

**YAP VISITORS BUREAU
(A COMPONENT UNIT OF THE STATE OF YAP)**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

YEARS ENDED SEPTEMBER 30, 2020 AND 2019

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Yap Visitors Bureau:

Report on the Financial Statements

We have audited the accompanying financial statements of the Yap Visitors Bureau, a component unit of the State of Yap, which comprise the statements of net position as of September 30, 2020 and 2019, 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 qualified audit opinion.

Basis for Qualified Opinion

Because of the inadequacy of accounting records, documentary evidence available to us was limited as the Bureau has been unable to identify the propriety of approximately \$128,000 of accounts payable that were related against receivables of \$103,000, in financial statements provided by management which form part of receivables and payables as of September 30, 2020. Management was not able to provide explanation of the matter and the impact of this matter is uncertain.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the statements of net position as of September 30, 2020 and 2019, and the related statements of revenues, expenses and changes in net position and of cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

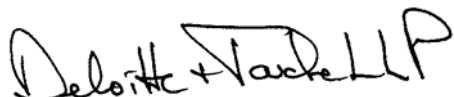
Emphasis of Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Because of the significance of the matter described in the Basis for Qualified Opinion paragraph, Management's Discussion and Analysis was not provided by the Bureau.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2022, on our consideration of the Yap Visitors Bureau'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 the Yap Visitors Bureau's internal control over financial reporting and compliance.



July 18, 2022

YAP VISITORS BUREAU
(A COMPONENT UNIT OF THE STATE OF YAP)

Statements of Net Position
September 30, 2020 and 2019

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
Current assets:		
Cash	\$ <u>176,166</u>	\$ <u>176,552</u>
Total current assets	176,166	176,552
Capital assets, net	<u>28,927</u>	<u>43,453</u>
	\$ <u><u>205,093</u></u>	\$ <u><u>220,005</u></u>
 <u>LIABILITIES AND NET POSITION</u>		
Current liabilities:		
Accrued payroll and other accrued expenses	\$ <u>5,387</u>	\$ <u>5,773</u>
Total liabilities	<u>5,387</u>	<u>5,773</u>
Net position:		
Net investment in capital assets	28,927	43,453
Unrestricted	<u>170,779</u>	<u>170,779</u>
Total net position	<u>199,706</u>	<u>214,232</u>
	\$ <u><u>205,093</u></u>	\$ <u><u>220,005</u></u>

See accompanying notes to financial statements.

YAP VISITORS BUREAU
(A COMPONENT UNIT OF THE STATE OF YAP)

Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating expenses:		
Promotions and advertising	\$ 156,208	\$ 70,002
Payroll, taxes and benefits	59,582	56,956
Contractual services	29,226	29,760
Communications and utilities	24,742	28,833
Depreciation	14,526	12,802
Office repairs and supplies	13,433	6,101
Travel	<u>2,951</u>	<u>4,054</u>
Total operating expenses	<u>300,668</u>	<u>208,508</u>
Loss from operations	<u>300,668</u>	<u>208,508</u>
Nonoperating revenues:		
Yap State Government subsidies	270,445	200,995
FSM National Government subsidies	<u>15,697</u>	<u>17,918</u>
Total nonoperating revenues	<u>286,142</u>	<u>218,913</u>
Change in net position	(14,526)	10,405
Net position at beginning of year	<u>214,232</u>	<u>203,827</u>
Net position at end of year	<u>\$ 199,706</u>	<u>\$ 214,232</u>

See accompanying notes to financial statements.

YAP VISITORS BUREAU
(A COMPONENT UNIT OF THE STATE OF YAP)

Statements of Cash Flows
Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Cash payments to vendors for goods and services	\$ (226,560)	\$ (138,750)
Cash payments to employees for services	<u>(59,968)</u>	<u>(59,021)</u>
Net cash used in operating activities	<u>(286,528)</u>	<u>(197,771)</u>
Cash flows from noncapital financing activities:		
Operating subsidies received from Yap State Government	270,445	200,995
Operating subsidies received from FSM National Government	<u>15,697</u>	<u>17,918</u>
Net cash provided by noncapital financing activities	<u>286,142</u>	<u>218,913</u>
Cash flows from capital financing activities:		
Acquisition of capital assets	<u>-</u>	<u>(23,203)</u>
Net cash used in capital financing activities	<u>-</u>	<u>(23,203)</u>
Net change in cash	(386)	(2,061)
Cash at beginning of year	<u>176,552</u>	<u>178,613</u>
Cash at end of year	<u>\$ 176,166</u>	<u>\$ 176,552</u>
Reconciliation of loss from operations to net cash used in operating activities:		
Loss from operations	\$ (300,668)	\$ (208,508)
Adjustments to reconcile loss from operations to net cash used in operating activities:		
Depreciation	14,526	12,802
Decrease in liabilities:		
Accrued payroll and other accrued expenses	<u>(386)</u>	<u>(2,065)</u>
Net cash used in operating activities	<u>\$ (286,528)</u>	<u>\$ (197,771)</u>

See accompanying notes to financial statements.

YAP VISITORS BUREAU
(A COMPONENT UNIT OF THE STATE OF YAP)

Notes to Financial Statements
September 30, 2020 and 2019

(1) Organization

The Yap Visitors Bureau (the “Bureau” or “YVB”) was created pursuant to Yap State Law (YSL) No. 4-25 and commenced operations on October 22, 1996. The primary objectives of YVB include increasing the awareness of Yap as a tourist destination, developing the resources of the private sector, increasing local employment in the tourism industry, encouraging and developing community involvement in tourism, increasing the number of visitor activities and preserving the tourism environment.

YVB is governed by a seven-member Board of Directors, five of whom are appointed from the business community by the Governor with the advice and consent of the State Legislature, one appointed by the Speaker of the State Legislature, and one elected by a vote of the six appointed members who have direct involvement in the tourism industry. A General Manager, hired by the Board of Directors, oversees daily operations.

YVB's financial statements are incorporated into the financial statements of the State of Yap as a component unit.

(2) Summary of Significant Accounting Policies

The accounting policies of YVB conform to accounting principles generally accepted in the United States of America as applicable to governmental entities, specifically proprietary funds.

The Bureau adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34 (Basic Financial Statements – Management’s Discussion and Analysis for State and Local Governments). GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into four net position categories:

- (a) *Net investment in capital assets* – This represents the Bureau’s investment in capital assets, net of accumulated depreciation, and outstanding principle balances of debt attributable to the acquisition, construction, or improvement of those capital assets.
- (b) *Restricted Nonexpendable* – Net position subject to externally imposed stipulations that require the Bureau to maintain them permanently.
- (c) *Restricted Expendable* – Net position whose use by the Bureau is subject to externally imposed stipulations that can be fulfilled by actions of the Bureau pursuant to those stipulations or that expire by the passage of time.
- (d) *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.

**YAP VISITORS BUREAU
(A COMPONENT UNIT OF THE STATE OF YAP)**

Notes to Financial Statements
September 30, 2020 and 2019

(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 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 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. YVB considers revenues and costs that are directly related to its operations to be operating revenues and expenses. Revenues and expenses related to financing and other activities, such as grants and subsidies, are reflected as non-operating.

Cash

For purposes of the statements of net position and of cash flows, cash is defined as cash on hand and cash held in demand deposit accounts.

Capital Assets

Capital assets are stated at cost less accumulated depreciation. Routine maintenance and repairs are expensed as incurred. As a general rule, YVB capitalizes all assets that have a useful life of more than one year. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets as follows:

Furniture and fixtures	2 - 6 years
Office equipment	3 - 5 years
Vehicles	3 - 5 years

Annual and Sick Leave

Earned but unused annual leave is paid to employees upon termination of their employment. Therefore, YVB accrues such benefits in the period earned. Sick pay benefits are dependent solely on employee illness. Accordingly, an expense for earned sick leave is only recorded when the leave is actually taken.

YAP VISITORS BUREAU
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Notes to Financial Statements
September 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards

During the year ended September 30, 2020, the Bureau implemented the following pronouncement:

- GASB issued Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance, which postpones the effective dates of GASB Statement No. 84, 89, 90, 91, 92 and 93 by one year and GASB Statement No. 87 by 18 months; however, earlier application of the provisions addressed in GASB Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued. In accordance with GASB Statement No. 95, management has elected to postpone implementation of these statements.

The implementation of the statement did not have a material effect on the Bureau's financial statements.

In January 2017, GASB issued Statement No. 84, Fiduciary Activities. This Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 84 will be effective for fiscal year ending September 30, 2021.

In June 2017, GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. Management believes that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 87 will be effective for fiscal year ending September 30, 2022.

In June 2018, GASB issued Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 89 will be effective for fiscal year ending September 30, 2022.

**YAP VISITORS BUREAU
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Notes to Financial Statements
September 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In March 2018, GASB issued Statement No. 90, Majority Equity Interests - An Amendment of GASB Statements No. 14 and 61. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 90 will be effective for fiscal year ending September 30, 2021.

In May 2019, GASB issued Statement No. 91, Conduit Debt Obligations. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 91 will be effective for fiscal year ending September 30, 2023.

In January 2020, GASB issued statement No. 92, Omnibus 2020. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reports, the terminology used to refer to derivative instruments and the applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefits. The requirements related to the effective date of GASB Statement No. 87 and Implementation Guide 2019-3, reissuance recoveries and terminology used to refer to derivative instruments are effective upon issuance. The remaining requirements of GASB Statement No. 92 is effective for the fiscal year ending September 30, 2022.

In March 2020, GASB issued Statement No. 93, Replacement of Interbank Offered Rates. The primary objective of this statement is to address those and other accounting and financial reporting implications of the replacement of an IBOR. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 93 will be effective for fiscal year ending September 30, 2022.

**YAP VISITORS BUREAU
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Notes to Financial Statements
September 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In March 2020, GASB issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This statement also provides guidance for accounting and financial reporting for availability payment arrangements. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 94 will be effective for fiscal year ending September 30, 2023.

In May 2020, GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 96 will be effective for fiscal year ending September 30, 2023.

In June 2020, GASB issued Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 97 will be effective for fiscal year ending September 30, 2022.

(3) Deposits

GASB Statement No. 40 addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. As an element of interest rate risk, disclosure is required of investments that have fair values that are highly sensitive to changes in interest rates. GASB Statement No. 40 also requires disclosure of formal policies related to deposit and investment risks.

YVB does not have a formal deposit or investment policy. However, the deposit and investment policy of the YVB is mandated by its enabling legislation. The Board of Directors is required to engage one or more fund custodians to assume responsibility for the physical possession of the YVB's investments.

YAP VISITORS BUREAU
(A COMPONENT UNIT OF THE STATE OF YAP)

Notes to Financial Statements
September 30, 2020 and 2019

(3) Deposits, Continued

GASB Statement No. 40 requires disclosures for deposits that have exposure to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Bureau'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. YVB does not have a deposit policy for custodial credit risk.

As of September 30, 2020 and 2019, the carrying amounts of the YVB's deposits with financial institutions were \$176,166 and \$176,552, respectively. The bank balances were \$176,166 and \$176,566 at September 30, 2020 and 2019, respectively, which are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2020 and 2019, bank deposits in the amount of \$176,166 and \$176,566, respectively, were FDIC insured. YVB has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on its deposits.

(4) Capital Assets

Capital asset activity for the years ended September 30, 2020 and 2019 is as follows:

	Beginning Balance October 1, 2019	Transfers and Additions	Transfers and Deletions	Ending Balance September 30, 2020
Furniture and fixtures	\$ 13,015	\$ -	\$ -	\$ 13,015
Vehicles	63,900	-	-	63,900
Office equipment	<u>54,073</u>	<u>-</u>	<u>-</u>	<u>54,073</u>
	130,988	-	-	130,988
Less accumulated depreciation	<u>(87,535)</u>	<u>(14,526)</u>	<u>-</u>	<u>(102,061)</u>
Total	\$ <u>43,453</u>	\$ <u>(14,526)</u>	\$ <u>-</u>	\$ <u>28,927</u>
	Beginning Balance October 1, 2018	Transfers and Additions	Transfers and Deletions	Ending Balance September 30, 2019
Furniture and fixtures	\$ 13,015	\$ -	\$ -	\$ 13,015
Vehicles	63,900	-	-	63,900
Office equipment	<u>30,870</u>	<u>23,203</u>	<u>-</u>	<u>54,073</u>
	107,785	23,203	-	130,988
Less accumulated depreciation	<u>(74,733)</u>	<u>(12,802)</u>	<u>-</u>	<u>(87,535)</u>
Total	\$ <u>33,052</u>	\$ <u>10,401</u>	\$ <u>-</u>	\$ <u>43,453</u>

YAP VISITORS BUREAU
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Notes to Financial Statements
September 30, 2020 and 2019

(5) Related Party Transactions

In the ordinary course of business, YVB enters into transactions with the Yap State Government, FSM National Government and private businesses in which certain YVB Board members hold positions of influence.

During the years ended September 30, 2020 and 2019, YVB received operating subsidies of \$270,445 and \$200,995, respectively, from the Yap State Government which were funded by the Compact Private Sector Grants and General Fund. Pursuant to the terms of a Memorandum of Understanding with the Department of Administrative Services, eligible expenditures are to be reimbursed. During the years ended September 30, 2020 and 2019, YVB incurred eligible expenditures of \$270,445 and \$200,995, respectively.

During the years ended September 30, 2020 and 2019, YVB received operating subsidies of \$15,697 and \$17,918, respectively, from the Federated States of Micronesia (FSM) National Government which were funded by FSM Congress Projects.

YVB utilizes an office building of the Yap State Government at no charge. Management is of the opinion that there are no charges incurred for the use of the building.

(6) Risk Management

YVB is self-insured for all risks. Any loss or liability that may result upon the occurrence of a natural disaster, accident or litigation will be borne entirely by YVB. Management is of the opinion that no material losses have been sustained as a result of this practice during the past three years.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Board of Directors
Yap Visitors Bureau

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Yap Visitors Bureau (the "Bureau"), a component unit of the State of Yap, which comprise the statement of net position as September 30, 2020, 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 July 18, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Bureau'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 the Bureau's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bureau'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, that we consider to be material weakness as item 2020-001.

Compliance and Other Matters

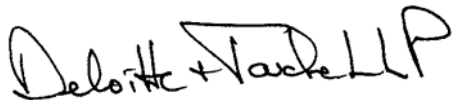
As part of obtaining reasonable assurance about whether the Bureau's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

YVB's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

July 18, 2022

**YAP VISITORS BUREAU
(A COMPONENT UNIT OF THE STATE OF YAP)**

Summary Schedule of Prior Audit Findings
Year Ended September 30, 2020

Finding No. 2020-001 – Accounts Payable

Criteria: The Bureau should maintain an adequate system of accounting and should be able to reconcile its general ledger with subsidiary ledgers. Because of inadequacies in the accounting records, detailed records regarding the Bureau's accounts payable were not substantiated by underlying supporting documentation and schedules evidencing the validity of receivables. We noted an approximately \$42,000 aggregated unreconciled balances in the accounts receivable schedules and such have not been reconciled by management. The unreconciled accounts receivable may have an impact on the recorded balance of accounts receivable as well.

Condition: The Bureau did not maintain an adequate system of accounting during the period and did not reconcile the accounts payables and receivables.

Cause: The cause of this condition is primarily due to inadequate accounting assistance, the absence of closing procedures and review and the lack of adequate filing and document maintenance systems.

Effect: The effect of this condition is an inability to substantiate financial statement balances, financial statement transactions and compliance with laws and regulations.

Recommendation: The Bureau must acquire adequate accounting assistance, must prepare monthly financial statements that are supported by its books and records, must maintain an adequate filing and retention system and must be able to demonstrate compliance with laws and regulations.

Auditee Response and Corrective Action Plan: We agree to the findings. YVB will work closely with Yap State Finance and other related financial consultants to resolve the findings as soon as possible.