MARSHALL ISLANDS VISITORS AUTHORITY

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

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2008 AND 2007

REPUBLIC OF THE MARSHALL ISLANDS
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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, 2008 and 2007, 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, 2008 and 2007, 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 December 29, 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.

December 29, 2009

Atmita Jonathan
Acting Auditor-General

MARSHALL ISLANDS VISITORS AUTHORITY

Management's Discussion and Analysis
September 30, 2008 and 2007

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, 2008. Please read it in conjunction with the financial statements, which follow this section:

FINANCIAL HIGHLIGHTS

MIVA's net assets increased by $5,720 or 3 % from $216,225 in 2007 to $221,945 in 2008. Operating revenues also increased by $35,556 or 14 % from $258,616 in 2007 to $294,172 in 2008. Operating expenses increased by $7,158 or 3 % from $280,908 in 2007 to $288,066 in 2008.

FINANCIAL ANALYSIS OF MIVA

The statement of Net Assets (Pg 5) and the Statement of Revenues, Expenses, and Changes in Net Assets (Pg 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 either an improvement in the financial condition of the organization.

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

	2008	***2007***	***2006***
Current assets	$ 237,723	$ 222,758	$ 234,790
Capital assets	2,209	6,514	15,910
Total assets	239,932	229,272	250,700
Current liabilities	17,987	13,047	12,569
Invested in capital assets	2,209	6,514	15,910
Unrestricted	219,736	209,711	222,221
Total net assets	221,945	216,225	238,131
Total liabilities and net assets	$ 239,932	$ 229,272	$ 250,700

As indicated above, total assets increased by $10,660 or 5% from $229,272 in 2007 to $239,932 in 2008. This is comprised of a increase of $14,965 in current and other assets and a decrease of $4,305 in capital assets. The increase in current assets was due to increased in federal grants.

Total liabilities reflect an increase of $4,940 or 38 % from $13,047 in 2007 to $17,987 in 2008. 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:

	2008	***2007***	***2006***
Operating revenues	$ 294,172	$ 258,616	$ 255,922
Operating expenses	288,066	280,908	257,816
Change in net assets	$ 6,106	(22,292)	(1,894)
Net assets at beginning of year	215,839	238,131	240,025
Net assets at end of year	$ 221,945	$ 215,839	$ 238,131

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 $35,556 or 14 % from $258,616 in 2007 to $294,172 in 2008. This increase was mainly due to the increase in funding from the RMI Government.

Below is a summary of the major components of operating revenues for MIVA in 2008 compared to 2007:

	2008	***2007***	***2006***
Nitijela appropriation	$ 249,245	$ 251,232	$ 249,100
Hotel room tax	8,691	6,236	4,955
Grants	27,012	-	-
Other	9,224	1,148	1,867
Totals	$ 294,172	$ 258,616	$ 255,922

Total expenses increased by $7,158 or 3% from $289,908 in 2007 to $288,066 in 2008 contributing partly in the increase of $6,106 or 3% in Net Assets. This decrease was mainly due to decreased government funding, decline in hotel room tax, and increased advertising and promotional expenses.

Below is a list of the main contributors to the increase in operating expenses for MIVA in 2008 compared to 2007:

	2008	***2007***	***2006***
Promotional materials	$ 6,294	$ 9,373	$ 8,122
Trade fair & Show Participation	32,877	26,450	19,214
Media	11,108	19,148	88
Advertising	3,833	15,329	12,085
Marketing Support	62,756	30,836	11,914

CAPITAL ASSETS

Net Capital Assets decreased by $4,305 as a result of addition to Office Equipments & Vehicle and disposal of fully depreciated computer equipments and one vehicle. A summary of MIVA's current investment in Capital Assets presented below:

	2008	***2007***	***2006***
Image library, motor vehicles, and equipments	$ 89,455	$ 93,090	$ 93,090
Less accumulated depreciation	(87,246)	(86,576)	(77,180)
Net Capital Assets	$ 2,209	$ 6,514	$ 15,910

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, 2008 and 2007

ASSETS		2008		2007
Current assets:				
Cash	$	200,769	$	187,977
Time certificate of deposit		-		21,588
Receivables:				
Hotel taxes		8,591		11,191
Federal grants		27,012		-
Accrued interest		-		648
Other current assets		1,351		1,351
Total current assets		237,723		222,755
Capital assets, net		2,209		6,514
	$	239,932	$	229,269

LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable	$	8,668	$	4,120
Payable to affiliates		4,588		4,719
Other liabilities and accruals		4,731		4,591
Total liabilities		17,987		13,430
Commitments and contingencies				
Net assets:				
Invested in capital assets		2,209		6,514
Unrestricted		219,736		209,325
Total net assets		221,945		215,839
	$	239,932	$	229,269

See accompanying notes to financial statements.

MARSHALL ISLANDS VISITORS AUTHORITY

Statements of Revenues, Expenses, and Changes in Net Assets
Years Ended September 30, 2008 and 2007

	2008	2007
Operating revenues:		
Nitijela appropriation	$ 249,245	$ 251,232
Hotel taxes	8,691	6,236
Other	9,224	1,148
Total operating revenues	267,160	258,616
Operating expenses:		
Salaries, wages and employee benefits	96,689	101,431
Overseas tourism related events	32,877	26,125
MIVA Japan Office	29,654	-
RMI Tourism Masterplan	24,512	-
Rent	16,475	16,475
Tourism and environmental awareness	7,772	3,245
Communications	7,701	5,849
Housing	6,753	-
Promotional materials	6,294	9,373
Depreciation	5,890	9,396
Marketing Support	3,818	2,400
Pacific Asia Travel Association meetings	4,779	3,187
Office supplies	2,366	1,494
Advertising	3,833	15,329
Decompression Chamber Seed Funds	-	19,750
Media trips	11,108	19,148
Trade Fair and Show Participation	-	325
Miscellaneous	27,545	47,381
Total operating expenses	288,066	280,908
Operating loss	(20,906)	(22,292)
Non-operating revenues:		
Federal grants	27,012	-
Change in net assets	6,106	(22,292)
Net assets at beginning of year	215,839	238,131
Net assets at end of year	$ 221,945	$ 215,839

See accompanying notes to financial statements.

MARSHALL ISLANDS VISITORS AUTHORITY

Statements of Cash Flows
Years Ended September 30, 2008 and 2007

	2008	2007
Cash flows from operating activities:		
Operating grants received	$ 249,245	$ 251,232
Other operating revenues	22,423	15,181
Cash payments to suppliers for goods and services	(182,059)	(166,482)
Cash payments to employees for services	(96,820)	(103,959)
Net cash used in operating activities	(7,211)	(4,028)
Cash flows from capital and related financing activities:		
Purchase of fixed assets	(1,585)	-
Cash flows from investing activities:		
Withdrawal from (transfer to) time certificate of deposit	21,588	(864)
Net change in cash	12,792	(4,892)
Cash at beginning of year	187,977	192,869
Cash at end of year	$ 200,769	$ 187,977
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$ (20,906)	$ (22,292)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	5,890	9,396
(Increase) decrease in assets:		
Receivables:		
Hotel taxes	2,600	7,823
Accrued interest	648	(26)
Due from the Republic of the Marshall Islands	-	210
Increase (decrease) in liabilities:		
Accounts payable	4,548	1,036
Payable to affiliates	(131)	(798)
Other liabilities and accruals	140	623
Net cash used in operating activities	$ (7,211)	$ (4,028)

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 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, 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, 2008 and 2007, the carrying amount of cash and time certificates of deposit were $200,769 and $209,565, respectively, and the corresponding bank balances were $201,495 and $209,865, respectively, which are maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2008 and 2007, 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, 2008 and 2007, there is no accumulated vacation leave liability.

Federal Grant Revenues

MIVA received a Federal grant award from the U.S. Department of the Interior passed-through from RepMar, which is recognized when all eligibility requirements, including time requirements, have been met.

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

During fiscal year 2008, MIVA implemented GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfer of Assets and Future Revenues*, and GASB Statement No. 50, *Pension Disclosures an amendment of GASB Statements No. 25 and 27*. GASB Statement No. 43 establishes uniform financial reporting for other postemployment benefit plans by state and local governments and GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other post-employment benefits. 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 and also includes a provision that stipulates that governments should not revalue assets that are transferred between financial reporting entity components. The implementation of these statements did not have a material effect on the financial statements of MIVA.

(2) Summary of Significant Accounting Policies, Continued

New Accounting Pronouncements, Continued

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 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 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.

In November 2007, GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The provisions of this statement are effective for periods beginning after June 15, 2008. Management does not believe that the implementation of this statement will have a material effect on the financial statements of MIVA.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. GASB Statement No. 53 is intended to improve how state and local governments report information about derivative instruments - financial arrangements used by governments to manage specific risks or make investments - in their financial statements. 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.

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, 2008 and 2007 was as follows:

	October 1, 2007	Additions	Retirements	September 30, 2008
Motor vehicles	$ 39,990	$ -	$ -	$ 39,990
Image library	29,896	-	-	29,896
Computer equipment	9,176	1,585	(1,618)	9,143
Media equipment	4,405	-	-	4,405
Other equipment	4,956	-	(3,602)	1,354
Network hardware services	4,667	-	-	4,667
	93,090	1,585	(5,220)	89,455
Less accumulated depreciation	(86,576)	(5,890)	5,220	(87,246)
	$ 6,514	$ (4,305)	$ -	$ 2,209

	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

(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, 2008 and 2007 is as follows:

	2008	
	Expenses	Payables
Marshall Islands Social Security Administration	$ 3,250	$ 4,889
Marshall Islands National Telecommunications Authority	7,701	-
Marshalls Energy Company, Inc.	16,475	-
RepMar	-	699
	$ 27,426	$ 5,588

(4) Related Party Transactions, Continued

	2007	
	Expenses	Payables
Marshall Islands Social Security Administration	$ 8,095	$ 3,991
Marshall Islands National Telecommunications Authority	5,849	-
Marshalls Energy Company, Inc.	16,475	-
RepMar	-	728
	$ 30,419	$ 4,719

During the years ended September 30, 2008 and 2007, the operations of MIVA were funded by appropriations from RepMar in the amounts of $249,245 and $251,232, respectively.

MIVA has entered into an office lease agreement with the Marshalls Energy Company, Inc. for a term of three years commencing October 1, 2005. Annual rent expense amounts to $16,475.