

**Yap Visitors Bureau
(A Component Unit of the State of Yap)**

Financial Statements and
Independent Auditor's Reports
as of and for the Years Ended
September 30, 2010 and 2009

Fortenberry & Ballard, PC
Certified Public Accountants

Yap Visitor's Bureau

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FORTENBERRY & BALLARD, PC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Yap Visitors Bureau

We have audited the accompanying statements of net assets of the Yap Visitors Bureau, a component unit of Yap State Government, as of September 30, 2010 and 2009, and the related statements of revenues, expenses, and changes in net assets and of cash flows for the years then ended. These financial statements are the responsibility of the Yap Visitors Bureau's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit 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. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Yap Visitors Bureau as of September 30, 2010 and 2009, and the results of its operations, changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 7 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.

In accordance with Government Auditing Standards, we have also issued our report dated April 25, 2011, on our consideration of the Yap Visitors Bureau's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

FORTENBERRY & BALLARD, PC

April 25, 2011

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Management's Discussion and Analysis
Years Ended September 30, 2010 and 2009

This section of the Yap Visitors Bureau (Bureau) annual financial report presents our management's discussion and analysis of the Bureau's financial performance for the years ended September 30, 2010 and 2009. 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.

Also in FY-2005, the Management and the Board were working with the State Government offices in trying to recover from Typhoon Sudal. The Bureau is eligible for U.S. Federal Emergency Management Assistance and Yap State Funding for the total replacement cost of damaged property and assets. The construction of the new building for the Bureau is 100% complete.

The Bureau, during the past three fiscal years, received grants from the Compact II Private Sector grant for its operations. For fiscal years 2010 and 2009, a memorandum of agreement with the Bureau and the State Finance Office was to allow monthly reimbursement to the Bureau and thereby liquidate the Bureau's budget. For the fiscal years 2010 and 2009, \$283,736 and \$271,058, respectively, represents the total operating grants from the Private Sector Grant Compact II funding.

Summary Statements of Net Assets:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Assets:			
Current assets	\$ 181,393	\$ 188,837	\$ 228,694
Long-term assets	150,000	-	-
Capital assets, net	<u>24,435</u>	<u>35,439</u>	<u>42,485</u>
Total assets	<u>\$ 355,828</u>	<u>\$ 224,276</u>	<u>\$ 271,179</u>
Liabilities and Net Assets:			
Accounts payable	\$ 7,757	\$ 137	\$ 29,701
Accrued payroll and other expenses	1,025	463	5,482
Amount held in custody for others	<u>150,000</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>158,782</u>	<u>600</u>	<u>35,183</u>
Net assets:			
Invested in capital assets	24,435	35,439	42,485

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

Management's Discussion and Analysis
Years Ended September 30, 2010 and 2009

Unrestricted	<u>172,611</u>	<u>188,237</u>	<u>193,511</u>
Total net assets	<u>197,046</u>	<u>223,676</u>	<u>235,996</u>
Total liabilities & net assets	<u>\$ 355,828</u>	<u>\$ 224,276</u>	<u>\$ 271,179</u>

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operating revenues	\$ 1,276	\$ 2,322	\$ 1,086
Operating expenses	<u>314,359</u>	<u>286,349</u>	<u>318,831</u>
Loss from operations	(313,083)	(284,027)	(317,745)
Nonoperating revenues	<u>286,453</u>	<u>271,707</u>	<u>331,841</u>
Change in net assets	(26,630)	(12,320)	14,096
Net assets at beginning of year	<u>223,676</u>	<u>235,996</u>	<u>221,900</u>
Net assets at end of year	<u>\$ 197,046</u>	<u>\$ 223,676</u>	<u>\$ 235,996</u>

Financial Highlights

Government subsidy to Yap Visitors Bureau in fiscal year 2010 was \$283,736, and in fiscal year 2009 was \$271,058. Expenses from operation in fiscal year 2010 were \$314,359, and in fiscal year 2009 were \$286,349.

Capital Assets and Debt

The Bureau has not acquired significant capital assets during the years ended September 30, 2010 or 2009. For more information concerning the Bureau's capital assets, please see the accompanying notes to the financial statements, primarily note 7.

The Bureau has not engaged in either short-term or long-term debt financing during the years ended September 30, 2010 and 2009.

Plan of Action for 2011

The General Manager of Yap Visitors Bureau and the Board of Directors have planned activities for 2011 that are consistent with the five year plan drafted in 2009. Additional products and goals have also been added that have evolved since the original was written.

PRODUCT DEVELOPMENT:

1. The Bureau has made significant progress in developing the WWII History sites for visitors and residents alike. YVB will continue to develop this product in 2011 adding additional sites/memorials and continuing the training of tour guides.
2. The Annual Canoe Festival will continue to be supported by YVB for the third year. This event is getting better known and will hopefully entice visitors to visit Yap in November of each year.
3. YVB plans to support and assist in the development of the Yap Living History Museum. This development has the potential to be a major attraction in Colonia for visitors.

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Management's Discussion and Analysis
Years Ended September 30, 2010 and 2009

4. The Bureau plans to sponsor the first annual Homecoming event in June of 2011. This event is a celebration inviting former residents and past visitors back to Yap. There will be local food, sporting events, and local bands. This annual product will hopefully encourage visitors to visit Yap in June of each year.
5. The cruise ship industry is another product that YVB will develop in 2011. This concept emerged after the initial budget was submitted, but supplemental funds have been requested.
6. Additional small village projects and other activities such as maintain the Colonia information booth, and road signs will be continued in 2011.
7. YVB will continue to develop and support the Dive industry, currently the main visitor attraction for the island.

MARKETING:

1. YVB will continue to market Yap as a destination showcasing the products listed above. Careful selection of tradeshow events will be made trying to cover geographical areas not covered by local operators. The Bureau will pay particular attention to the rising importance of the digital and social media.
2. The Yap Visitors Bureau has made significant strides to increase the number of products for the State, and will continue to encourage the participation of local residents in the development of tourism rather than seeking the dependence of foreign investors.

FINANCIAL STATEMENTS

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

Statements of Net Assets
Years Ended September 30, 2010 and 2009

Assets	<u>2010</u>	<u>2009</u>
Current Assets:		
Cash	\$ 20,832	\$ 38,750
Investments	152,717	150,000
Due from State Government	7,757	-
Receivable, net	<u>87</u>	<u>87</u>
Total current assets	<u>181,393</u>	<u>188,837</u>
Long-term Assets		
Loan receivable	150,000	-
Capital assets, net	<u>24,435</u>	<u>35,439</u>
Total long-term assets	<u>174,435</u>	<u>35,439</u>
 Total Assets	 <u>\$ 355,828</u>	 <u>\$ 224,276</u>
 Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 7,757	\$ 137
Accrued payroll and other expenses	1,025	463
Amount held in custody for others	<u>150,000</u>	<u>-</u>
Total liabilities	<u>158,782</u>	<u>600</u>
Net assets:		
Invested in capital assets	24,435	35,439
Unrestricted	<u>172,611</u>	<u>188,237</u>
Total net assets	<u>197,046</u>	<u>223,676</u>
 Total liabilities and net assets	 <u>\$ 355,828</u>	 <u>\$ 224,276</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 Assets
Years Ended September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Operating revenues:		
Sales of promotional materials	\$ 1,276	\$ 120
Other	<u>-</u>	<u>2,202</u>
Total operating revenues	<u>1,276</u>	<u>2,322</u>
Operating expenses:		
Contractual services	119,429	112,575
Payroll, tax and benefits	71,155	65,986
Promotions and advertising	44,376	41,515
Travel	20,991	25,060
Communications and utilities	32,283	19,258
Depreciation	11,004	7,046
Office supplies	11,780	8,939
Other	<u>3,341</u>	<u>5,970</u>
Total operating expenses	<u>314,359</u>	<u>286,349</u>
Loss from operations	<u>(313,083)</u>	<u>(284,027)</u>
Non-operating revenues:		
Yap State Subsidies	283,736	271,058
Interest income	2,717	-
Refund	<u>-</u>	<u>649</u>
Total non-operating revenues	<u>286,453</u>	<u>271,707</u>
Net loss before capital contributions	<u>(26,630)</u>	<u>(12,320)</u>
Change in net assets	<u>(26,630)</u>	<u>(12,320)</u>
Net assets at beginning of year	<u>223,676</u>	<u>235,996</u>
Net assets at end of year	<u>\$ 197,046</u>	<u>\$ 223,676</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, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows used for operating activities:		
Cash received from customers	\$ 1,276	\$ 2,322
Cash payments to vendors for goods and services	(224,580)	(238,400)
Cash payments to employees for services	<u>(70,593)</u>	<u>(71,005)</u>
Net cash used for operating activities	<u>(293,897)</u>	<u>(307,083)</u>
Cash flows used for investing activities		
Cash invested in investments	<u>-</u>	<u>(150,000)</u>
Net cash used by investing activities	<u>-</u>	<u>(150,000)</u>
Cash flows provided by noncapital financing activities:		
Operating subsidy received from Yap State Government	275,979	351,472
Refund	<u>-</u>	<u>647</u>
Net cash provided by noncapital financing activities	<u>275,979</u>	<u>352,119</u>
Net change in cash	(17,918)	(104,965)
Cash at beginning of year	<u>38,750</u>	<u>143,715</u>
Cash at end of year	<u>\$ 20,832</u>	<u>\$ 38,750</u>
Reconciliation of loss from operations to net cash used for operating activities:		
Loss from operations	\$ (313,083)	\$ (284,027)
Adjustments to reconcile loss from operations to net cash used for operating activities:		
Depreciation	11,004	7,046
(Increase) decrease in assets:		
Prepaid expenses	-	4,480
Increase (decrease) in liabilities:		
Accounts payable	7,620	(29,563)
Accrued payroll and other	<u>562</u>	<u>(5,019)</u>
Net cash used for operating activities	<u>\$ (293,897)</u>	<u>\$ (307,083)</u>

See accompanying notes to financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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

Notes to Financial Statements, Continued
Years Ended September 30, 2010 and 2009

1. Organization

The Yap Visitors Bureau (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 financial statements of the YVB have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. Governmental Accounting Standards Board (GASB) Statement No. 20, "*Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*," requires that proprietary activities apply all applicable GASB pronouncements as well as Statements and interpretations issued by the Financial Accounting Standards Board (FASB), Accounting Principle Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989. The Company has implemented GASB 20 and elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

The Company 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 asset categories:

- a. *Invested in capital assets, net of related debt* – Capital assets, net of accumulated depreciation, and outstanding principle balances of debt attributable to the acquisition, construction, or improvement of those assets.
- b. *Restricted Nonexpendable* – Net assets subject to externally imposed stipulations that require the Company to maintain them permanently.

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

Notes to Financial Statements, Continued
Years Ended September 30, 2010 and 2009

- c. *Restricted Expendable* – Net assets whose use by the Company is subject to externally imposed stipulations that can be fulfilled by actions of the Company pursuant to those stipulations or that expire by the passage of time.

- d. *Unrestricted* – Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

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 assets. Proprietary fund operating statements present increases and decreases in net assets. The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. 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 assets and cash flows, cash is defined as cash on hand and cash held in demand accounts.

Accounts Receivable

All receivables are due from government agencies; businesses and individuals located within the State of Yap and are interest free and uncollateralized. The allowance for uncollectible accounts is stated at an amount which management believes will be adequate to absorb possible losses on accounts receivable that may become uncollectible based on evaluations of the collectibles of these accounts and prior collection experience. The allowance is established through a provision for bad debts charged to expense.

Due to the nature of YVB receivables balances not expected to be collected within one year from the balance sheet date are fully reserved as doubtful.

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

Notes to Financial Statements, Continued
Years Ended September 30, 2010 and 2009

Loan Receivable

The loan receivable at September 30, 2010, was \$150,000. This is a loan to two individuals to assist in their purchase of the Trader's Ridge Resort. The money was not expended until February 2011, so there is an accompanying amount held in custody for others that is the same amount as the loan receivable. The interest rate is 5% and the payment schedule begins on February 5, 2011. See note 6 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 follows:

Furniture and fixtures	2 - 6 years
Office equipment	3 - 5 years
Automobile	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.

New Accounting Standards

The GASB has issued Statement No. 51, Accounting and Financial Reporting for Intangible Assets. The statement establishes accounting and financial reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software. The requirements of this Statement are effective for periods beginning after June 15, 2009. The implementation of this statement has no effect on the financial statements of YVB.

In June 2009, GASB issued Statement No. 53, Accounting and Financial Reporting for Derivative Instruments. This statement is intended to improve how state and local governments report information about derivative instruments in their financial statements. The provisions of this statement are effective for periods beginning after June 15, 2009. The implementation of this statement has no effect on the financial statements of YVB.

GASB has issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This statement establishes new categories for reporting fund balance and revises the definitions for governmental fund types. The requirements of this Statement are effective for periods beginning after June 15, 2010. Management does not believe that the implementation of this statement will have a material effect on the financial statements of YVB.

YAP VISITORS BUREAU
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Notes to Financial Statements, Continued
Years Ended September 30, 2010 and 2009

GASB has issued Statement No. 58, Accounting and Financial Reporting for Chapter 9 Bankruptcies. This statement establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements of this Statement are effective for periods beginning after June 15, 2009. The implementation of this statement has no effect on the financial statements of YVB.

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.

The deposit and investment policies of the YVB are governed 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: Custodial credit risk is the risk that in the event of a bank failure, the State'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 but not in the depositor-government's name. The YVB does not have a deposit policy for custodial credit risk.

GASB Statement No. 40 amended GASB Statement No. 3 to in effect eliminate disclosure for deposits falling into categories 1 and 2 but retained disclosures for deposits falling under category 3. Category 3 deposits are those deposits that have exposure to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Company'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. The YVB does not have a deposit policy for custodial credit risk.

As of September 30, 2010 and 2009, the carrying amounts of the YVB's deposits with financial institutions were \$20,832 and \$38,750, respectively. The bank balances were \$23,026 and \$38,750 at September 30, 2010 and 2009, respectively, which are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2010 and 2009, bank deposits in the amount of \$250,000 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. Due from State Government

While there was no balance due from the Yap State Government as of September 30, 2009, the amount for 2010 amounted to \$7,757. The balance due to YVB represented outstanding

YAP VISITORS BUREAU
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Notes to Financial Statements, Continued
Years Ended September 30, 2010 and 2009

reimbursement requests for expenditures related to operating subsidies funded from Compact Private Sector Grants and local funds.

5. Accounts Receivable

Receivables at September 30, 2010 and 2009, consist of the following:

	<u>2010</u>	<u>2009</u>
Employee and director receivables	\$ 29,555	\$ 29,555
Travel advances	27,581	27,581
Others	<u>5,316</u>	<u>5,316</u>
	62,452	62,452
Less: allowance for doubtful accounts	<u>(62,365)</u>	<u>(62,365)</u>
	<u>\$ 87</u>	<u>\$ 87</u>

6. Loan Receivable

The amortization schedule for the loan receivable, scheduled to begin repayment on February 5, 2011 is as follows:

Year Ending	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
September 30,			
2011	\$ 17,905	\$ 4,741	\$ 22,646
2012	27,999	5,969	33,968
2013	29,432	4,536	33,968
2014	30,938	3,030	33,968
2015	32,520	1,448	33,968
2016	<u>11,206</u>	<u>117</u>	<u>11,323</u>
Total	<u>\$ 150,000</u>	<u>\$ 19,841</u>	<u>\$ 169,841</u>

7. Capital Assets

Capital asset activity for the years ended September 30, 2010 and 2009 is as follows:

	<u>Balance</u> <u>Oct. 1, 2009</u>	<u>Transfers and</u> <u>Additions</u>	<u>Transfers and</u> <u>Deletions</u>	<u>Balance,</u> <u>Sept. 30, 2010</u>
Furniture and fixtures	\$ 14,236	\$ -	\$ 1,221	\$ 13,015
Vehicles	25,500	-	-	25,500
Office equipment	<u>56,904</u>	<u>-</u>	<u>7,971</u>	<u>48,933</u>
Total capital assets	96,640	-	9,192	87,448
Less accumulated depreciation	<u>(61,201)</u>	<u>(11,004)</u>	<u>(9,192)</u>	<u>(63,013)</u>
Total capital assets, net of depreciation	<u>\$ 35,439</u>	<u>\$ (11,004)</u>	<u>\$ -</u>	<u>\$ 24,435</u>

YAP VISITORS BUREAU
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Notes to Financial Statements, Continued
Years Ended September 30, 2010 and 2009

	Balance Oct. 1, 2008	Transfers and Additions	Transfers and Deletions	Balance, Sept. 30, 2009
Furniture and fixtures	14,236			14,236
Vehicles	25,500			25,500
Office equipment	56,904		-	56,904
Total capital assets	96,640	-	-	96,640
Less accumulated depreciation	(54,155)	(7,046)	-	(61,201)
Total capital assets, net of depreciation	42,485	(7,046)	-	35,439

8. Yap State Subsidies

YVB received operating subsidies for the years ended September 30, 2010 and 2009 in the amount of \$283,736, and \$271,058, respectively, from the Yap State Government which was funded by Compact Private Sector Grants. Pursuant to the terms of a Memorandum of Understanding with the Department of Administrative Services, eligible expenditures could be reimbursed. During the years ended September 30, 2010 and 2009, YVB had eligible expenditures of \$283,736 and \$271,058.

9. Other Expenses

A summary of other expenses for the years ended September 30, 2010 and 2009 is as follows:

	2010	2009
Freight	\$ -	\$ 3,722
Miscellaneous	1,977	1,164
Fuel	-	1,084
Repairs and maintenance	1,364	-
Total	\$ 3,341	\$ 5,970

10. Related Party Transactions

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

11. 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.

REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS (GAS)*

FORTENBERRY & BALLARD, PC
Certified Public Accountants

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

The Board of Directors
Yap Visitors Bureau

We have audited the financial statements of Yap Visitors Bureau as of and for the years ended September 30, 2010 and 2009, and have issued our report thereon dated April 25, 2011. We conducted our audit 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Yap Visitors Bureau's internal control over financial reporting as a basis for designing our auditing procedures 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 Yap Visitors Bureau's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Yap Visitors Bureau's financial statements are free of 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 did not disclose any instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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

FORTENBERRY & BALLARD, PC

April 25, 2011