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MARSHALL ISLANDS VISITORS AUTHORITY

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

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2007 AND 2006

REPUBLIC OF THE MARSHALL ISLANDS
Office of the Auditor General
Post Office Box 245
Majuro, Republic of the Marshall Islands 96960

Telephone:
Auditor General 625-3192
Staff 625-3390
Facsimile 625-5135

INDEPENDENT AUDITORS' REPORT

Board of Directors
Marshall Islands Visitors Authority:

We have audited the accompanying statements of net assets of the Marshall Islands Visitors Authority (MIVA), a component unit of the Republic of the Marshall Islands, as of September 30, 2007 and 2006, and the related statements of revenues, expenses and changes in net assets and of cash flows for the years then ended. These financial statements are the responsibility of MIVA's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MIVA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Marshall Islands Visitors Authority as of September 30, 2007 and 2006, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2 through 4 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of MIVA's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit such information and we do not express an opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2009, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

June 5, 2009

Atmita Jonathan
Acting Auditor-General

MARSHALL ISLANDS VISITORS AUTHORITY

Management's Discussion and Analysis
September 30, 2007 and 2006

This section of Marshall Islands Visitors Authority's annual financial report presents our discussion and analysis for MIVA's financial performance during the fiscal year that ended on September 30, 2007. Please read it in conjunction with the financial statements, which follow this section:

FINANCIAL HIGHLIGHTS

MIVA's net assets decreased by $22,292 or 9% from $238,131 in 2006 to $215,839 in 2007. Operating revenues slightly increased by $2,694 or 1% from $255,922 in 2006 to $258,616 in 2007. Operating expenses increased by $23,092 or 9% from $257,816 in 2006 to $280,908 in 2007.

FINANCIAL ANALYSIS OF MIVA

The statement of Net Assets (Page 5) and the Statement of Revenues, Expenses, and Changes in Net Assets (Page 6) provide an indication of MIVA's financial condition. MIVA's net assets reflect the difference between assets and liabilities. An increase in net assets over time typically indicates an improvement in the financial condition of the organization.

A summary of MIVA's net assets is presented below:

	2007	*2006*	*2005*
Current assets	$ 222,755	$ 234,790	$ 229,830
Capital assets	6,514	15,910	28,805
Total assets	$ 229,269	$ 250,700	$ 258,805
Current liabilities	13,430	12,569	18,610
Invested in capital assets	6,514	15,910	28,805
Unrestricted	209,325	222,221	211,220
Total net assets	215,839	238,131	240,025
Total liabilities and net assets	$ 229,269	$ 250,700	$ 258,635

As indicated above, total assets decreased by $21,431 or 9% from $250,700 in 2006 to $229,269 in 2007. This is comprised of a decrease of $9,396 in capital assets and a decrease of $12,035 in current assets. The decrease in current assets was due primarily to decrease in hotel taxes receivable. The reduction in capital assets was due primarily to current year depreciation.

Total liabilities reflect an increase of $861 or 7% from $12,569 in 2006 to $13,430 in 2007. No major liabilities exist as at the end of fiscal year. This amount comprises mostly of accrual of expenses paid after the fiscal year and employees' leave pay.

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

	2007	***2006***	***2005***
Operating revenues	$ 258,616	$ 255,922	$ 244,867
Operating expenses	280,908	257,816	342,038
Change in net assets	$ (22,292)	$ (1,894)	$ (97,171)
Net assets at beginning of year	238,131	240,025	337,196
Net assets at end of year	$ 215,839	$ 238,131	$ 240,025

The Statement of Revenues, Expenses, and Change in Net Assets identifies the various revenue and expense items that implicit the change in net assets. As indicated above, MIVA's total revenues increased by $2,694 or 1% from $255,922 in 2006 to $258,616 in 2007. This increase was mainly due to the increase in funding from the RMI Government courtesy of ROC.

Below is a summary of the major components of operating revenues for MIVA in 2007 compared to 2006:

	2007	***2006***	***2005***
Nitijela appropriation	$ 251,232	$ 249,100	$ 222,763
Hotel room tax	6,236	4,955	14,059
Interest	890	1,257	89
Others	258	610	7,956
Totals	$ 258,616	$ 255,922	$ 244,867

Total expenses increased by $22,706 or 9 % from $257,816 in 2006 to $280,908 in 2007 contributing mainly to the decrease of $ 22,292 or 9% in Net Assets.

Below is a list of the main contributors to the increase in operating expenses for MIVA in 2007 compared to 2006:

	2007	*2006*	*2005*
Marketing Support	$ 30,836	$ 11,914	$ 15,076
Trade Fair	$ 26,450	$ 19,214	$ 28,348
Media Trips	$ 19,148	$ 88	$ 14,487
Advertising	$ 15,329	$ 12,085	$ 20,495
Promotional materials	$ 9,373	$ 8,122	$ 39,438

CAPITAL ASSETS

Net Capital Assets decreased by $9,396 as a result of depreciation charges. A summary of MIVA's current investment in Capital Assets presented below:

	2007	*2006*	*2005*
Image library, motor vehicles, and equipments	$ 93,090	$ 93,090	$ 93,090
Less accumulated depreciation	(86,576)	(77,180)	(64,285)
Net Capital Assets	$ 6,514	$ 15,910	$ 28,805

For additional information on capital assets, please refer to note 3 to the accompanying financial statements. MIVA did not have any outstanding long-term debt as at September 30, 2007 and 2006.

Management's Discussion and Analysis for the year ended September 30, 2006 is set forth in MIVA's report on the audit of the financial statements, which is dated March 24, 2009. That Discussion and Analysis explains the major factors impacting the 2006 financial statements and can be obtained from MIVA's Finance Manager via the contact information below.

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

MARSHALL ISLANDS VISITORS AUTHORITY

Statements of Net Assets

September 30, 2007 and 2006

ASSETS	2007	2006
Current assets:		
Cash	$ 187,977	$ 192,869
Time certificate of deposit	21,588	20,724
Due from the Republic of the Marshall Islands	-	210
Hotel tax receivable	11,191	19,014
Accrued interest receivable	648	622
Other current assets	1,351	1,351
Total current assets	222,755	234,790
Capital assets, net	6,514	15,910
	$ 229,269	$ 250,700
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 4,120	$ 3,084
Payable to affiliates	4,719	5,517
Other liabilities and accruals	4,591	3,968
Total liabilities	13,430	12,569
Commitments and contingencies		
Net assets:		
Invested in capital assets	6,514	15,910
Unrestricted	209,325	222,221
Total net assets	215,839	238,131
	$ 229,269	$ 250,700

See accompanying notes to financial statements.

MARSHALL ISLANDS VISITORS AUTHORITY

Statements of Revenues, Expenses, and Changes in Net Assets
Years Ended September 30, 2007 and 2006

	2007	2006
Operating revenues:		
Nitijela appropriation	$ 251,232	$ 249,100
Hotel tax	6,236	4,955
Other	1,148	1,867
Total operating revenues	258,616	255,922
Operating expenses:		
Salaries, wages and employee benefits	101,431	108,342
Overseas Tourism Related Events	26,125	-
Decompression chamber Seed Fund	19,750	-
Media trips	19,148	88
Rent	16,475	16,908
Advertising	15,329	12,085
Depreciation	9,396	12,895
Promotional materials	9,373	8,122
Communications	5,849	6,766
Tourism and environmental awareness	3,245	5,107
Pacific Asia Travel Association meetings	3,187	5,454
Marketing support	2,400	11,914
Office supplies	1,494	1,813
Trade fair and show participation	325	19,214
Miscellaneous	47,381	49,108
Total operating expenses	280,908	257,816
Change in net assets	(22,292)	(1,894)
Net assets at beginning of year	238,131	240,025
Net assets at end of year	$ 215,839	$ 238,131

See accompanying notes to financial statements.

MARSHALL ISLANDS VISITORS AUTHORITY

Statements of Cash Flows
Years Ended September 30, 2007 and 2006

		2007		2006
Cash flows from operating activities:				
Operating grants received	$	251,232	$	304,986
Other operating revenues		15,181		1,245
Cash payments to suppliers for goods and services		(166,482)		(141,802)
Cash payments to employees for services		(103,959)		(109,160)
Net cash (used in) provided by operating activities		(4,028)		55,269
Cash flows from investing activities:				
Transfer to time certificate of deposit		(864)		(724)
Net change in cash		(4,892)		54,545
Cash at beginning of year		192,869		138,324
Cash at end of year	$	187,977	$	192,869
Reconciliation of change in net assets to net cash provided by (used in) operating activities:				
Change in net assets	$	(22,292)	$	(1,894)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:				
Depreciation		9,396		12,895
(Increase) decrease in assets:				
Due from the Republic of the Marshall Islands		210		55,886
Hotel tax receivable		7,823		(4,955)
Accrued interest receivable		(26)		(622)
Increase (decrease) in liabilities:				
Accounts payable		1,036		(5,223)
Payable to affiliates		(798)		(4,786)
Other liabilities and accruals		623		3,968
Net cash (used in) provided by operating activities	$	(4,028)	$	55,269

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 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

The accounting policies of MIVA conform to accounting principles generally accepted in the United States of America, as applicable to governmental entities, specifically proprietary funds. Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, requires that proprietary activities apply all applicable GASB pronouncements as well as Statements and Interpretations issued by the Financial Accounting Standards Board (FASB), Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989. MIVA has implemented GASB 20 and elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

GASB issued 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*. These statements 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, retained earnings are presented in the following net asset categories:

- Invested in capital assets; capital assets, net of accumulated depreciation, plus construction or improvement of those assets.
- Unrestricted; net assets that are not subject to externally imposed stipulations. Unrestricted net assets 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.

(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 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

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 statements of net assets. Proprietary fund operating statements present increases and decreases in net total assets. 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 and Time Certificates of Deposit

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 assets and cash flows, cash is defined as cash on hand and cash held in demand accounts and time certificates of deposit with initial maturity of ninety days or less. Time certificates of deposit with initial maturities exceeding ninety days are separately classified. As of September 30, 2007 and 2006, the carrying amount of cash and time certificates of deposit were $209,565 and $213,593, respectively, and the corresponding bank balances were $209,865 and $220,279, respectively, which are maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2007 and 2006, bank deposits in the amount of $100,000 were FDIC insured. Accordingly, there deposits are exposed to custodial credit risk. MIVA does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized.

Receivables

All receivables are uncollateralized and are due from customers, both governmental agencies and hotelier businesses, located within the Republic of the Marshall Islands.

(2) Summary of Significant Accounting Policies, Continued

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	3 years
Image library	3 years
Computer equipment	3 years
Media equipment	3 years
Other equipment	4 years

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, 2007 and 2006, there is no accumulated vacation leave liability.

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 Pronouncements

In April 2004, GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which establishes uniform financial reporting for other postemployment benefit plans by state and local governments. The provisions of this statement are effective for periods beginning after December 15, 2006. Management does not believe that the implementation of this statement will have a material effect on the financial statements of MIVA.

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which establishes standards for the measurement, recognition, and display of other postemployment benefits expense/expenditures and related liabilities, note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The provisions of this statement are effective for periods beginning after December 15, 2007. Management does not believe that the implementation of this statement will have a material effect on the financial statements of MIVA.

In September 2006, GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfer of Assets and Future Revenues*. GASB Statement No. 48 establishes criteria that governments will use to ascertain whether certain transactions should be regarded as a sale or a collateralized borrowing. The statement also includes a provision that stipulates that governments should not revalue assets that are transferred between financial reporting entity components. The provisions of this Statement are effective for periods beginning after December 15, 2006. 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 Pronouncements, Continued

In December 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. GASB Statement No. 49 provides guidance and consistency under which a governmental entity would be required to report a liability related to pollution remediation. The provisions of this statement are effective for periods beginning after December 15, 2007. Management does not believe that the implementation of this statement will have a material effect on the financial statements of MIVA.

In May 2007, GASB issued Statement No. 50, *Pension Disclosures an amendment of GASB Statements No. 25 and 27.* GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other post-employment benefits. The provisions of this statement are effective for periods beginning after June 15, 2007. Management does not believe that the implementation of this statement will have a material effect on the financial statements of MIVA.

In June 2007, GASB issued statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* GASB Statement No. 51 addresses whether and when intangible assets should be considered capital assets for financial reporting purposes. The provisions of this statement are effective for periods beginning after June 15, 2009. Management does not believe that the implementation of this statement will have a material effect on the financial statements of MIVA.

(3) Capital Assets

Capital asset activity for the years ended September 30, 2007 and 2006 was as follows:

	2007			
	October 1, 2006	Additions	Retirements	September 30, 2007
Motor vehicles	$ 39,990	$ -	$ -	$ 39,990
Image library	29,896	-	-	29,896
Computer equipment	9,176	-	-	9,176
Media equipment	4,405	-	-	4,405
Other equipment	4,956	-	-	4,956
Network hardware services	4,667	-	-	4,667
	93,090	-	-	93,090
Less accumulated depreciation	(77,180)	(9,396)	-	(86,576)
	$ 15,910	$ (9,396)	$ -	$ 6,514

(3) Capital Assets, Continued

	2006			
	October 1, 2005	Additions	Retirements	September 30, 2006
Motor vehicles	$ 39,990	$ -	$ -	$ 39,990
Image library	29,896	-	-	29,896
Computer equipment	9,176	-	-	9,176
Media equipment	4,405	-	-	4,405
Other equipment	4,956	-	-	4,956
Network hardware services	4,667	-	-	4,667
	93,090	-	-	93,090
Less accumulated depreciation	(64,285)	(12,895)	-	(77,180)
	$ 28,805	$ (12,895)	$ -	$ 15,910

(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 for the years ended September 30, 2007 and 2006 is as follows:

	2007	
	Expenses	Payables
Marshall Islands Social Security Administration	$ 8,095	$ 4,029
Marshall Islands National Telecommunications Authority	5,849	-
Marshalls Energy Company, Inc.	16,475	-
RepMar	-	690
	$ 30,419	$ 4,719

	2006	
	Expenses	Payables
Marshall Islands Social Security Administration	$ 9,006	$ 5,124
Marshall Islands National Telecommunications Authority	6,766	-
Marshalls Energy Company, Inc.	16,908	-
RepMar	-	393
	$ 32,680	$ 5,517

(4) Related Party Transactions, Continued

During the years ended September 30, 2007 and 2006, the operations of MIVA were funded by appropriations from RepMar in the amounts of $251,232 and $249,100 respectively. Of these appropriations from RepMar, $0 and $100,000, respectively, represented funding under the Compact of Free Association for the years ended September 30, 2007 and 2006.

MIVA has entered into an office lease agreement with the Marshalls Energy Company, Inc. for a term of three years commencing October 1, 2002. Annual rent expense amounts to $17,512.

(5) 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.