

ANGAUR STATE GOVERNMENT

STATEMENTS OF RECEIPTS AND DISBURSEMENTS
AND
INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2017 AND 2016

INDEPENDENT AUDITORS' REPORT

Honorable Kennosuke A. Suzuki
Governor
Angaur State Government:

Report on the Financial Statements

We have audited the accompanying statements of receipts and disbursements of the Angaur State Government (the State) for the years ended September 30, 2017 and 2016, and the related notes to the statements of receipts and disbursements.

Management's Responsibility for the Statements of Receipts and Disbursements

Management is responsible for the preparation and fair presentation of these statements of receipts and disbursements in accordance with the cash receipts and disbursements basis of accounting; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of statements of receipts and disbursements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these statements of receipts and disbursements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the statements of receipts and disbursements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statements of receipts and disbursements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statements of receipts and disbursements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the statements of receipts and disbursements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the statements of receipts and disbursements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the statements of receipts and disbursements referred to above present fairly, in all material respects, the receipts and disbursements of the Angaur State Government for the years ended September 30, 2017 and 2016, on the basis of accounting as described in note 1.

Emphasis of Matter

As described in note 1, these statements were prepared on the basis of receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2020 on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the State's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control over financial reporting and compliance.

Deloitte & Touche LLC

March 30, 2020

ANGAUR STATE GOVERNMENT

Statements of Receipts and Disbursements
Years Ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Receipts:		
Republic of Palau block grant appropriation	\$ 357,015	\$ 335,473
Local revenue	60,654	63,528
Fishing rights	21,888	60,001
Restricted fund:		
PAN Fund	20,306	72,367
Angaur boat repair	-	275,000
Reimbursement	11,217	17,545
Donation/contribution	8,282	3,582
Local grant	-	1,000
Miscellaneous	-	15,778
Total receipts	<u>479,362</u>	<u>844,274</u>
Disbursements:		
Restricted expense:		
Angaur boat repair	282,447	195,129
PAN project	52,695	43,428
CIP	90,875	153,897
Office of the Governor	64,633	61,845
Community projects	50,868	40,715
Angaur Legislature	32,424	25,268
Bank charges	1,015	211
Other expenses	14,701	10,761
Total disbursements	<u>589,658</u>	<u>531,254</u>
Receipts (less than) in excess of disbursements	<u>\$ (110,296)</u>	<u>\$ 313,020</u>

See accompanying notes to statements of receipts and disbursements.

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Notes to Statements of Receipts and Disbursements
Years Ended September 30, 2017 and 2016

(1) Basis of Accounting

The accompanying statements of receipts and disbursements have been prepared on the cash basis of accounting. Receipts have been recognized when received in cash and disbursements have been recognized when cash is disbursed.

(2) Restricted Cash

The State's restricted cash includes Angaur boat repair, which is restricted solely for funds received for the repair of its vessel Regina IV and PAN Fund, which is restricted as the source of funds comes directly from the PAN Fund National Office. Restricted cash at September 30, 2017 and 2016 amounted to \$20,306 and \$347,367, respectively.

(3) Restricted Disbursements

The State placed restrictions on Angaur boat repair where disbursements are restricted to those payments related to the Regina IV vessel and PAN project where payments related to the Protected Areas Network Fund. Restricted disbursements at September 30, 2017 and 2016 amounted to \$335,142 and \$235,557, respectively.

(4) Contingency

The State solicited sealed proposals for the renovation of its Regina IV vessel. The total contract amount, including two change orders, was \$429,740. Total amounts paid to the contractor was \$386,766. The remaining \$42,974 was not paid as the State deemed the work unsatisfactory. The State has not obtained written concurrence from the vendor.