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June 24, 2009

The Board of Directors
Yap Visitors Bureau

Dear Members of the Board:

We have performed an audit of the financial statements of Yap Visitors Bureau (YVB), a component unit of the State of Yap, as of and for the year ended September 30, 2008, in accordance with auditing standards generally accepted in the United States of America and have issued our report thereon dated June 24, 2009.

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 YVB is responsible.

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

Our responsibility under 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, have been described in our engagement letter dated September 30, 2008. 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 the fairness of the presentation of YVB's basic financial statements and to disclaim an opinion on the required supplementary information for the year ended September 30, 2008 in conformity with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"), in all material respects; and

- 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, 2008 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.

We considered YVB's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of YVB's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of YVB'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.

ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and on assumptions about future events. Significant accounting estimates reflected in YVB's 2008 financial statements include management's estimate of the allowance for uncollectible accounts, which is determined based upon past collection experience and aging of the accounts; and management's estimate of depreciation expense, which is based on estimated useful lives of the respective capital assets. During the year ended September 30, 2008, we are not aware of any significant changes in accounting estimates or in management's judgments relating to such estimates.

AUDIT ADJUSTMENTS AND UNCORRECTED MISSTATEMENTS

As the result of our audit work, we identified matters that resulted in audit adjustments that we believe, either individually or in the aggregate, would have a significant effect on YVB's financial reporting process. Such adjustments, listed in Appendix I, have been recorded in the accounting records and are reflected in the 2008 financial statements.

In addition, we have attached to this letter, as Appendix II, 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.

SIGNIFICANT ACCOUNTING POLICIES

YVB's significant accounting policies are set forth in Note 2 to YVB's 2008 financial statements. During the year ended September 30, 2008, there were no significant changes in previously adopted accounting policies or their application, except for the following pronouncements adopted by YVB:

- Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, which establishes uniform financial reporting for other postemployment benefit plans by state and local governments.

- GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfer of Assets and Future Revenues*, which establishes criteria that governments will use to ascertain whether certain transactions should be regarded as a sale or a collateralized borrowing, and includes a provision that stipulates that governments should not revalue assets that are transferred between financial reporting entity components.

- GASB Statement No. 50, *Pension Disclosures an amendment of GASB Statements No. 25 and 27*, which more closely aligns the financial reporting requirements for pensions with those for other post-employment benefits.

The implementation of these pronouncements did not have a material effect on the financial statements of YVB.

OTHER INFORMATION IN THE ANNUAL REPORTS

When audited financial statements are included in documents containing other information such as YVB's 2008 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. We will read the other information in the YVB's 2008 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.

DISAGREEMENTS WITH MANAGEMENT

We have not had any disagreements with management related to matters that are material to YVB's 2008 financial statements.

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 2008.

MANAGEMENT'S REPRESENTATIONS

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

MAJOR ISSUES DISCUSSED WITH MANAGEMENT PRIOR TO OUR INITIAL ENGAGEMENT OR 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.

SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

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

CONTROL-RELATED MATTERS

We have issued a separate report to you, dated June 24, 2009, wherein no matters involving YVB's internal control over financial reporting that were considered to be material weaknesses under standards established by the American Institute of Certified Public Accountants, and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters were reported.

We have communicated to management, in a separate letter also dated June 24, 2009, control deficiencies and other matters that we identified during our audit.

* * * * * * * *

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

Very truly yours,

Deloitte + Touche LLP

Yap Visitors Bureau
PAJE
9/30/2008

Appendix A

	ASSETS Dr (Cr)	LIABILITIES Dr (Cr)	Equity Dr (Cr)	INCOME STATEMENT Dr (Cr)
PAJE 1				
Dr. Other Expense				1,301
Cr. Cash	(1,301)			
To properly record cash.				
PAJE 2				
Dr. Expense				4,480
Cr. Prepaids	(4,480)			
To reverse amount expensed in previous years				
PAJE 3				
Dr. A/C - Office Equipment	2,122			
Dr. Depreciation - Office Equipment				513
Cr. Cost - Office Equipment	(2,635)			
To dispose damaged asset				
PAJE 4				
Dr. Payroll Liabilities		3,096		
Cr. Expense				(3,096)
To reverse over-accrual of payroll				
PAJE 5				
Dr. FWT Payable		1,280		
Cr. Expense				(1,280)
To reverse over-accrual of Income Taxes Payable				
PAJE 6				
Dr. Expense				4,355
Cr. A/P		(4,355)		
To record unrecorded liabilities as of 09/3008				
PAJE 7				
Dr. Expense				1,831
Cr. A/P		(1,831)		
To properly record prior yea rexpense				
Grand Total	(6,294)	(1,810)	0	8,104

CONCURRENCE

We have reviewed and approved them on the basis of information we have provided you. We further represent that the above are not the result of fraud risk factors or illegal acts. Rather, such represent misstatements.

CONCURRED BY:

Donald M. Evans

Signature of Representative

Donald M. Evans, General Manager

Print Name and Title

Yap Visitors Bureau			
Proposed AJE & RJE			
9/30/2008			
Journal Entries - AJE			
#	**Name**	**Debit**	**Credit**
	1 AJE To reverse collectible amounts		
10036	Allowance for Bad Debts	180.77	-
DTT01	Other income/expense	-	180.77
		180.77	180.77
	To reverse collectible amounts		
	2 AJE To write-off amounts considered as uncollectible.		
10036	Allowance for Bad Debts	-	2,741.00
Blank (90)	Bad Debt Expense	2,741.00	-
		2,741.00	2,741.00
	To write-off amounts considered as uncollectible.		
	3 AJE To record collections made from State Finance.		
42022	Yap State Appropriations	79,327.00	-
DTT02	Due from State Finance	-	79,327.00
		79,327.00	79,327.00
	To properly record collections made from State Finance.		
	4 AJE To record receivables for FY08		
42022	Yap State Appropriations	-	80,414.00
DTT02	Due from State Finance	80,414.00	-
		80,414.00	80,414.00
	To properly record receivables from State Finance for FY 08 expenditures.		
	5 AJE Properly record disposal of asset		
14040	Other Assets	-	624.00
14041	Other Assets	624.00	-
		624.00	624.00
	To properly dispose of other assets.		
	6 AJE To properly record depreciation expense		
14019	Accumulated Depreciation - Furniture	700.00	-
14029	Accumulated Depreciation - Office	6,555.00	-
Blank (132)	Depreciation Expense:Depreciation-Furniture	-	700.00
Blank (133)	Depreciation Expense:Depreciation-Office Equipment	-	6,555.00
		7,255.00	7,255.00
	To properly record depreciation expense.		
	7 AJE To properly dispose of assets		
14013	Furnitures and Fixtures	-	2,359.00
14019	Accumulated Depreciation - Furniture	2,359.00	-
14033	Vehicles	-	14,800.00
14039	Accumulated Depreciation - Vehicles	14,800.00	-
		17,159.00	17,159.00
	To properly dispose of assets.		
	8 AJE To properly expense prepaid amount		
13020	Prepaids	-	4,420.00
521109	Yap/Culture Day	4,420.00	-
		4,420.00	4,420.00
	To record expense on prepaid amount.		
#	**Name**	**Debit**	**Credit**
	1 RJE To properly record cash		
10021	BOFSM General Checking	690.00	-

Journal Entries - AJE			
#	Name	Debit	Credit
Blank (129)	Undeposited Funds	-	690.00
		690.00	690.00
	To reclass amount collected as of 09/30/08 to cash.		

Note: Based on our understanding, we believe that the adjustments and reclassifications are not due to fraud or illegal acts. Rather, such constitute misstatements.

CONCURRENCE

We have reviewed and approve them on the basis of information we have provided to you.

CONCURRED BY:

Donald M. Evans

Signature of Representative

Donald M. Evans GM

Print Name and Title

The Land of Stone Money

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

June 24, 2009

Deloitte & Touche LLP
361 South Marine Drive
Tamuning, Guam 96913

We are providing this letter in connection with your audits of the statement of net assets of the Yap Visitors Bureau (the Bureau) as of September 30, 2008 and 2007, (a component unit of the State of Yap) and the related statements of revenues, expenses and changes in net assets and of cash flows for the years then ended, for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial positions, and results of operations and/or changes in fund balances and/or cash flows of the Bureau in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the following:

a. The fair presentation in the financial statements of net assets, revenues, expenses and changes in net assets cash flows in conformity with accounting principles generally accepted in the United States of America.

b. The fair presentation of the required supplementary information, including Management's Discussion and Analysis, accompanying the basic financial statements that are presented for the purpose of additional analysis for the basic financial statements.

c. 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.

d. Maintaining accounting and administrative control over revenues, obligations, expenditures, assets, and liabilities.

e. The design and implementation of programs and controls to prevent and detect fraud.

f. 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 audit.

1. The Bureau financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America. In addition:

    a. The financial statements properly classify all activities of the Bureau.

    b. Net asset components (invested in capital assets; restricted; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved

    c. Capital assets are properly capitalized, reported, and depreciated

    d. Required supplementary information is measured and presented within prescribed guidelines.

2. The Bureau has made available to you all:

    a. Financial records and related data for all financial transactions of the Bureau.

    b. Minutes of meetings of Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.

3. There has been no:

    a. Action taken by the Bureau's management that contravenes the provisions of federal laws and FSM laws and regulations or of contracts and grants applicable to the Bureau, with the exception of matters contained in the Findings and Questioned Costs section of the Compliance Report for fiscal year 2008.

    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.

4. 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.

5. 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 if the fraud could have a material effect on the financial statements.

6. 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.

7. There are no unasserted claims or assessments that legal counsel has advised us are probable of assertion and must be disclosed in accordance with Financial Accounting Standards Board ("FASB") Statement No. 5, *Accounting for Contingencies.*

8. We are responsible for compliance with local, state and federal laws, rules and regulations, including compliance with the requirements of OMB Circular A-133, and 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.

9. 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.

10. 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.

11. Based on our discussions during the course of the audit, management has made available to you the results of our assessment of the risk of whether the financial statements may be materially misstated as a result of fraud.

Except where otherwise stated below, matters less than $2,750 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.

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

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

15. The following, to the extent applicable, have been appropriately identified, properly recorded, and disclosed in the financial statements:

    a. Related-party transactions and associated amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral).

    b. Guarantees, whether written or oral, under which the Guarantees, whether written or oral, under which the Bureau is contingently liable.

    c. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements.

    d. All impaired premiums of and other loans receivable.

16. In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, 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 at least 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.

17. Risks associated with concentrations, based on information known to management, that meet all of the following criteria have been disclosed in the financial statements:

a. The concentration exists at the date of the financial statements.

b. The concentration makes the enterprise vulnerable to the risk of a near-term severe impact.

c. It is at least reasonably possible that the events that could cause the severe impact will occur in the near term.

18. There are no:

a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

b. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB Statement No. 5, *Accounting for Contingencies*.

19. 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.

20. The Bureau has complied with all aspects of contractual agreements that would have an effect on the financial statements in the event of noncompliance.

21. No events have occurred subsequent to September 30, 2008 that requires consideration as adjustments to or disclosures in the financial statements.

22. There are no control deficiencies in the design or operation of internal control over financial reporting that could adversely affect the Bureau's ability to initiate, record, process, and report financial information.

23. We are aware of our requirement to disclose to you any change in the Bureau's internal control over financial reporting that occurred during the Bureau's most recent fiscal year that has materially affected, or is reasonably likely to materially affect, the Bureau's internal control over financial reporting and we advise you that no such changes have occurred that are reported to you.

24. No Corporation or agency of the Federal Government or the Governments of the Federated States of Micronesia has reported a material instance of noncompliance to us.

25. With regard to the fair value measurements and disclosures of certain assets, we believe that the measurement methods, including the related assumptions, used in determining fair value were appropriate and were consistently applied.

26. The completeness and adequacy of the disclosures related to fair values are in conformity with accounting principles generally accepted in the United States of America.

27. No events have occurred subsequent to September 30, 2008 that requires adjustments to the fair value measurements and disclosures included in the financial statements.

28. During fiscal year 2008, the Bureau implemented the following pronouncements:

- In April 2004, GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which establishes uniform financial reporting for other postemployment benefit plans by state and local governments. The provisions of this

Statement are effective for periods beginning after December 15, 2007. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the Bureau.

- In July 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which establishes standards for the measurement, recognition, and display of other post employment benefits expense/expenditures and related liabilities, note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The provisions of this Statement are effective for periods beginning after December 15, 2008. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the Bureau.

- In September 2006, GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfer of Assets and Future Revenues*. GASB Statement No. 48 establishes criteria that governments will use to ascertain whether certain transactions should be regarded as a sale or a collateralized borrowing. The Statement also includes a provision that stipulates that governments should not revalue assets that are transferred between financial reporting entity components. The provisions of this Statement are effective for periods beginning after December 15, 2006. Management does not believe that the implementation of this Statement will have a material effect on the financial statements of the Bureau.

- In December 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. GASB Statement No. 49 provides guidance and consistency under which a governmental entity would be required to report a liability related to pollution remediation. The provisions of this statement are effective for periods beginning after December 15, 2007. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the Bureau.

- In May 2007, GASB issued Statement No. 50, *Pension Disclosures an amendment of GASB Statements No. 25 and 27*. GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits. The provisions of this statement are effective for periods beginning after June 15, 2007. Management does not believe the implementation of this statement will have a material effect on the financial statements of the Bureau.

- In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. GASB Statement No. 51 addresses whether and when intangible assets should be considered capital assets for financial reporting purposes. The provisions of this statement are effective for periods beginning after June 15, 2009. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the Bureau.

29. Receivables recorded in the financial statements represent valid claims for other charges arising on or before the balance-sheet date and have been appropriately reduced to their estimated net realizable value.

30. The Bureau is responsible for determining and maintaining the adequacy of the allowance for doubtful notes, loans, and accounts receivable, as well as estimates used to determine such amounts. Management believes the allowances are adequate to absorb currently estimated bad

debts in the account balance(s).

31. There were no items of physical property contained in the property accounts of the Bureau that were either (a) abandoned or (b) out of service.

32. We represent to you that, subsequent to September 30, 2008, there were no changes in internal control or other factors that might significantly affect internal control, including any corrective action taken by management with regard to reportable conditions (including material weaknesses).

33. The Bureau is substantially self-insured for all risks. Management is of the opinion that no material losses have been sustained as a result of this practice during the past three years.

Don Evans 6/29/09

Don Evans Date

General Manager