

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

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

YEARS ENDED SEPTEMBER 30, 2014 and 2013



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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 Yap State Government, which comprise the statements of net position as of September 30, 2014 and 2013, 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Yap Visitors Bureau as of September 30, 2014 and 2013, and the changes in its net position and its cash flows, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

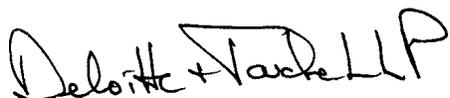
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 to 5 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. 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 basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2015, 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.

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

June 5, 2015

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

Management's Discussion and Analysis
Years Ended September 30, 2014 and 2013

This section of the Yap Visitors Bureau (the "Bureau" or "YVB") annual financial report presents our management's discussion and analysis of the Bureau's financial performance for the years ended September 30, 2014 and 2013, and how it has performed in the past, and its future prospects. It should be read in conjunction with the financial statements, which follow this section.

The Yap Visitors Bureau was created pursuant to Yap State Law (YSL) No. 4-25, as amended and commenced operations on October 22, 1996. The Yap Visitors Bureau is the agency responsible for, among others, promoting Yap as a visitor's destination, developing industry and promoting local participation at all levels of the tourism industry.

On January 20, 2004, the Governor signed into law YSL No. 6-24 which amended Title 20 of the Yap State code by amending Subsection 1014 concerning the fiscal authority of the Yap Visitors Bureau. This new law makes it clear that, unless otherwise provided by law of the granting authority, all funds received by the Bureau shall be considered grants in aid.

The Bureau received grants from the Compact II Private Sector grant for its operations. For fiscal years 2008 and 2007, a memorandum of agreement with the Bureau and the Yap State Finance Office was entered to allow monthly reimbursement to the Bureau and thereby liquidate the Bureau's budget.

In fiscal year 2009, FSM law no. 827 was amended to read "Memorandum of Agreement (MOA) or other forms of agreement the purpose of which is to obligate and disburse to a respective agency its annual budget as approved herein, including reimbursements to such agencies for payments for expenditures under their respective budget is prohibited. All funds appropriated by this Act shall be maintained under the authority of the Director of the Office of Administrative Services."

This amendment to the law created a complete change in the way Yap Visitors Bureau was managed. Previously, transactions and payments could be made on a timely manner and records kept on a computer accounting program with original hard copy files kept at the YVB office. With the change, official transactions, such as payments and record keeping, were required to take place at Yap State Finance. This created many additional layers and delays with problems keeping track of the records and files.

This change in required procedures continues to hamper the Yap Visitors Bureau, due to the inefficiency of Yap State Finance. Routine procedures still take a long time to process and vendors are often paid months late. Documents continue to be lost which often result in audit difficulties.

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

Management's Discussion and Analysis
Years Ended September 30, 2014 and 2013

Summary Statements of Net Position:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Assets:			
Current assets	\$ 82,899	\$ 83,221	\$ 102,068
Noncurrent assets	2,407	101,701	92,013
Capital assets, net	<u>6,031</u>	<u>6,031</u>	<u>713</u>
Total assets	<u>\$ 91,337</u>	<u>\$ 190,953</u>	<u>\$ 194,794</u>
Liabilities and Net Position:			
Accounts payable	\$ -	\$ 130	\$ -
Accrued payroll and other expenses	<u>7,692</u>	<u>8,097</u>	<u>9,349</u>
Total liabilities	<u>7,692</u>	<u>8,227</u>	<u>9,349</u>
Net Position:			
Net investment in capital assets	6,031	6,031	713
Unrestricted	<u>77,614</u>	<u>176,695</u>	<u>184,732</u>
Total net position	<u>83,645</u>	<u>182,726</u>	<u>185,445</u>
Total liabilities and net position	<u>\$ 91,337</u>	<u>\$ 190,953</u>	<u>\$ 194,794</u>

Summary Statements of Revenues, Expenses and Changes in Net Position:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating expenses	\$ <u>370,468</u>	\$ <u>291,589</u>	\$ <u>304,537</u>
Loss from operations	(370,468)	(291,589)	(304,537)
Nonoperating revenues	<u>271,387</u>	<u>288,870</u>	<u>306,652</u>
Change in net position	(99,081)	(2,719)	2,115
Net position at beginning of year	<u>182,726</u>	<u>185,445</u>	<u>183,330</u>
Net position at end of year	<u>\$ 83,645</u>	<u>\$ 182,726</u>	<u>\$ 185,445</u>

For future prospects, YVB will continue with its Product Development and explore more creative ways of marketing Yap as a destination. YVB will continue to develop and support product development to enhance the visitor experience.

Capital Asset and Debt Management

The Bureau has no long-term debt. For more information concerning the Bureau's capital assets, please refer to note 5 to the financial statements.

Management's Discussion and Analysis for the year ended September 30, 2013 is set forth in the Bureau's report on the audit of financial statements, which is dated June 10, 2014. That Discussion and Analysis explains the major factors impacting the 2013 financial statements and can be viewed at the Office of the Public Auditor's website at www.fsmopa.fm

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

Management's Discussion and Analysis
Years Ended September 30, 2014 and 2013

Additional Financial Information

This discussion and analysis is designed to provide the Yap Visitors Bureau's customers and other interested parties with an overview of the Yap Visitors Bureau's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact Don Evans, General Manager, at P.O. Box 988, Colonia, Yap FM 96943 or email yvb@mail.fm.

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

Statements of Net Position
September 30, 2014 and 2013

<u>ASSETS</u>	<u>2014</u>	<u>2013</u>
Current assets:		
Cash	\$ 82,899	\$ 83,221
Total current assets	82,899	83,221
Loan receivable, net of an allowance for doubtful accounts of \$99,294 and \$0 in 2014 and 2013, respectively	2,407	101,701
Capital assets, net	6,031	6,031
	<u>\$ 91,337</u>	<u>\$ 190,953</u>
<u>LIABILITIES AND NET POSITION</u>		
Current liabilities:		
Accounts payable	\$ -	\$ 130
Accrued payroll and other expenses	7,692	8,097
Total liabilities	<u>7,692</u>	<u>8,227</u>
Net position:		
Net investment in capital assets	6,031	6,031
Unrestricted	77,614	176,695
Total net position	<u>83,645</u>	<u>182,726</u>
Total liabilities and net position	<u>\$ 91,337</u>	<u>\$ 190,953</u>

See accompanying notes to financial statements.

YAP VISITORS BUREAU
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Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2014 and 2013

	2014	2013
Operating expenses:		
Bad debts	\$ 99,294	\$ -
Contractual services	70,377	61,753
Payroll, taxes and benefits	69,449	68,943
Promotions and advertising	57,127	71,620
Travel	30,781	52,635
Communications and utilities	28,473	26,289
Office repairs and supplies	14,967	8,307
Depreciation	-	2,042
	370,468	291,589
Total operating expenses		
Loss from operations	370,468	291,589
Nonoperating revenues:		
Yap State Government subsidies	269,067	283,561
Interest income	2,100	3,803
Other	220	1,506
	271,387	288,870
Total nonoperating revenues		
Change in net position	(99,081)	(2,719)
Net position at beginning of year	182,726	185,445
Net position at end of year	\$ 83,645	\$ 182,726

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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Cash payments to vendors for goods and services	\$ (202,077)	\$ (220,474)
Cash payments to employees for services	<u>(69,632)</u>	<u>(70,195)</u>
Net cash used in operating activities	<u>(271,709)</u>	<u>(290,669)</u>
Cash flows from investing activities:		
Interest on loan receivable	2,100	3,803
Principal collection on loan receivable	<u>-</u>	<u>18,900</u>
Net cash provided by investing activities	<u>2,100</u>	<u>22,703</u>
Cash flows from noncapital financing activities:		
Operating subsidies received from Yap State Government	269,067	283,561
Other	<u>220</u>	<u>1,506</u>
Net cash provided by noncapital financing activities	<u>269,287</u>	<u>285,067</u>
Cash flows from capital financing activities:		
Capital expenditures	<u>-</u>	<u>(7,360)</u>
Net cash used in capital financing activities	<u>-</u>	<u>(7,360)</u>
Net change in cash	(322)	9,741
Cash at beginning of year	<u>83,221</u>	<u>73,480</u>
Cash at end of year	<u>\$ 82,899</u>	<u>\$ 83,221</u>
Reconciliation of loss from operations to net cash used in operating activities:		
Loss from operations	\$ (370,468)	\$ (291,589)
Adjustments to reconcile loss from operations to net cash used in operating activities		
Bad debts	99,294	-
Depreciation	-	2,042
Increase (decrease) in liabilities:		
Accounts payable	(352)	130
Accrued payroll and other expenses	<u>(183)</u>	<u>(1,252)</u>
Net cash used in operating activities	<u>\$ (271,709)</u>	<u>\$ (290,669)</u>

See accompanying notes to financial statements.

**YAP VISITORS BUREAU
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Notes to Financial Statements
September 30, 2014 and 2013

(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 has 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 are 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
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Notes to Financial Statements
September 30, 2014 and 2013

(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 cash flows, cash is defined as cash on hand and cash held in demand deposit accounts.

Loan Receivables

Loan receivables are stated at unpaid principal balance less an allowance for loan losses. At September 30, 2014, a \$99,294 allowance has been provided. See note 4 for more details.

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 follow:

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, 2014 and 2013

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards

During the year ended September 30, 2014, the Bureau implemented the following pronouncements:

- GASB Statement No. 66, *Technical Corrections - 2012*, which enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of this statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 67, *Financial Reporting for Pension Plans*, which revises existing guidance for the financial reports of most pension plans. The implementation of this statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the agreement. The implementation of this statement did not have a material effect on the accompanying financial statements.

In June 2012, GASB issued Statement 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 provisions in Statement 68 are effective for fiscal years beginning after June 15, 2014. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the Bureau.

In January 2013, GASB issued 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 provisions in Statement 69 are effective for fiscal years beginning after December 15, 2013. Management has not yet determined the effect of implementation of this statement on the financial statements of the Bureau.

In November 2013, GASB issued 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 provisions in Statement 71 are effective for fiscal years beginning after June 15, 2014. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the Bureau.

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

Notes to Financial Statements
September 30, 2014 and 2013

(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.

Custodial Credit Risk-Deposits

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, 2014 and 2013, the carrying amounts of the YVB's deposits with financial institutions were \$82,899 and \$83,221, respectively. The bank balances were \$82,914 and \$83,236 at September 30, 2014 and 2013, respectively, which are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2014 and 2013, bank deposits in the amount of \$82,914 and \$83,236, 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) Loan Receivables

At September 30, 2014 and 2013, loan receivables of \$101,701, in each of those years, represent balances outstanding on a \$150,000 loan dated August 31, 2010. The loan bears interest fixed at 5% and is payable in 60 monthly installments of \$2,830.

YVB and the borrower entered into a forbearance agreement in April 2014 and the loan is payable in 13 monthly installments of \$300 during the forbearance period, which began April 2014 and ended in April 2015. At September 30, 2014, a \$99,294 allowance has been provided for the loan.

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

Notes to Financial Statements
September 30, 2014 and 2013

(5) Capital Assets

Capital asset activity for the years ended September 30, 2014 and 2013 is as follows:

	<u>Beginning Balance October 1, 2013</u>	<u>Transfers and Additions</u>	<u>Transfers and Deletions</u>	<u>Ending Balance September 30, 2014</u>
Furniture and fixtures	\$ 13,015	\$ -	\$ -	\$ 13,015
Vehicles	25,500	-	-	25,500
Other equipment	<u>56,293</u>	-	-	<u>56,293</u>
	94,808	-	-	94,808
Less accumulated depreciation	<u>(88,777)</u>	-	-	<u>(88,777)</u>
Total	<u>\$ 6,031</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,031</u>
	<u>Beginning Balance October 1, 2012</u>	<u>Transfers and Additions</u>	<u>Transfers and Deletions</u>	<u>Ending Balance September 30, 2013</u>
Furniture and fixtures	\$ 13,015	\$ -	\$ -	\$ 13,015
Vehicles	25,500	-	-	25,500
Other equipment	<u>48,933</u>	<u>7,360</u>	-	<u>56,293</u>
	87,448	7,360	-	94,808
Less accumulated depreciation	<u>(86,735)</u>	<u>(2,042)</u>	-	<u>(88,777)</u>
Total	<u>\$ 713</u>	<u>\$ 5,318</u>	<u>\$ -</u>	<u>\$ 6,031</u>

(6) Yap State Government Subsidies

During the years ended September 30, 2014 and 2013, YVB received operating subsidies in the amount of \$269,067 and \$283,561, respectively, from the Yap State Government which were funded by Compact Private Sector Grants. 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, 2014 and 2013, YVB incurred eligible expenditures of \$269,067 and \$283,561, respectively.

(7) Related Party Transactions

In the ordinary course of business, YVB enters into transactions with the Yap State Government and private businesses in which certain of the YVB board members hold positions of influence. The Yap State subsidies for the years ended September 30, 2014 and 2013 of \$269,067 and \$283,561, respectively, constitute related party transactions.

(8) 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), which comprise the statement of net position as September 30, 2014, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated June 5, 2015.

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.

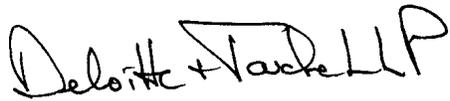
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

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 + Touche LLP". The signature is written in a cursive, stylized font.

June 5, 2015

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

Summary Schedule of Prior Audit Findings
Year Ended September 30, 2014

There are no prior year findings unresolved as of September 30, 2014.