2017</u>	<u>2016</u>
Current assets	\$ 110,958	\$ 31,509
Capital assets	<u>-</u>	<u>5,842</u>
Total assets	\$ <u>110,958</u>	\$ <u>37,351</u>
Current liabilities	\$ <u>107,875</u>	\$ <u>106,434</u>
Net Position		
Net investment in capital assets	-	5,842
Unrestricted	<u>3,083</u>	<u>(74,925)</u>
Total net position	<u>3,083</u>	<u>(69,083)</u>
Total liabilities and net position	\$ <u>110,958</u>	\$ <u>37,351</u>

As indicated above, total assets increased by \$73,607 or 197% from \$37,351 in 2016 to \$110,958 in 2017. The net increase from 2016 to 2017 is comprised of an increase in cash and due from RepMar.

## MARSHALL ISLANDS VISITORS AUTHORITY

### Management's Discussion and Analysis September 30, 2017

Total liabilities reflect an increase of \$1,441 or 1% from \$106,434 in 2016 to \$107,875 in 2017. This amount is comprised mostly of an increase in payable to affiliates.

A summary of MIVA's Statement of Revenues, Expenses, and Changes in Net Position is presented below:

	<u>2017</u>	<u>2016</u>
Net operating revenues	\$ 404,246	\$ 313,489
Operating expenses	<u>332,080</u>	<u>356,142</u>
Change in net position	72,166	(42,653)
Net position at beginning of year	<u>(69,083)</u>	<u>(26,430)</u>
Net position at end of year	\$ <u>3,083</u>	\$ <u>(69,083)</u>

The Statement of Revenues, Expenses, and Changes in Net Position identify the various revenue and expense items that implicate the change in net position. As indicated above, MIVA's total net operating revenues increased by \$90,757 or 29% from \$313,489 in 2016 to \$404,246 in 2017. The increase in 2016 to 2017 was mainly due to an increase in contributions from RepMar and grants and contributions.

	<u>2017</u>	<u>2016</u>
Nitijela appropriation	\$ 352,400	\$ 290,160
Grants and contributions	37,843	-
Hotel room tax	9,600	11,208
Others	1,732	10,341
Provision for bad debts	<u>2,671</u>	<u>1,780</u>
	\$ <u>404,246</u>	\$ <u>313,489</u>

MIVA's total expenses decreased by \$24,062 or 7% from \$356,142 in 2016 to \$332,080 in 2017. The decrease in 2017 was mainly due to salaries and wages and miscellaneous expenses.

## MARSHALL ISLANDS VISITORS AUTHORITY

### Management's Discussion and Analysis September 30, 2017

Below is a list of the major components of operating expenses for MIVA in 2017 compared to 2016:

	<u>2017</u>	<u>2016</u>
Salaries and wages	\$ 111,133	\$ 176,142
Rent	13,980	8,400
Media Trips	-	-
Communications	15,652	5,748
Overseas tourism related events	59,096	16,057
Promotional materials	30,481	14,062
Tourism and environmental awareness	14,572	28,146
Others	<u>87,166</u>	<u>107,587</u>
	\$ <u>332,080</u>	\$ <u>356,142</u>

#### **CAPITAL ASSETS**

Net capital assets decreased by \$5,842 or 100% from \$5,842 in 2016 to \$0 in 2017. The decrease is a result of current year depreciation.

A summary of MIVA's investment in capital assets is presented below:

	2017	2016
Image library, motor vehicles, and equipment	\$ 79,746	\$ 79,746
Less accumulated depreciation	<u>(79,746)</u>	<u>(73,904)</u>
Net Capital Assets	\$ <u>-----</u>	\$ <u>5,842</u>

Please refer to note 3 to the accompanying financial statements for additional information concerning MIVA's capital assets.

#### **ADDITIONAL FINANCIAL INFORMATION**

This discussion and analysis is designed to provide MIVA's counterparts with an overview of MIVA's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request for additional information, please contact the Marshall Islands Visitors Authority, Finance Officer, at P.O. Box 5, Majuro, MH 96960.

# MARSHALL ISLANDS VISITORS AUTHORITY

## Statement of Net Position

September 30, 2017

### ASSETS

Current assets:

Cash	\$	36,850
Receivables:		
Hotel taxes		39,757
Due from RepMar		30,000
Other		5,435
		<u>75,192</u>
Less allowance for doubtful accounts		<u>(2,435)</u>
Total receivables, net		72,757
Other current assets		<u>1,351</u>
	\$	<u><u>110,958</u></u>

### LIABILITIES AND NET POSITION

Liabilities:

Payable to affiliates	\$	99,132
Other liabilities and accruals		8,743
Total liabilities		<u>107,875</u>
Commitments and contingencies		
Net position:		
Unrestricted		<u>3,083</u>
	\$	<u><u>110,958</u></u>

See accompanying notes to financial statements.

## MARSHALL ISLANDS VISITORS AUTHORITY

### Statement of Revenues, Expenses, and Changes in Net Position Year Ended September 30, 2017

Operating revenues:	
Nitijela appropriation	\$ 352,400
Grants and contributions	37,843
Hotel taxes	9,600
Other	1,732
Total operating revenues	<u>401,575</u>
Recovery of bad debts	<u>2,671</u>
Net operating revenues	<u>404,246</u>
Operating expenses:	
Salaries, wages and employee benefits	111,133
Overseas tourism related events	59,096
Promotional materials	30,481
Communications	15,652
Tourism and environmental awareness	14,572
Rent	13,980
Office supplies	11,600
Depreciation	5,842
Advertising	4,525
Housing	3,750
Marketing support	598
Miscellaneous	60,851
Total operating expenses	<u>332,080</u>
Change in net position	72,166
Net position at beginning of year	<u>(69,083)</u>
Net position at end of year	<u>\$ 3,083</u>

See accompanying notes to financial statements.

## MARSHALL ISLANDS VISITORS AUTHORITY

### Statement of Cash Flows Year Ended September 30, 2017

Cash flows from operating activities:	
Operating grants received	\$ 322,400
Other operating revenues	39,247
Cash payments to suppliers for goods and services	(40,115)
Cash payments to employees for services	(284,682)
	<hr/>
Net cash provided by operating activities	36,850
Cash at beginning of year	-
	<hr/>
Cash at end of year	\$ 36,850
	<hr/> <hr/>
Reconciliation of change in net position to net cash provided by operating activities:	
Change in net position	\$ 72,166
Adjustments to reconcile change in net position to net cash provided by operating activities:	
Depreciation	5,842
Recovery of bad debts	(2,671)
Increase in assets:	
Receivables:	
Hotel taxes	(9,599)
Due from RepMar	(30,000)
Other	(329)
(Decrease) increase in liabilities:	
Accounts payable	(5,989)
Payable to affiliates	7,430
	<hr/>
Net cash provided by operating activities	\$ 36,850
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See accompanying notes to financial statements.

# MARSHALL ISLANDS VISITORS AUTHORITY

Notes to Financial Statements  
September 30, 2017

## (1) Organization

The Marshall Islands Visitors Authority (MIVA), a component unit of the Republic of the Marshall Islands (RepMar), was established pursuant to the MIVA Act 1997 (Public Law No. 1997-43) and began operations as a statutory corporation on October 1, 1997 upon receiving its first operational budget. The objectives of MIVA are to develop and promote the natural, scenic, cultural, historical and recreational attractions of the Republic of the Marshall Islands. MIVA is primarily funded through operational appropriations from the Nitijela (the RepMar Legislature).

MIVA is regarded as having a two-level structure comprising an eight-member Board of Directors responsible for setting policy, strategy and financial guidelines for the operation of MIVA and a Secretariat responsible for the day-to-day operations of the organization.

MIVA's financial statements are incorporated into the financial statements of RepMar as a discretely presented component unit.

## (2) Summary of Significant Accounting Policies

GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 37, *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, establish standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net position categories:

- Net investment in capital assets - capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. MIVA has no net investment in capital assets at September 30, 2017.
- Restricted - net position whose use by MIVA is subject to externally imposed stipulations that can be fulfilled by actions of MIVA pursuant to those stipulations or that expire by the passage of time. MIVA has no restricted net position at September 30, 2017.
- 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.

### Basis of Accounting

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of the fund are included in the statement of net position. Proprietary fund operating statements present increases and decreases in net position. The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. MIVA considers Nitijela appropriations and operational grants and costs that are directly related to MIVA operations to be operating revenues and expenses. Revenues and expenses related to financing and other activities are reflected as nonoperating.

# MARSHALL ISLANDS VISITORS AUTHORITY

Notes to Financial Statements  
September 30, 2017

## (2) Summary of Significant Accounting Policies, Continued

### Cash

Custodial credit risk is the risk that in the event of a bank failure, MIVA's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name. MIVA does not have a deposit policy for custodial credit risk.

For purposes of the statement of net position and cash flows, cash is defined as cash on hand and cash held in demand accounts. As of September 30, 2017, the carrying amount of cash was \$36,850 and the corresponding bank balance was \$33,319, which is maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2017, bank deposits were fully FDIC insured.

### Receivables

All receivables are uncollateralized and are due from customers, both governmental agencies and hotelier businesses, located within the Republic of the Marshall Islands as well as inter-governmental organizations associated with the promotion of tourism in the Pacific region. The allowance for doubtful receivables is stated at an amount which management believes will be adequate to absorb possible losses on receivables that may become uncollectible based on evaluations of the collectability of these receivables and prior collection experience. The allowance is established through a provision for losses on receivables charged to expense.

### Capital Assets

Capital assets with a cost that equals or exceeds \$300 are capitalized. Such assets are stated at cost. Depreciation is calculated using the straight-line method based on the estimated useful lives of the respective assets. The estimated useful lives of these assets are as follows:

Motor vehicles	4 years
Image library	3 years
Computer and other equipment	3-5 years

### Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (deduction of net position) until then. MIVA has no items that qualify for reporting in this category.

### Compensated Absences

Vested or accumulated vacation leave is recorded as an expense and liability as the benefits accrue to employees. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. As of September 30, 2017, there is no accumulated vacation leave liability.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (additions to net position) until then. MIVA has no items that qualify for reporting in this category.

# MARSHALL ISLANDS VISITORS AUTHORITY

Notes to Financial Statements  
September 30, 2017

## (2) Summary of Significant Accounting Policies, Continued

### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Taxes

Corporate profits are not subject to income tax in the Republic of the Marshall Islands. The Government of the Republic of the Marshall Islands imposes a gross receipts tax of 3% on revenues. MIVA is specifically exempt from this tax.

### New Accounting Standards

During the year ended September 30, 2017, MIVA implemented the following pronouncements:

- GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, which aligns the reporting requirements for pensions and pension plans not covered in GASB Statements 67 and 68 with the reporting requirements in Statement 68.
- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and addresses financial reporting requirements for governments whose employees are provided with postemployment benefits other than pensions (other postemployment benefits or OPEB).
- GASB Statement No. 77, *Tax Abatement Disclosures*, which requires governments that enter into tax abatement agreements to disclose certain information about the agreements.
- GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*.
- GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*, which improves financial reporting by clarifying the financial statement presentation requirements for certain component units.
- GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*, which addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The implementation of these statements did not have a material effect on the accompanying financial statements.

## MARSHALL ISLANDS VISITORS AUTHORITY

Notes to Financial Statements  
September 30, 2017

### (2) Summary of Significant Accounting Policies, Continued

#### New Accounting Standards, Continued

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and provides guidance on reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The provisions in Statement No. 75 are effective for fiscal years beginning after June 15, 2017. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*, which improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The provisions in Statement No. 81 are effective for fiscal years beginning after December 15, 2016. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs) associated with the retirement of a tangible capital asset. The provisions in Statement No. 83 are effective for fiscal years beginning after June 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments. The provisions in Statement No. 84 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*, which address practice issues that have been identified during implementation and application of certain GASB Statements including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The provisions in Statement No. 85 are effective for fiscal years beginning after June 15, 2017. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt. The provisions in Statement No. 86 are effective for fiscal years beginning after June 15, 2017. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in Statement No. 87 are effective for fiscal years beginning after December 15, 2019. Management has yet to determine whether the implementation of this statement will have a material effect on the financial statements.

## MARSHALL ISLANDS VISITORS AUTHORITY

Notes to Financial Statements  
September 30, 2017

### (2) Summary of Significant Accounting Policies, Continued

#### Risk Management

MIVA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. MIVA has elected to purchase commercial insurance from independent third parties for the risks of loss to which it is exposed. Settled claims from these risks have not exceeded commercial insurance coverage for past three years.

### (3) Capital Assets

Capital asset activity for the year ended September 30, 2017 is as follows:

	October 1, <u>2016</u>	Additions and Transfers	September 30, <u>2017</u>
Motor vehicles	\$ 42,950	\$ -	\$ 42,950
Image library	737	-	737
Computer and other equipment	<u>36,059</u>	<u>-</u>	<u>36,059</u>
	79,746	-	79,746
Less accumulated depreciation	<u>(73,904)</u>	<u>(5,842)</u>	<u>(79,746)</u>
	<u>\$ 5,842</u>	<u>\$ (5,842)</u>	<u>\$ -</u>

### (4) Social Security Taxes Payable

At September 30, 2017, MIVA was liable for taxes, including certain delinquent taxes, payable to the Marshall Islands Social Security Administration (MISSA) in the amount of \$42,376. On October 7, 2015, MIVA and MISSA entered into a promissory note agreement for delinquent taxes in the initial amount of \$24,244. The terms of this agreement included monthly payments of \$2,100, inclusive of interest at 12% per annum, commencing October 30, 2015. As of September 30, 2017, amounts owed to MISSA under this promissory note agreement total \$10,245.

### (5) Related Party Transactions

MIVA is a component unit of RepMar and is thus affiliated with all RepMar-owned and affiliated entities. MIVA utilizes services from certain affiliated entities at substantially the same terms and conditions as those incurred from third parties. A summary of related party transactions as of and for the year ended September 30, 2017 is as follows:

	<u>Expenses</u>	<u>Payables</u>
Marshall Islands National Telecommunications Authority	\$ 15,652	\$ -
Marshall Islands Social Security Administration	9,579	42,376
Marshall Islands Energy Company, Inc.	8,400	2,800
RMI Ports Authority	5,580	-
RepMar	-	47,589
National Training Council	-	4,512
Others	<u>-</u>	<u>1,855</u>
	<u>\$ 39,211</u>	<u>\$ 99,132</u>

**MARSHALL ISLANDS VISITORS AUTHORITY**

Notes to Financial Statements  
September 30, 2017

(5) Related Party Transactions, Continued

During the year ended September 30, 2017, MIVA operations were funded by cash and non-cash appropriations of \$322,400 and \$30,000, respectively, from the RepMar Nitijela. Non-cash operating subsidy represents due from RepMar for the approved payment on behalf of MIVA for delinquent taxes to MISSA. A summary of RepMar cash appropriations by funding source received by MIVA for the year ended September 30, 2017 is as follows:

General Fund	\$ 272,800
ROC Taiwan	<u>49,600</u>
	\$ <u>322,400</u>

During the year ended September 30, 2017, MIVA operations were also funded by other grants and contributions of \$37,843 from RepMar and affiliated entities as follows:

RepMar-National Training Council	\$ 26,102
Marshall Islands Marine Resources Authority	<u>11,741</u>
	\$ <u>37,843</u>

RepMar levies a Hotel and Resort Facilities tax of 8% of the daily room rate on hotels and resort facilities in the Marshall Islands, of which 1/8 is dedicated for MIVA. The tax is collected by RepMar on a monthly basis. During the year ended September 30, 2017, MIVA recognized hotel tax revenues of \$9,600. As of September 30, 2017, hotel taxes receivable from RepMar amounted to \$39,757.

MIVA occupies certain office space owned by the Marshalls Energy Company, Inc. and a certain space owned by RMI Ports Authority, with monthly rent expense of \$700 and \$130, respectively, inclusive of all utilities and other maintenance costs.

(6) Contingency

MIVA receives a substantial amount of its revenue from annual RepMar appropriations. A significant reduction in the level of budgetary support from RepMar, if this were to occur, may have an effect on MIVA's tourism programs and activities. For the year ended September 30, 2018, RepMar appropriated funding to MIVA in the amount of \$325,000 for the purpose of funding tourism activities.

(7) Subsequent Event

On January 17, 2018, the RepMar Cabinet approved the merger of MIVA with the RMI Office of Commerce and Investment. On February 20, 2018, the Nitijela of RepMar enacted the Office of Commerce, Investment and Tourism (Amendment) Act, 2018, which repealed MIVA's enabling legislation and authorized the merger of MIVA with the RMI Office of Commerce and Investment.

**INDEPENDENT AUDITORS' 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**

Board of Directors  
Marshall Islands Visitors Authority:

We have audited, 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, the financial statements of the Marshall Islands Visitors Authority (MIVA), which comprise the statement of net position as of September 30, 2017, and the related statement of revenues, expenses and changes in net position and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 22, 2018.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered MIVA'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MIVA's internal control. Accordingly, we do not express an opinion on the effectiveness of MIVA'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

## Compliance and Other Matters

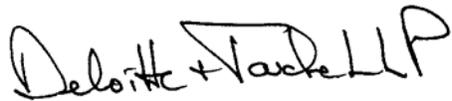
As part of obtaining reasonable assurance about whether MIVA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2017-001 through 2017-003.

## MIVA's Response to Findings

MIVA's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. MIVA's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## 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.

A handwritten signature in black ink that reads "Deloitte + Tatchell LLP". The signature is written in a cursive, stylized font.

June 22, 2018

**MARSHALL ISLANDS VISITORS AUTHORITY**

Schedule of Findings and Responses  
Year Ended September 30, 2017

Finding No. 2017-001

Local Noncompliance

Criteria: Sections 131 and 215 of the RepMar Social Security Act of 1990 and the Social Security Health Fund Act of 1991, respectively, state that no later than the tenth day after the end of each quarter, each employer shall submit to Social Security Administration report of wages and salaries paid by the employer, and the contributions due from the employer, under Sections 129 and 130, and 213, and 214, respectively, and pay into the Fund the contributions due.

Condition: MIVA filed and paid employer and employee contributions withheld for the year ended September 30, 2017 in a manner inconsistent with the criteria. Specifically, MIVA filed social security employer and employee contributions for the following quarters ended December 31, 2016 and March 31, 2017 as follows:

<u>Quarter Ended</u>	<u>Amount Owed</u>	<u>Due Date</u>	<u>Date Filed</u>
December 31, 2016	\$ 3,731	01/10/2017	01/30/2017
March 31, 2017	\$ 4,607	04/10/2017	04/12/2017

In addition, MIVA owed certain contributions covered under a promissory note agreement dated October 7, 2015. The promissory note agreement was negotiated by the former Finance Officer on behalf of MIVA. No documentation was provided authorizing the Finance Officer to negotiate on behalf of MIVA.

Cause: The cause of the above condition is lack of established policies and procedures that meet compliance with the Social Security Act of 1990 and the Social Security Health Fund Act of 1991.

Effect: The effect of the above condition is noncompliance with the Social Security Act of 1990 and the Social Security Health Fund Act of 1991.

Recommendation: We recommend that management comply with the Social Security Act of 1990 and the Social Security Health Fund Act of 1991.

Prior Year Status: Lack of compliance with the criteria was reported as a finding in the audit of MIVA for fiscal years 2012 through 2016.

Auditee Response and Corrective Action Plan: MIVA Management will comply with the Social Security Act of 1990 and Social Health Fund of 1991. The delays of payments were due to insufficient funding to MIVA and delayed subsidy quarterly collections from RepMar.

## MARSHALL ISLANDS VISITORS AUTHORITY

Schedule of Findings and Responses, Continued  
Year Ended September 30, 2017

### Finding No. 2017-002

#### Local Noncompliance

Criteria: 48 MIRC Chapter 1, Income Tax Act of 1989, Section 105, states that the employer shall once every four (4) weeks or thirteen times per year, pay taxes withheld under Section 104 under Chapter 1. The employer shall, along with the taxes, within two (2) weeks following the preceding four (4) week period make a full, true and correct return showing all wages and salaries paid by the employer to the employees during the preceding four (4) week period and showing the tax due and withheld thereon as provided in Section 104 of the Chapter.

Condition: MIVA filed and paid income taxes withheld for the year ended September 30, 2017 in a manner inconsistent with the criteria.

Cause: The cause of the above condition is the lack of policies and procedures to monitor timely filing of returns and payment of withheld income taxes.

Effect: The effect of the above condition is noncompliance with RepMar Income Tax Act of 1989, as amended.

Recommendation: We recommend that management establish policies and procedures to comply with the RepMar Income Tax Act of 1989, as amended.

Prior Year Status: The lack of compliance with the criteria was reported as a finding in the audit of MIVA for fiscal years 2013 through 2016.

Auditee Response and Corrective Action Plan: MIVA Management will ensure to file and pay income taxes withheld in a timely manner. This is also due to delays on disbursing subsidies from RepMar.

## MARSHALL ISLANDS VISITORS AUTHORITY

Schedule of Findings and Responses, Continued  
Year Ended September 30, 2017

### Finding No. 2017-03

#### Local Noncompliance

Criteria: RepMar's Procurement Code states the following:

- (a) Section 124 – unless otherwise authorized by law, all Government contracts shall be awarded by competitive sealed bidding.
- (b) Section 127 – procurement of goods and services not exceeding \$25,000 may be made in accordance with small purchase procedures promulgated by RepMar's Policy Office. Small purchase procedures are those relatively simple and informal methods for securing services, supplies, or other property that do not cost more than \$25,000. RepMar's Ministry of Finance has previously declared that if small purchase procedures are used, price or rate quotations shall be obtained from an adequate number of qualified sources.
- (c) Section 128 – a contract may be awarded for supply, service, or construction item without completion when it is determined in writing that there is only one source for the required supply, service, or construction them.

Condition: MIVA does not have a formal procurement policy requiring documentation indicating the history of procurement to be maintained on file.

Cause: The cause of the above condition is the lack of established policies and procedures requiring documentation of procurement procedures to comply with RepMar's Procurement Code.

Effect: The effect of the above condition is noncompliance with RepMar's Procurement Code.

Recommendation: We recommend that management establish policies and procedures to be in compliance with RepMar's Procurement Code.

Prior Year Status: The lack of compliance with the criteria was reported as a finding in the audit of MIVA for fiscal years 2015 and 2016.

Auditee Response and Corrective Action Plan: MIVA Management will establish policies and procedures to be in compliance with RepMar's Procurement code.

**MARSHALL ISLANDS VISITORS AUTHORITY**

Unresolved Prior Year Findings  
Year Ended September 30, 2017

The status of unresolved findings is discussed in the Schedule of Findings and Responses section of this report.