

YAP VISITORS BUREAU
(A COMPONENT UNIT OF THE STATE OF YAP)
Financial Statements and
Independent Auditor's Report
Year Ended September 30, 2022

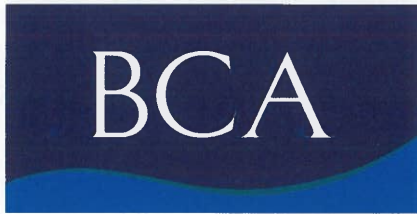
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YAP VISITORS BUREAU
(A COMPONENT UNIT OF THE STATE OF YAP)
Financial Statements
and Independent Auditor's Report

Year Ended September 30, 2022

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BURGER · COMER & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Board of Directors of
Yap Visitors Bureau

Opinion

We have audited the accompanying financial statements of the Yap Visitors Bureau (YVB), a component unit of Yap State Government, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Yap Visitors Bureau's basic financial statements as listed in the table of contents.

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, 2022, and the changes in net position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Yap Visitors Bureau and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Yap Visitors Bureau's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Yap Visitors Bureau's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Yap Visitors Bureau's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 11 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 the *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2024, 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing and not to provide an opinion on internal control over financial reporting 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 on compliance.

Bryce Conner & Associates

May 17, 2024
Saipan, MP

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

Management's Discussion and Analysis
Year ended September 30, 2022

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, 2022 and 2021, 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 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. The audit this year was carried on at Yap State Finance, but YVB had to furnish documents that had been lost or misplaced by their office. YVB continues to be charged for the audit procedures.

The restrictions of the YVB funding source provide an increasing number of challenges for the Bureau to make progress in increasing the number of appropriate visitors to Yap. The Bureau is trying to promote International Travel, Food and Entertainment for the island of Yap. The funding source does not allow international travel, food, and many types of entertainment.

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

Management's Discussion and Analysis
Year ended September 30, 2022

The restrictions of the YVB funding source provide an increasing number of challenges for the Bureau to make progress in increasing the number of appropriate visitors to Yap. The Bureau has had a reduced budget due to the pandemic and will meet the challenges of reinstating tourism to Yap once the island is once again open to visitors.

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.

Summary Statements of Net Position

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Assets:			
Current assets	\$ 176,066	\$ 176,066	\$ 176,166
Capital assets, net	4,830	17,010	28,927
Total assets	<u>180,896</u>	<u>193,076</u>	<u>205,093</u>
Liabilities and Net Position:			
Accounts payable	\$ -	\$ -	\$ -
Accrued payroll and other expenses	7,683	5,387	5,387
Total liabilities	<u>7,683</u>	<u>5,387</u>	<u>5,387</u>
Net position			
Net investment in capital assets	4,830	17,010	28,927
Unrestricted	168,383	170,679	170,779
Total net position	<u>173,213</u>	<u>187,689</u>	<u>199,706</u>
Total liabilities & net position	<u>\$ 180,896</u>	<u>\$ 193,076</u>	<u>\$ 205,093</u>

Summary Statements of Revenues, Expenses and Changes in Net Position

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating expenses	\$ 297,332	\$ 469,625	\$ 300,668
Loss from operation	(297,332)	(469,625)	(300,668)
Nonoperating revenues	282,856	457,608	286,142
Change in net position	(14,476)	(12,017)	(14,526)
Net position at beginning of year	187,689	199,706	214,232
Net position at end of year	<u>\$ 173,213</u>	<u>\$ 187,689</u>	<u>\$ 199,706</u>

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

Management's Discussion and Analysis
Year ended September 30, 2022

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 4 to the financial statements.

Additional Financial Information

Yap Visitors Bureau is no longer 100% funded by JEMCO. Operational funds come from local appropriations, and individual project funds come from JEMCO and CFMS. YVB is currently transitioning its finances back to the bureau for fiscal year 2024.

For additional information about this please contact General Manager at P.O. Box 988, Colonia, Yap FM 96943.

YAP VISITORS BUREAU
(A Component Unit of the State of Yap)
Statement of Net Position
September 30, 2022

ASSETS

Current assets:		
Cash	\$	176,066
Total current assets		176,066
Capital assets, net		4,830
	\$	180,896

LIABILITIES AND NET POSITION

Current liabilities:		
Accrued payroll and other accrued expenses		7,683
Total liabilities		7,683
Net position:		
Net investment in capital assets		4,830
Unrestricted		168,383
Total net position		173,213
	\$	180,896

YAP VISITORS BUREAU
(A Component Unit of the State of Yap)
Statement of Revenues, Expenses and Changes in Net Position
For the year ended September 30, 2022

Operating expenses:		
Contractual services	\$	182,054
Payroll, taxes and benefits		66,349
Depreciation		12,180
Communications and utilities		10,773
General and administrative		10,353
Miscellaneous		5,726
Office repairs and supplies		3,453
Events, tourism and international affairs		2,945
Promotions and advertising		2,000
Dues and subscriptions		1,499
		<hr/>
Total operating expenses		297,332
		<hr/>
Loss from operations		(297,332)
Non operating revenues:		
FSM National Government subsidies		168,569
Yap State Government subsidies		111,342
Other revenue		2,945
		<hr/>
Total non operating revenues		282,856
		<hr/>
Change in net position		(14,476)
Net position at beginning of the year		187,689
		<hr/>
Net position at end of the year	\$	173,213
		<hr/> <hr/>

YAP VISITORS BUREAU
(A Component Unit of the State of Yap)
Statement of Cash Flows
For the year ended September 30, 2022

Cash flows from operating activities:	
Cash payments to vendors for goods and services	\$ (216,507)
Cash payments to employees for services	<u>(66,349)</u>
Net cash used in operating activities	<u>(282,856)</u>
Cash flows from noncapital financing activities:	
Operating subsidies received from Yap State Government	111,342
Operating subsidies received from FSM National Government	168,569
Other revenue	<u>2,945</u>
Net cash provided by noncapital financing activities	<u>282,856</u>
Net change in cash	-
Cash at beginning of year	<u>176,066</u>
Cash at end of year	<u><u>\$ 176,066</u></u>
Reconciliation of loss from operations to net cash used in operating activities:	
Loss from operations	\$ (297,332)
Adjustments to reconcile loss from operations to net cash used in operating activities:	
Depreciation	12,180
Increase in liabilities:	
Accrued payroll and other accrued expenses	<u>2,296</u>
Net cash used in operating activities	<u><u>\$ (282,856)</u></u>

YAP VISITORS BUREAU
(A Component Unit of The State of Yap)

Notes to Financial Statements
September 30, 2022

(1) Organization

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

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

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

(2) Summary of significant accounting policies

The accounting policies of YVB conform to accounting principles generally accepted in the United State 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 that the 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 principal 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.

YAP VISITORS BUREAU
(A Component Unit of The State of Yap)

Notes to Financial Statements
September 30, 2022

(2) Summary of significant accounting policies, continued

- (d). *Unrestricted* – Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designed 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, the 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.

YAP VISITORS BUREAU
(A Component Unit of The State of Yap)

Notes to Financial Statements
September 30, 2022

(2) Summary of significant accounting policies, continued

Capital Assets

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

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

Annual and sick leave

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

New accounting standards

In 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postponed the effective dates of GASB Statement No. 84, 89, 90, 91, 92, and 93 by one year and GASB Statement No. 87 by 18 months; however, earlier application of the provisions addressed in GASB Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued. In accordance with GASB Statement No. 95, management has elected to postpone implementation of these statements.

YAP VISITORS BUREAU
(A Component Unit of The State of Yap)

Notes to Financial Statements
September 30, 2022

(2) Summary of significant accounting policies, continued

New accounting standards. continued

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

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. In accordance with GASB Statement No. 95, GASB Statement No. 89 is effective for the fiscal year ending September 30, 2022. The adoption of the Statement had no material effect on the financial statements of YVB.

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

YAP VISITORS BUREAU
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Notes to Financial Statements
September 30, 2022

(2) Summary of significant accounting policies, continued

New accounting standards, continued

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during the implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the effective date of Statement No. 87, *Leases*, and implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. In accordance with GASB Statement No. 95, the remaining requirements of GASB Statement No. 92 are effective for the fiscal year ending September 30, 2022. The adoption of the Statement has no material effect on the financial statements of YVB.

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

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

YAP VISITORS BUREAU
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Notes to Financial Statements
September 30, 2022

(2) Summary of significant accounting policies, continued

New accounting standards, continued

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

In October 2021, GASB issued Statement No. 98, *The Annual Comprehensive Financial Report. This Statement establishes the term annual comprehensive financial report and its acronym ACFR*. That new term and acronym replaces instances of comprehensive annual financial reports and its acronym in generally accepted accounting principles for state and local governments. GASB Statement No. 98 is effective for the fiscal year ending September 30, 2022. The adoption of the Statement had no material effect on YVB's financial statements.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

YAP VISITORS BUREAU
(A Component Unit of The State of Yap)

Notes to Financial Statements
September 30, 2022

(2) Summary of significant accounting policies, continued

New accounting standards, continued

This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature.

In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated.

YAP VISITORS BUREAU
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Notes to Financial Statements
September 30, 2022

(2) Summary of significant accounting policies, continued

New accounting standards, continued

Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Management is evaluating whether implementation of this statement will have a material impact on the financial statements.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

YAP VISITORS BUREAU
(A Component Unit of The State of Yap)

Notes to Financial Statements
September 30, 2022

(2) Summary of significant accounting policies, continued

New accounting standards, continued

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.

This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Management is evaluating whether the implementation of this statement will have a material effect on the financial statements.

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. State and local governments face a variety of risks that could negatively affect the level of service they provide or their ability to meet obligations as they come due. Although governments are required to disclose information about their exposure to some of those risks, essential information about other risks that are prevalent among state and local governments is not routinely disclosed because it is not explicitly required. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints.

This Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending.

YAP VISITORS BUREAU
(A Component Unit of The State of Yap)

Notes to Financial Statements
September 30, 2022

(2) Summary of significant accounting policies, continued

New accounting standards, continued

This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. The disclosure should include descriptions of the following:

- The concentration or constraint
- Each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements
- Actions taken by the government prior to the issuance of the financial statements to mitigate the risk.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Management is evaluating whether the implementation of this statement will have a material effect on the financial statements.

YAP VISITORS BUREAU
(A Component Unit of The State of Yap)

Notes to Financial Statements
September 30, 2022

(3) Deposits

GASB Statement No. 40 addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest risk, and foreign currency risk. As an element of interest rate risk, disclosure is required of investments with 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 risk.

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.

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, 2022, the carrying amounts of the YVB's deposits with financial institutions were \$176,066. The bank balances were \$176,066 at September 30, 2022, which are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2022 the bank deposits 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.

YAP VISITORS BUREAU
(A Component Unit of The State of Yap)

Notes to Financial Statements
September 30, 2022

(4) Capital assets

Capital asset activity for the year ended September 30, 2022 is as follows:

	<u>Beginning Balance</u> October 01, 2021	<u>Beginning Balance</u> October 01, 2021	<u>Beginning Balance</u> October 01, 2021	<u>Beginning Balance</u> October 01, 2021
Depreciable fixed assets:				
Furniture and fixtures	\$ 13,015	\$ -	\$ -	\$ 13,015
Vehicles	63,900	-	-	63,900
Office and equipment	56,375	-	-	56,375
	<u>133,290</u>	<u>-</u>	<u>-</u>	<u>133,290</u>
Accumulated depreciation	<u>(116,280)</u>	<u>(12,180)</u>	<u>-</u>	<u>(128,460)</u>
	<u>\$ 17,010</u>	<u>\$ (12,180)</u>	<u>\$ -</u>	<u>\$ 4,830</u>

YAP VISITORS BUREAU
(A Component Unit of The State of Yap)

Notes to Financial Statements
September 30, 2022

(5) Related party transactions

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

During the year ended September 30, 2022, YVB received subsidies of \$168,569 from the Yap State Government, which were funded by the Compact Private Sector Grants and General Fund. Pursuant to the terms of a Memorandum of Understanding with the Department of Administrative Services, eligible expenditures are to be reimbursed. During the year ended September 30, 2022, YVB incurred eligible expenditures of \$111,342.

During the year ended September 30, 2022, YVB received operating subsidies of \$111,342 from the Federated States of Micronesia (FSM) National Government which were funded by FSM Congress Projects.

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

(6) Risk management

YVB is self-insured for all risk. 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.

(7) Coronavirus Pandemic

On January 30, 2020, the International Health Regulations Emergency Committee of the World Health Organization declared the 2019-nCoV (Coronavirus) outbreak a “Public Health Emergency of International Concern”.

On May 5, 2023 the World Health Organization declared that the public health emergency had ended. There are lingering aspects of the pandemic that are affecting businesses in the State of Yap, primarily related to the tourism industry. It is anticipated that these impacts will continue for some time. As a result of the spread of the coronavirus pandemic, economic uncertainties have arisen, which are likely to impact the day-to-day administration of YVB. While this matter is expected to negatively impact the results of operations and financial position, the related financial impact cannot be reasonably estimated at this time.

YAP VISITORS BUREAU
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Notes to Financial Statements
September 30, 2022

(8) Date of Management's Review

In preparing the accompanying financial statements and these footnotes, management has evaluated subsequent events through May 17, 2024 which is the date the financial statements were available to be issued. The Company has determined that none of the events occurring after the date of the statement of net position substantially affects the amounts, presentation, and disclosure of the accompanying financial statements.s



BURGER · COMER & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

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 of
Yap Visitors Bureau

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Yap Visitors Bureau (the "Bureau"), a component unit of the State of Yap, which comprise the statement of net position as September 30, 2022, and the related statements of revenues, expenses and changes in net position and of cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated May 17, 2024.

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.

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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 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.

Bung Comu & Associates

May 17, 2024
Saipan, MP