MARSHALL ISLANDS VISITORS AUTHORITY

(A COMPONENT UNIT OF THE REPUBLIC OF THE MARSHALL ISLANDS)

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2015 AND 2014

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

Years Ended September 30, 2015 and 2014
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Deloitte & Touche LLP
361 South Marine Corps Drive
Tamuning, GU 96913
USA

Tel: +1 (671) 646-3884
Fax: +1 (671) 649-4265

www.deloitte.com

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 statements of net position as of September 30, 2015 and 2014, and the related statements of revenues, expenses and changes in net position and of cash flows for the years 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 audits. 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. 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.

Deloitte.

Basis for Qualified Opinion

Because of the inadequacy of accounting records, we are unable to form an opinion regarding the amounts at which operating expenses are recorded in the accompanying statement of revenues, expenses, and changes in net position for the year ended September 30, 2015 (stated at $353,211).

Opinion

In our opinion, except for the matter described in the "Basis for Qualified Opinion" paragraph, 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, 2015 and 2014, and the results of its operations and its cash flows for the years 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 October 4, 2016, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MIVA's internal control over financial reporting and compliance.

Deloitte + Touche LLP

October 4, 2016

FINANCIAL HIGHLIGHTS

MIVA's net position decreased by $7,941 or 18% from $44,913 in 2013 to $36,972 in 2014 and decreased by $63,402 or 171% from $36,972 in 2014 to a net deficiency of $26,430 in 2015. Net operating revenues decreased by $85,961 or 23% from $375,770 in 2014 to $289,809 in 2015.

FINANCIAL ANALYSIS OF MIVA

The Statements of Net Position (page 6) and the Statements 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:

	2015	2014	2013
Current assets	$ 20,301	$ 68,607	$ 19,724
Capital assets	17,860	28,232	45,943
Total assets	$ 38,161	$ 96,839	$ 65,667
Current liabilities	$ 64,591	$ 59,867	$ 20,754
Net position:			
Net investment in capital assets	17,860	28,232	45,943
Unrestricted	(44,290)	8,740	(1,030)
Total net position	(26,430)	36,972	44,913
Total liabilities and net position	$ 38,161	$ 96,839	$ 65,667

As indicated above, total assets increased by $31,172 or 47% from $65,667 in 2013 to $96,839 in 2014, and decreased by $58,678 or 61% from $96,839 in 2014 to $38,161 in 2015. The net increase from 2013 to 2014 is comprised of an increase of $48,883 in current assets and a decrease of $17,711 in capital assets. The net decrease from 2014 to 2015 is comprised of a decrease of $48,306 in current assets and a decrease of $10,372 in capital assets. The decrease in current assets from 2014 to 2015 is comprised of a decrease in receivables from RepMar and hotel taxes.

Total liabilities reflect an increase of $39,113 or 188% from $20,754 in 2013 to $59,867 in 2014 and an increase of $4,724 or 8% from $59,867 in 2014 to $64,591 in 2015. These amounts comprise mostly of the accrual of expenses paid after the fiscal year together with social security and employee withholding taxes payable.

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

	2015	2014	2013
Operating revenues	$ 289,809	$ 375,770	$ 422,127
Operating expenses	353,211	383,711	533,407
Change in net assets	(63,402)	(7,941)	(111,280)
Net position at beginning of year	36,972	44,913	156,193
Net position at end of year	$ (26,430)	$ 36,972	$ 44,913

The Statements of Revenues, Expenses, and Changes in Net Position identify the various revenue and expense items that implicit the change in net position. As indicated above, MIVA's total operating revenues decreased by $46,357 or 11% from $422,127 in 2013 to $375,770 in 2014 and decreased by $85,961 or 23% from $375,770 in 2014 to $289,809 in 2015. The decrease in 2013 and 2014 was mainly due to a decrease in contributions from RepMar, hotel tax and other operating revenues. The decrease in 2014 and 2015 was mainly due to a decrease in contributions from RepMar.

	2015	2014	2013
Nitijela appropriation	$ 240,560	$ 322,400	$ 373,479
Grants and contributions	31,000	28,990	-
Hotel room tax	8,451	11,715	16,389
Others	16,684	12,665	32,259
Provision for bad debts	(6,886)	-	-
	$ 289,809	$ 375,770	$ 422,127

MIVA's total expenses decreased by $149,696 or 28% from $533,407 in 2013 to $383,711 in 2014 and decreased by $30,500 or 8% from $383,711 in 2014 to $353,211 in 2015. The decrease in 2015 was due to decreased promotional materials, media trips, marketing support and miscellaneous.

Below is a list of the major components of operating expenses for MIVA in 2015 compared to 2014 and 2013:

	2015	2014	2013
Salaries and Wages	$ 162,704	$ 145,118	$ 133,618
Rent	$ 8,400	$ 8,400	$ 8,400
Media Trips	$ 350	$ 14,033	$ 6,762
Communications	$ 7,992	$ 10,284	$ 11,275
Overseas tourism related events	$ 28,958	$ 17,461	$ 58,485
Promotional materials	$ 20,493	$ 39,300	$ 143,319
Tourism and environmental awareness	$ 53,267	$ 57,985	$ 54,952
Other	$ 71,047	$ 91,130	$ 116,596

The Management's Discussion and Analysis for the year ended September 30, 2014, is set forth in MIVA's report on the audit of financial statements, which is dated September 28, 2015. This Management's Discussion and Analysis explains the major factors impacting the 2014 financial statements and can be obtained from MIVA's Finance Manager via the contact information below.

CAPITAL ASSETS

Net capital assets decreased by $17,711 or 39% from $45,943 in 2013 to $28,232 in 2014 and decreased by $10,372 or 37% from $28,232 in 2014 to $17,860 in 2015. The decrease is a result of current year depreciation.

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

	2015	2014	2013
Image library, motor vehicles, and equipment	$ 79,746	$ 76,516	$ 110,793
Less accumulated depreciation	(61,886)	(48,284)	(64,850)
Net Capital Assets	$ 17,860	$ 28,232	$ 45,943

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

ADDITONAL 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 Manager, at P.O. Box 5, Majuro, MH 96960.

MARSHALL ISLANDS VISITORS AUTHORITY

Statements of Net Position
September 30, 2015 and 2014

ASSETS	2015	2014
Current assets:		
Cash	$ -	$ 1,392
Receivables:		
Due from RepMar	-	41,083
Hotel taxes	18,950	21,285
Other	6,886	3,496
	25,836	65,864
Less allowance for doubtful accounts	(6,886)	-
Total receivables, net	18,950	65,864
Other current assets	1,351	1,351
Total current assets	20,301	68,607
Capital assets, net	17,860	28,232
	$ 38,161	$ 96,839

LIABILITIES AND NET POSITION	2015	2014
Liabilities:		
Payable to affiliates	$ 54,865	$ 47,501
Other liabilities and accruals	9,726	12,366
Total liabilities	64,591	59,867
Commitments and contingencies		
Net position:		
Net investment in capital assets	17,860	28,232
Unrestricted	(44,290)	8,740
Total net position	(26,430)	36,972
	$ 38,161	$ 96,839

See accompanying notes to financial statements.

MARSHALL ISLANDS VISITORS AUTHORITY

Statements of Revenues, Expenses, and Changes in Net Position
Years Ended September 30, 2015 and 2014

	2015	2014
Operating revenues:		
Nitijela appropriation	$ 240,560	$ 322,400
Grants and contributions	31,000	28,990
Hotel taxes	8,451	11,715
Other	16,684	12,665
Total operating revenues	296,695	375,770
Provision for bad debts	(6,886)	-
Net operating revenues	289,809	375,770
Operating expenses:		
Salaries, wages and employee benefits	162,704	145,118
Tourism and environmental awareness	53,267	57,985
Overseas tourism related events	28,958	17,461
Promotional materials	20,493	39,300
Depreciation	13,602	18,406
Office supplies	9,873	9,560
Rent	8,400	8,400
Communications	7,992	10,284
Media trips	350	14,033
Marketing support	-	4,426
Housing	-	2,250
Advertising	-	2,078
Miscellaneous	47,572	54,410
Total operating expenses	353,211	383,711
Change in net position	(63,402)	(7,941)
Net position at beginning of year	36,972	44,913
Net position at end of year	$ (26,430)	$ 36,972

See accompanying notes to financial statements.

MARSHALL ISLANDS VISITORS AUTHORITY

Statements of Cash Flows
Years Ended September 30, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Operating grants received	$ 281,643	$ 281,317
Other operating revenues	55,080	45,570
Cash payments to suppliers for goods and services	(171,876)	(204,766)
Cash payments to employees for services	(163,009)	(121,426)
Net cash provided by operating activities	1,838	695
Cash flows from capital and related financing activities:		
Acquisition of fixed assets	(3,230)	(695)
Net change in cash	(1,392)	-
Cash at beginning of year	1,392	1,392
Cash at end of year	$ -	$ 1,392
Reconciliation of change in net position to net cash provided by operating activities:		
Change in net position	$ (63,402)	$ (7,941)
Adjustments to reconcile change in net position to net cash provided by operating activities:		
Depreciation	13,602	18,406
Provision for bad debts	6,886	-
(Increase) decrease in assets:		
Receivables:		
Due from RepMar	41,083	(41,083)
Hotel taxes	2,335	(4,304)
Other	(3,390)	(3,496)
(Decrease) increase in liabilities:		
Accounts payable	(2,640)	779
Payable to affiliates	7,364	38,334
Net cash provided by operating activities	$ 1,838	$ 695

See accompanying notes to financial statements.

(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*, which was subsequently amended by Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, and modified by Statement No. 38, *Certain Financial Statement Note Disclosures,* establish financial reporting standards for governmental entities, which require that management's discussion and analysis of the financial activities be included with the basic financial statements and notes and modifies certain other financial statement disclosure requirements.

To conform to the requirements of GASB Statement 34, equity is presented in the following net position categories:

- Net investment in capital assets; capital assets, net of accumulated depreciation, plus construction or improvement of those assets.

- Unrestricted; net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Estimates

The preparation of 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, 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.

(2) Summary of Significant Accounting Policies, Continued

Basis of Accounting

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the fund are included in the statements 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.

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 statements of net position and cash flows, cash is defined as cash on hand and cash held in demand accounts. As of September 30, 2015 and 2014, the carrying amounts of cash were $0 and $1,392, respectively, and the corresponding bank balances were $253 and $36,334, respectively, which are maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2015 and 2014, 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

(2) Summary of Significant Accounting Policies, Continued

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, deferred outflows of resources 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, 2015 and 2014, there is no accumulated vacation leave liability.

Deferred Inflows of Resources

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, deferred inflows of resources 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.

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 fiscal year 2015, MIVA implemented the following pronouncements:

- GASB S*tatement* No. 68, *Accounting and Financial Reporting for Pensions,* which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The implementation of this statement did not have a material effect on the accompanying financial statements.

- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, which improves accounting and financial reporting for state and local governments' combinations and disposals of government operations. Government combinations include mergers, acquisitions, and transfers of operations. A disposal of government operations can occur through a transfer to another government or a sale. The implementation of this statement did not have a material effect on the accompanying financial statements.

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

- GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of* GASB Statement No. 68, which addresses an issue regarding application of the transition provisions of Statement No. 68*, Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The implementation of this statement did not have a material effect on the accompanying financial statements.

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application,* which addresses accounting and financial reporting issues related to fair value measurements and requires entities to expand their fair value disclosures by determining major categories of debt and equity securities within the fair value hierarchy on the basis of the nature and risk of the investment. The provisions in Statement 72 are effective for fiscal years beginning after June 15, 2015. Management believes that the implementation of this statement only requires additional disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques and will not have a material effect on the financial statements of MIVA.

In June 2015, GASB issued 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. The provisions in Statement No. 73 are effective for fiscal years beginning after June 15, 2015, with the exception of the provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. Management does not believe that the implementation of this statement will have a material effect on the financial statements of MIVA.

In June 2015, GASB issued 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). The provisions in Statement No. 74 are effective for fiscal years beginning after June 15, 2016. Management does not believe that the implementation of this statement will have a material effect on the financial statements of MIVA.

(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 of MIVA.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which eliminates two of the four categories of authoritative GAAP that exist under the existing hierarchy prescribed by Statement 55. The two categories that will remain under the new standard are (1) GASB Statements and (2) GASB technical bulletins and implementation guides in addition to AICPA guidance that the GASB clears. The provisions in Statement No. 76 are effective for fiscal years beginning after June 15, 2015. Management does not believe that the implementation of this statement will have a material effect on the financial statements of MIVA.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*, which requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The provisions in Statement No. 77 are effective for fiscal years beginning after December 15, 2015. Management does not believe that the implementation of this statement will have a material effect on the financial statements of MIVA.

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 years ended September 30, 2015 and 2014 was as follows:

	October 1, 2014	Additions and Transfers	Retirements	September 30, 2015
Motor vehicles	$ 42,950	$ -	$ -	$ 42,950
Image library	737	-	-	737
Computer and other equipment	32,829	3,230	-	36,059
	76,516	3,230	-	79,746
Less accumulated depreciation	(48,284)	(13,602)	-	(61,886)
	$ 28,232	$ (10,372)	$ -	$ 17,860

	October 1, 2013	Additions and Transfers	Retirements	September 30, 2014
Motor vehicles	$ 42,950	$ -	$ -	$ 42,950
Image library	29,896	-	(29,159)	737
Computer and other equipment	37,947	695	(5,813)	32,829
	110,793	695	(34,972)	76,516
Less accumulated depreciation	(64,850)	(18,406)	34,972	(48,284)
	$ 45,943	$ (17,711)	$ -	$ 28,232

(4) 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 years ended September 30, 2015 and 2014 is as follows:

	2015	
	Expenses	Payables
Marshall Islands Social Security Administration	$ 11,592	$ 24,599
Marshall Islands National Telecommunications Authority	9,136	-
Marshalls Energy Company, Inc.	8,400	8,400
RepMar	95	20,011
Others	7,241	1,855
	$ 36,464	$ 54,865

(4) Related Party Transactions, Continued

	2014	
	Expenses	Payables
Marshall Islands Social Security Administration	$ 11,005	$ 24,904
Marshall Islands National Telecommunications Authority	10,284	-
Marshalls Energy Company, Inc.	8,400	8,400
RepMar	-	14,197
	$ 29,689	$ 47,501

During the years ended September 30, 2015 and 2014, the operations of MIVA were funded by appropriations from RepMar in the amounts of $240,560 and $322,400, respectively. As of September 30, 2015 and 2014, balances due and receivable from RepMar relative to these appropriations amount to $0 and $41,083, respectively.

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

(5) 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, 2016, RepMar appropriated funding to MIVA in the amount of $292,500 for the purpose of funding tourism activities.

Deloitte.

Deloitte & Touche LLP
361 South Marine Corps Drive
Tamuning, GU 96913
USA

Tel: +1 (671) 646-3884
Fax: +1 (671) 649-4265

www.deloitte.com

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, 2015, and the related statements 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 October 4, 2016. Our report was qualified for the inadequacy of accounting records over operating expenses.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2015-001 and 2015-002, which we consider to be material weaknesses.

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 2015-003 through 2015-005.

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.

Deloitte & Touche LLP

October 4, 2016

Finding No. 2015-001

Financial Reporting

Criteria: Timely financial reporting should be facilitated by an internal control structure conducive to the preparation and independent review of reconciliations of all significant general ledger accounts.

Condition: MIVA did not close fiscal year September 30, 2015 financial information (trial balance and subsidiary ledgers) until August 10, 2016.

Cause: The cause of the above condition is the lack of timely closing at year-end and the absence of timely reviews and reconciliations of significant general ledger accounts.

Effect: The trial balance was not timely provided for audit purposes.

Recommendation: We recommend that MIVA implement internal control procedures to facilitate more timely general ledger reconciliation processes.

Prior Year Status: The lack of timely preparation and reconciliation of general ledger accounts was reported as a finding in the audits of MIVA for fiscal years 2013 and 2014.

Auditee Response and Corrective Action Plan: MIVA will implement internal control procedures to facilitate more timely general ledger reconciliation processes and will recommend MIVA Board to approve Government Procedures in place.

Finding No. 2015-002

Non-payroll Expenses

Criteria: Non-payroll expenses should be supported by transactional source documentation. Also, per MIVA policy, employees are required to submit a travel expense report within two weeks after travel.

Condition: Source documentation was not made available for the following:

Check #	Account	Amount
8889	Travel expense	$ 3,260
8918	Travel expense	$ 872
8919	Travel expense	$ 872
8921	Travel expense	$ 872
8948	Travel expense	$ 1,056
9431	Travel expense	$ 2,612
9433	Travel expense	$ 2,855
9433	Travel expense	$ 1,674
9158	Tourism and environmental awareness expense	$ 1,769
9000	Miscellaneous	$ 1,815
9003	Miscellaneous	$ 2,688
9004	Miscellaneous	$ 1,688
9275	Miscellaneous	$ 2,174
9278	Miscellaneous	$ 1,452

Also, we noted long outstanding travel advances and expenses were not timely reported and liquidated.

Cause: The cause of the above condition is the lack of established policies and procedures requiring that source documentation be maintained.

Effect: The effect of the above condition is a possible misstatement of non-payroll expenses and a report modification concerning operating expenses.

Recommendation: We recommend that policies and procedures be established pertaining to non-payroll expenses. Further, we recommend management implement appropriate action encouraging compliance with MIVA policies concerning submission of travel expense liquidation report.

Prior Year Status: The lack of transactional source documentation was reported as a finding in the audits of MIVA for fiscal years 2013 and 2014.

Auditee Response and Corrective Action Plan: MIVA Management has established policies and procedures to ensure proper implementation of the 2011 MIVA Employee Handbook pertaining to non-payroll expense or Post Trip Reports of Expenses. MIVA Management will re-visit again the Employee Handbook for revision.

Finding No. 2015-003

Local Noncompliance

Criteria: 49 MIRC Chapter 1, Social Security Act of 1990, Section 131 state that no later than the tenth (10th) day after the end of each quarter, every employer, including every self-employed worker, shall (a) submit to the Administrator a report of the wages and salaries paid by him and the contributions due from him; and (b) pay into the Fund the contributions due.

Condition: MIVA filed and paid employer and employee contributions withheld for the year ended September 30, 2015 in a manner inconsistent with the criteria. Specifically, MIVA remitted social security employer and employee contributions for the following quarters ended December 31, 2014, March 30, 2015, June 30, 2015, and September 30, 2015 as follows:

Quarter Ended	Amount Owed	Due Date	Date Paid
December 31, 2014	$ 5,917	01/10/2015	10/27/2015 and 4/22/2016
March 31, 2015	$ 5,430	04/10/2015	4/22/2016 and 6/16/2016
June 30, 2015	$ 5,715	07/10/2015	Partial payment on 6/16/2016
September 30, 2015	$ 6,138	10/10/2015	n/a

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 establish policies and procedures to comply with the Social Security Act of 1990 and the Social Security Health Fund Act of 1991.

Prior Year Status: The lack of compliance with the criteria was reported as a finding in the audits of MIVA for fiscal years 2012 through 2014.

Auditee Response and Corrective Action Plan: MIVA Management will comply with the Social Security Act of 1990 and Social Security Health Fund Act of 1991. The lateness in payment was due to insufficient funding in MIVA account, due to lateness in disbursing quarterly funding from government on a timely manner.

Finding No. 2015-004

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, 2015 in a manner inconsistent with the criteria. Except for the four week period ended June 17, 2015, no other withholding tax returns were filed and paid on a timely manner for fiscal year 2015.

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 the 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 audits of MIVA for fiscal years 2013 and 2014.

Auditee Response and Corrective Action Plan: MIVA Management will ensure that MIVA file and pay income taxes withheld in a timely manner. This is also due to lateness in disbursement of funding from government on a timely manner.

Finding No. 2015-005

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 in order 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.

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

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