



Deloitte & Touche LLP
361 South Marine Corps Drive
Tamuning, GU 96913-3973
USA

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

www.deloitte.com

January 31, 2019

The Board of Directors
Yap Visitors Bureau

Dear Members of the Board of Directors:

We have performed an audit of the financial statements of Yap Visitors Bureau (the "Bureau" or "YVB"), a component unit of the State of Yap, as of and for the year ended September 30, 2018, in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards") and have issued our report thereon dated January 31, 2019.

We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of the Bureau is responsible.

This report is intended solely for the information and use of management, the Board of Directors, others within the Bureau and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Deloitte + Touche LLP". The signature is stylized, with the "D" and "T" being particularly prominent.

cc: To Management of Yap Visitors Bureau

OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS AND GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

Our responsibility under generally accepted auditing standards and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, have been described in our engagement letter dated October 17, 2018. As described in that letter, the objective of a financial statement audit conducted in accordance with the aforementioned standards is:

- To express an opinion on whether the statement of net position of YVB as of September 30, 2018 and the related statements of revenues, expenses and changes in net position and of cash flows for the year then ended (the “financial statements”), are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (“generally accepted accounting principles”) and perform specified procedures on the required supplementary information for the year ended September 30, 2018.
- To report on YVB’s internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended September 30, 2018 based on an audit of financial statements performed in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*.

Our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statements that have been prepared with the oversight of management and the Board of Directors are presented fairly, in all material respects, in conformity with generally accepted accounting principles. The audit of the financial statements does not relieve management or the Board of Directors of their responsibilities.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether caused by fraud or error. In making those risk assessments, we considered internal control over financial reporting relevant to the Bureau’s preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Bureau’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Bureau’s internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

SIGNIFICANT ACCOUNTING POLICIES

YVB’s significant accounting policies are set forth in Note 2 to YVB’s 2018 financial statements. During the year ended September 30, 2018, there were no significant changes in previously adopted accounting policies or their application, except for the following pronouncements adopted by YVB:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and provides guidance on reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments.

SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, which improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.
- GASB Statement No. 85, *Omnibus 2017*, which addresses practice issues that have been identified during implementation and application of certain GASB Statements including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).
- GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt.

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

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs) associated with the retirement of a tangible capital asset. The provisions in Statement No. 83 are effective for fiscal years beginning after June 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments. The provisions in Statement No. 84 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in Statement No. 87 are effective for fiscal years beginning after December 15, 2019. Management has yet to determine whether the implementation of this statement will have a material effect on the financial statements.

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. The provisions in Statement No. 88 are effective for fiscal years beginning after June 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The provisions in Statement No. 89 are effective for fiscal years beginning after December 15, 2019. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61*, which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and the relevance of financial statement information for certain component units. The provisions in Statement No. 90 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared with the oversight of management and are based on management's current judgments. Those judgments are ordinarily based on knowledge and experience about past and current events and on assumptions about future events. During the year ended September 30, 2018, we are not aware of any significant changes in accounting estimates or in management's judgments relating to such estimates.

MATERIAL CORRECTED MISSTATEMENTS

Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. Included in Attachment I is a summary of corrected misstatements, which were brought to the attention of management as a result of our audit procedures and were corrected by management during the current period.

UNCORRECTED MISSTATEMENTS

Included in Attachment II as Appendix A, is a summary of uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

OTHER INFORMATION IN THE ANNUAL REPORTS

When audited financial statements are included in documents containing other information such as YVB's 2018 Annual Report, we will read such other information and consider whether it, or the manner of its presentation, is materially inconsistent with the information, or the manner of its presentation, in the financial statements audited by us. In the event that YVB issues an Annual Report or other documentation that includes the audited financial statements, we will read the other information in YVB's 2018 Annual Report and will inquire as to the methods of measurement and presentation of such information. If we note a material inconsistency or if we obtain any knowledge of a material misstatement of fact in the other information, we will discuss this matter with management and, if appropriate, with the Board of Directors.

DISAGREEMENTS WITH MANAGEMENT

We have not had any disagreements with management related to matters that are material to the Bureau's 2018 financial statements.

OUR VIEWS ABOUT SIGNIFICANT MATTERS THAT WERE SUBJECT OF CONSULTATION WITH OTHER ACCOUNTANTS

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2018.

SIGNIFICANT FINDINGS OR ISSUES DISCUSSED, OR SUBJECT OF CORRESPONDENCE, WITH MANAGEMENT PRIOR TO OUR RETENTION

Throughout the year, routine discussions were held, or were the subject of correspondence with management regarding the application of accounting principles or auditing standards in connection with transactions that have occurred, transactions that are contemplated, or reassessment of current circumstances. In our judgment, such discussions or correspondence were not held in connection with our retention as auditors.

OTHER SIGNIFICANT FINDINGS OR ISSUES ARISING FROM THE AUDIT DISCUSSED, OR SUBJECT OF CORRESPONDENCE, WITH MANAGEMENT

Throughout the year, routine discussions were held, or were the subject of correspondence, with management. In our judgment, such discussions or correspondence did not involve significant findings or issues requiring communication to the Board of Directors.

SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

In our judgment, we received the full cooperation of the Bureau's management and staff and had unrestricted access to the Bureau's senior management in the performance of our audit.

MANAGEMENT'S REPRESENTATIONS

We have made specific inquiries of the Bureau's management about the representations embodied in the financial statements. Additionally, we have requested that management provide to us the written representations the Bureau is required to provide to its independent auditors under generally accepted auditing standards. We have attached to this letter, as Attachment II, a copy of the representation letter we obtained from management.

CONTROL-RELATED MATTERS

We have identified, and included in Attachment III, a deficiency related to the Bureau's internal control over financial reporting that we wish to bring to your attention.

The definition of a deficiency is also set forth in Attachment III.

A description of the responsibility of management for establishing and maintaining internal control over financial reporting and of the objectives of and inherent limitations of internal control over financial reporting, is set forth in Attachment IV and should be read in conjunction with this report.

* * * * *

**YVB 09/30/2018 Audit
Corrected Misstatement
Journal Entries - AJE**

#	Name	Debit	Credit
1 AJE Grant per appropriation			
8006	Grants	436,283.00	
1004	CFSM Fund		430,089.04
7500	CFSM grants		6,193.96
		<u>436,283.00</u>	<u>436,283.00</u>
Grants were recognized based on appropriation. Adjustment was proposed in accordance with accrual basis.			
2 AJE Beginning balance			
3009	Retained Earnings-PY Adjustment	5,953.50	
1209 DT	6003 · Fixed Asset - Purchase:6018 · Vehicles		4,256.00
8004	Fund-Local Revenue		1,697.50
		<u>5,953.50</u>	<u>5,953.50</u>
Beginning balance adjustment to agree to PY audited balances			
3 AJE Beginning balance			
1210	Fixed Assets:1209 · Vehicle:1210 · Accumulated Dep. - Ve	7,680.00	
1209	Fixed Assets:1209 · Vehicle		7,680.00
		<u>7,680.00</u>	<u>7,680.00</u>
Fixed asset beginning balance adjustment to agree the balance to PY audited balance			
4 AJE AP posting error			
2000	Accounts Payable	2,778.03	
7003	Contractual Services:Public Relation (International): PR Japan		2,778.03
		<u>2,778.03</u>	<u>2,778.03</u>
Incorrect posting of AP cleared during FY2018			
5 AJE Payroll posting error (double posting)			
8006	Grants	9,902.00	
7301	Payroll Expenses		9,902.00
		<u>9,902.00</u>	<u>9,902.00</u>
Double posting of payroll expense for four PPE (1/6/18, 5/26/18, 6/9/18 and 7/21/18)			
6 AJE 5 computers received in FY2019			
8006	Grants	8,490.00	
6004	Fixed Asset - Purchase:6004 · Equipment		8,490.00
		<u>8,490.00</u>	<u>8,490.00</u>
5 computers received in the subsequent period			
7 AJE Difference from Fundware			
7023	Contractual Services:7023 · Website Improvement/Maint./H	824.00	
7026	Contractual Services:Village Projects	2,200.00	
7027	WW II Historical Products	1,996.00	
7107	Other Current Expenses:7107 · Equipment Repairs & Maint.	6,014.10	
7112	Other Current Expenses:7112 · POL	155.45	
7114	Other Current Expenses:7114 · Supplies & Materials	24,041.41	
7117	Other Current Expenses:7117 · Utilities	90.00	
7107	Other Current Expenses:7107 · Equipment Repairs & Maint.		1,604.55
8006	Grants		33,716.41
		<u>35,320.96</u>	<u>35,320.96</u>
Difference from Fundware expenditure report			

8 AJE Fixed asset (vehicle) per FAR

1209	Fixed Assets:1209 · Vehicle	30,720.00	
7411	Depreciation Expense	7,680.00	
8006	Grants		38,400.00
		<u>38,400.00</u>	<u>38,400.00</u>

Fixed asset (vehicle) adjustment per FAR and two vehicles received in FY2018

9 AJE Fixed asset (equipment) per FAR

1202	Fixed Assets:1201 · Office Equipments:1202 · Accumulated	37,260.24	
7411	Depreciation Expense	7,567.19	
1201	Fixed Assets:1201 · Office Equipment		44,827.43
		<u>44,827.43</u>	<u>44,827.43</u>

Fixed asset (equipment) adjustment per FAR


1 CAJE Payroll posting error

8004 DT	Grants (Reclass)	1,248.37	
2010	Payroll Liabilities	763.22	
8006	Grants		2,011.59
		<u>2,011.59</u>	<u>2,011.59</u>

Posting error of GF local fund corrected by YVB

We have reviewed the audit adjustments summarized above and agreed that they should be recorded in the general ledger as of September 30, 2018. These adjusting journal entries are the results of errors and not results of fraud, irregularities, or illegal acts.


Don Evans, General Manager


Maria Ken, Accountant



Yap Visitors Bureau

P.O. Box 988 Colonia, Yap Western Caroline Islands FSM 96943
 Phone: 691-350-2298 Fax: 691-350-7015 yvb@mail.fm

January 31, 2019

Deloitte & Touche
 P.O. Box 753
 Kolonia, Pohnpei 96941

We are providing this letter in connection with your audits of the statements of net position of the Yap Visitors Bureau (the "Bureau" or "YVB"), a component unit of Yap State Government, as of September 30, 2018 and 2017 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, for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the Bureau in conformity with accounting principles generally accepted in the United States of America (GAAP).

We confirm that we are responsible for the following:

- a. The preparation and fair presentation in the basic financial statements of the Bureau's net position, and the related statements of revenues, expenses and changes in net position, and of cash flows in conformity with accounting principles generally accepted in the United States of America.
- b. 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
 - To prevent and detect fraud
- c. The review and approval of the financial statements and related notes and acknowledge your role in the preparation of this information. Specifically, we acknowledge that your role in the preparation of the financial statements was a matter of convenience rather than one of necessity. We have reviewed the financial statement preparation assistance provided by you and acknowledge that the financial statements are prepared in accordance with GAAP. Our review was based on the use of the financial statement disclosure checklist for stand-alone business-type activities obtained from the Government Finance Officers Association.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audits.

1. The basic financial statements referred to above are fairly presented in conformity with GAAP. In addition:
 - a. The financial statements disclose all related organizations.
 - b. Net position components (invested in capital assets net of related debt, restricted and unrestricted) are properly classified and approved.
 - c. Deposits are properly classified in the category of custodial credit risk.
 - d. Required supplementary information is measured and presented within prescribed guidelines.
 - e. Applicable laws and regulations are followed in adopting, approving, and amending budgets.
 - f. Capital assets are properly capitalized, reported and depreciated.
 - g. Federal awards expenditures have been charged in accordance with applicable cost principles.
2. The Bureau has provided to you all relevant information and access as agreed in the terms of the audit engagement letter.
3. The Bureau has made available to you:
 - a. All minutes of the meetings of the Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - b. All financial records and related data for all financial transactions of the Bureau and for all funds administered by the Bureau. The records, books, and accounts, as provided to you, record the financial and fiscal operations of all funds administered by the Bureau and provide the audit trail to be used in a review of accountability. Information presented in financial reports is supported by the books and records from which the financial statements have been prepared.
 - c. Contracts and grant agreements (including amendments, if any) and any other correspondence that has taken place with federal agencies.
4. There have been no:
 - a. Action taken by the Bureau's management that contravenes the provisions of federal and Federated States of Micronesia (FSM) laws and regulations or of contracts and grants applicable to the Bureau and for all funds administered by the Bureau.
 - b. Communication from other regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices or other matters that could have a material effect on the financial statements.

5. We believe the effects of any uncorrected financial statement misstatements aggregated by you during the current audit engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of such uncorrected misstatements has been attached as Appendix A.
6. The Bureau has not performed a formal risk assessment, including the assessment of the risk that the financial statements may be materially misstated as a result of fraud. However, management has made available to you their understanding about the risks of fraud in the Bureau and do not believe that the financial statements are materially misstated as a result of fraud.
7. We have no knowledge of any fraud or suspected fraud affecting the Bureau involving (a) management, (b) employees who have significant roles in internal control over financial reporting, or (c) others, where the fraud could have a material effect on the financial statements.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting the Bureau received in communications from employees, former employees, analysts, regulators, or others.
9. There are no unasserted claims or assessments that legal counsel has advised us are probable of assertion and must be disclosed in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards ("GASB Codification") Section C50, *Claims and Judgments*, and we have not consulted a lawyer concerning litigation, claims, or assessments, or potential litigation or unasserted claims or assessments that are outstanding or that have been asserted from October 1, 2017 up to the date of this letter.
10. We are responsible for compliance with local and state laws, rules and regulations, including compliance with the provisions of grants and contracts relating to the Bureau's operations. We are responsible for establishing and maintaining the components of internal control relating to our activities in order to achieve the objectives of providing reliable financial reports, effective and efficient operations, and compliance with laws and regulations. The Bureau is responsible for maintaining accounting and administrative control over revenues, obligations, expenditures, assets, and liabilities.
11. There are no reportable conditions, including significant deficiencies and material weaknesses, in the design or operation of internal control that could adversely affect the Bureau's ability to initiate, record, process, and report financial information.
12. Management has identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts.
13. Significant assumptions used by us in making accounting estimates are reasonable.

Except where otherwise stated below, matters less than \$2,600 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to or disclosure in the financial statements.

14. Except as listed in Appendix A, there are no transactions that have not been properly recorded in the accounting records underlying the financial statements.

15. The Bureau has no plans or intentions that may affect the carrying value or classification of assets and liabilities.

16. Regarding related parties:

- a. We have disclosed to you the identity of the Bureau's related parties and all the related party relationships and transactions of which we are aware.
- b. To the extent applicable, related parties and all the related-party relationships and transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral) have been appropriately identified, properly accounted for, and disclosed in the financial statements.
- c. In the ordinary course of business, YVB enters into transactions with the Yap State Government, FSM National Government and private businesses in which certain of the YVB board members hold positions of influence.

During the years ended September 30, 2018 and 2017, YVB received operating subsidies of \$278,735 and \$259,190, respectively, from the Yap State Government which were funded by the 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, 2018 and 2017, YVB incurred eligible expenditures of \$278,735 and \$259,190, respectively.

During the years ended September 30, 2018 and 2017, YVB received operating subsidies of \$6,194 and \$16,043, respectively, from the Federated States of Micronesia (FSM) National Government which were funded by FSM Congress Projects.

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

17. In preparing the financial statements in conformity with GAAP, management uses estimates. All estimates have been disclosed in the financial statements for which known information available prior to the issuance of the financial statements indicates that both of the following criteria are met:

- a. It is reasonably possible that the estimate of the effect on the financial statements of a condition, situation, or set of circumstances that existed at the date of the financial statements will change in the near term due to one or more future confirming events
- b. The effect of the change would be material to the financial statements.

We are not aware of any estimates at September 30, 2018 that may change and that the effect of the change would be material to the financial statements.

18. There are no:

- a. Instances of identified or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements
- b. Known actual or possible litigation and claims whose effects should be considered when preparing the financial statements that have not been disclosed to you and

accounted for and disclosed in accordance with GAAP

- c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Codification Section C50, Claims and Judgments.
19. Regarding required supplementary information:
 - a. We confirm that we are responsible for the required supplementary information.
 - b. The required supplementary information is measured and presented in accordance with GASB Codification Section 2200, *Comprehensive Annual Financial Report*.
 - c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.
 20. The Bureau has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
 21. The Bureau has complied with all aspects of contractual agreements that may affect the financial statements.
 22. No corporation or agency of the Federal Government, the FSM National Government or Yap State Government has reported a material instance of noncompliance to us.
 23. During fiscal year 2018, YVB implemented the following pronouncements
 - GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and provides guidance on reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments.
 - GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, which improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.
 - GASB Statement No. 85, *Omnibus 2017*, which address practice issues that have been identified during implementation and application of certain GASB Statements including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).
 - GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt.

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

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs) associated with the retirement of a tangible capital

asset. The provisions in Statement No. 83 are effective for fiscal years beginning after June 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments. The provisions in Statement No. 84 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in Statement No. 87 are effective for fiscal years beginning after December 15, 2019. Management has yet to determine whether the implementation of this statement will have a material effect on the financial statements.

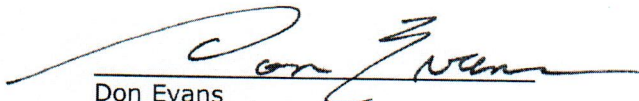
In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. The provisions in Statement No. 88 are effective for fiscal years beginning after June 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The provisions in Statement No. 89 are effective for fiscal years beginning after December 15, 2019. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

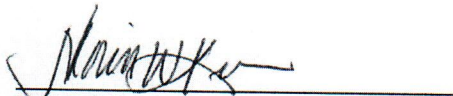
In August 2018, GASB issued Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61*, which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and the relevance of financial statement information for certain component units. The provisions in Statement No. 90 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

24. The Bureau does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk. The Bureau has not experienced any losses on such accounts and management believes it is not exposed to any significant credit risk on its deposits.
25. We believe that all expenditures that have been deferred to future periods are recoverable.

26. No events have occurred after September 30, 2018, but before January 31, 2019, the date the financial statements were available to be issued that require consideration as adjustments to or disclosures in the financial statements.



Don Evans
General Manager



Maria Ken
Accountant

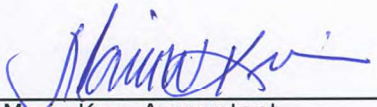
**YVB 09/30/2018 Audit
Uncorrected Misstatement
Journal Entries - PAJE**

Name	Debit	Credit
1 PAJE Difference between grant and expense		
Grants	3,810.00	
Expense		3,810.00
	<u>3,810.00</u>	<u>3,810.00</u>

There is a \$3,810 difference between grants and related expenses

We have reviewed the uncorrected misstatement summarized above. The misstatement is the results of errors and not results of fraud, irregularities, or illegal acts.



Don Evans, General Manager

Maria Ken, Accountant

SECTION I – DEFICIENCY

We identified, and have included below, a deficiency involving YVB's internal control over financial reporting as of September 30, 2018 that we wish to bring to your attention:

1. **Bookkeeping**

Comment: There were numerous proposed audit adjustments which impacted a significant number of accounts. Many of the adjustments relate to the lack of review of general ledger entries.

Recommendation: We recommend that management review general ledger entries, such as grants, federal expenditures, and fixed assets. Procedures should be formalized to require periodic bookkeeping.

SECTION II – DEFINITION

The definition of a deficiency is as follows:

A *deficiency* in internal control over financial reporting 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 deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when (a) a properly designed control does not operate as designed, or (b) the person performing the control does not possess the necessary authority or competence to perform the control effectively.

MANAGEMENT'S RESPONSIBILITY FOR, AND THE OBJECTIVES AND LIMITATIONS OF, INTERNAL CONTROL OVER FINANCIAL REPORTING

The following comments concerning management's responsibility for internal control over financial reporting and the objectives and inherent limitations of internal control over financial reporting are adapted from auditing standards generally accepted in the United States of America.

Management's Responsibility

YVB's management is responsible for the overall accuracy of the financial statements and their conformity with generally accepted accounting principles. In this regard, management is also responsible for establishing and maintaining effective internal control over financial reporting.

Objectives of Internal Control over Financial Reporting

Internal control over financial reporting is a process affected by those charged with governance, management, and other personnel and designed to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. Internal control over the safeguarding of assets against unauthorized acquisition, use, or disposition may include controls related to financial reporting and operations objectives. Generally, controls that are relevant to an audit of financial statements are those that pertain to the entity's objective of reliable financial reporting (i.e., the preparation of reliable financial statements that are fairly presented in conformity with generally accepted accounting principles).

Inherent Limitations of Internal Control over Financial Reporting

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.