

NGARAARD STATE GOVERNMENT

STATEMENTS OF RECEIPTS AND DISBURSEMENTS
AND
INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2019 AND 2018

INDEPENDENT AUDITORS' REPORT

Sharp Sakuma
Governor
Ngaraard State Government:

Report on the Financial Statements

We were engaged to audit the accompanying statements of receipts and disbursements of the Ngaraard State Government (the State) for the years ended September 30, 2019 and 2018, 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 financial statements based on conducting the 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. Because of the matter described in the "Basis for Disclaimer of Opinion" paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statement.

Basis for Disclaimer of Opinion

We were unable to obtain written representations from Ngaraard State Government management as required by auditing standards generally accepted in the United States of America.

Disclaimer of Opinion

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements for the years ended September 30, 2019 and 2018. Accordingly, we do not express an opinion on the financial statements.

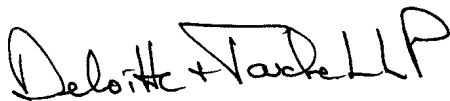
Emphasis of Matter

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 April 13, 2023 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.

A handwritten signature in black ink that reads "Deloitte + Tatchell LLP". The signature is written in a cursive, slightly stylized font.

April 13, 2023

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Statements of Receipts and Disbursements
Years Ended September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Receipts	\$ 2,863,700	\$ 431,851
Disbursements	<u>1,675,438</u>	<u>293,949</u>
Receipts in excess of disbursements	<u>\$ 1,188,262</u>	<u>\$ 137,902</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, 2019 and 2018

(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 deposited to the bank and disbursements have been recognized when cash is disbursed and payment cleared the bank account.

(2) Cash and Cash Equivalents

As of September 30, 2019 and 2018, the carrying amount of the State's total cash and cash equivalents was \$681,418 and \$439,856, respectively, which are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance or coverage by Securities Investor Protection Corporation (SIPC). As of September 30, 2019 and 2018, bank deposits in the amount of \$250,000 were FDIC insured. As of September 30, 2019 and 2018, bank deposits in the amount of \$66,109 and \$25,154, respectively, were subject to SIPC insurance coverage. The State does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC or SIPC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

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 or held by the pledging financial institution but not in the depositor-government's name. The State does not have a deposit policy for custodial credit risk.

(3) Investments

Investments and related investment earnings are recorded at fair value using quoted market prices. Fair value is the price that would be received to sell an asset or paid to transfer a liability (i.e. the exit price) in an orderly transaction between market participants at the date as of which the fair value of an asset or liability is determined.

As of September 30, 2019 and 2018, investments are as follows:

	<u>2019</u>	<u>2018</u>
Fixed income securities:		
Domestic fixed income	\$ 154,613	\$ -
Other investments:		
Domestic equities	1,095,812	593,645
International equities	30,496	14,467
Exchange traded funds	620,876	368,656
Real estate investment trust and tangibles	<u>21,671</u>	<u>-</u>
	<u>\$ 1,923,468</u>	<u>\$ 976,768</u>

As of September 30, 2019, the State's investments in fixed income securities pertains to U.S. Treasury and agencies obligations with maturities of seven to less than fourteen years and with Standard and Poors' rating of AAA and AA+, respectively.

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, the State will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The State's investments are held and administered by trustees. Based on negotiated trust and custody contracts, all of these investments were held in the State's name by the State's custodial financial institutions at September 30, 2019 and 2018. The State's agent is not affiliated with or related to investment brokers. Accordingly, these investments are not exposed to custodial credit risk.

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Notes to Statements of Receipts and Disbursements
Years Ended September 30, 2019 and 2018

(3) Investments, Continued

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. GASB Statement No. 40 requires disclosure by issuer and amount of investments in any one issuer that represents five percent (5%) or more of total investments for the State. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. At September 30, 2019, 32% of the total investments pertains to two exchange traded funds. As of September 30, 2018, 38% of the total investments pertains to three exchange traded funds.

	<u>Fair Value Measurements Using</u>			
	September 30, 2019	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Fixed income securities	\$ 154,613	\$ -	\$ 154,613	\$ -
Equity securities	1,126,308	1,126,308	-	-
Exchange traded funds	620,876	620,876	-	-
Real estate investment trust and tangibles	<u>21,671</u>	<u>21,671</u>	-	-
	<u>\$ 1,923,468</u>	<u>\$ 1,768,855</u>	<u>\$ 154,613</u>	<u>\$ -</u>

	<u>Fair Value Measurements Using</u>			
	September 30, 2018	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Equity securities	\$ 608,112	\$ 608,112	\$ -	\$ -
Exchange traded funds	<u>368,656</u>	<u>368,656</u>	-	-
	<u>\$ 976,768</u>	<u>\$ 976,768</u>	<u>\$ -</u>	<u>\$ -</u>

As of September 30, 2019 and 2018, carrying amount of cash and cash equivalents and investments is as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 681,418	\$ 439,856
Investments	<u>1,923,468</u>	<u>976,768</u>
	<u>\$ 2,604,886</u>	<u>\$ 1,416,624</u>