

**PALAU COMMUNITY ACTION AGENCY
(A Nonprofit Corporation)**

**Financial Statements and Independent Auditors' Report
and Additional Information**

For the Year Ended September 30, 2021



INDEPENDENT AUDITORS' REPORT

Board of Directors
Palau Community Action Agency

Report on the Financial Statements

We have audited the accompanying financial statements of net position of Palau Community Action Agency (the Agency) (a nonprofit corporation), which comprise the statement of net position as of September 30, 2021, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, 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 financial statements 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 financial statements.

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

Saipan Office

1930 Picarro Lane, I Liyang Village
P.O. Box 504053, Saipan, MP 96950
Tel Nos. (670) 235-8722 (670) 233-1837
Fax Nos. (670) 235-6905 (670) 233-8214

Guam Office

333 South Marine Corps Drive
Tamuning, Guam 96913
Tel Nos. (671) 646-5044 (671) 472-2680
Fax Nos. (671) 646-5045 (671) 472-2686

Palau Office

PIDC Apartment No. 11
Koror, PW 96940
Tel Nos. (680) 488-8615
Fax Nos. (680) 488-8616

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Palau Community Action Center as of September 30, 2021, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Required Supplementary Information

Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion the financial statements is not affected by this missing information.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Proportional Share of the Net Pension Liability on page 27 and the Schedule of Pension Contributions on page 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This supplementary information is the responsibility of the Agency's management. 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 *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2025 on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Bryce Comu & Associates

Koror, Republic of Palau
August 12, 2025

PALAU COMMUNITY ACTION AGENCY
(A Nonprofit Corporation)

Statement of Net Position
September 30, 2021

<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	<u>2021</u>
Current assets:	
Cash	\$ 387,811
Receivables:	
Grantor agencies	189,426
General	432
Allowance for doubtful accounts	(1,725)
Prepaid expenses	<u>7,050</u>
Total current assets	582,994
Property and equipment, net	<u>941,462</u>
Total assets	1,524,456
Deferred outflows of resources from pension	<u>1,916,808</u>
Total assets and deferred outflows of resources	<u><u>\$ 3,441,264</u></u>
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES</u> <u>AND NET POSITION</u>	
Current liabilities:	
Accounts payable - trade	\$ 70,450
Accrued expenses	280,056
Deferred revenues	<u>34,692</u>
Total current liabilities	<u>385,198</u>
Net pension liability	<u>6,920,666</u>
Total liabilities	7,305,864
Deferred inflows of resources from pension	<u>1,996,151</u>
Total liabilities and deferred inflows of resources	<u>9,302,015</u>
Net position:	
Net investment in capital assets	941,462
Restricted	207,098
Unrestricted	<u>(7,009,311)</u>
Total net position	<u>(5,860,751)</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 3,441,264</u></u>

See accompanying notes to financial statements.

PALAU COMMUNITY ACTION AGENCY
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Statement of Revenues, Expenses and Changes in Net Position
Year Ended September 30, 2021

	<u>2021</u>
Operating revenues:	
Contributions	\$ 2,822,190
Other	<u>688,432</u>
Total operating revenues	<u>3,510,622</u>
Operating expenses:	
Personnel	1,408,071
Project and other costs	676,055
Pension costs	421,116
Supplies	383,348
Rent	337,365
Fringe benefits	293,880
Contractual services	126,233
Depreciation	117,217
Repairs and maintenance	103,685
Petroleum, oil and lubricants	52,060
Communications	34,961
Insurance	28,266
Facilities/construction	<u>12,009</u>
Total operating expenses	<u>3,994,266</u>
Change in net position	<u>(483,644)</u>
Net position at beginning of year	<u>(5,377,107)</u>
Net position at end of year	<u>\$ (5,860,751)</u>

See accompanying notes to financial statements.

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Statement of Cash Flows
For the year ended September 30, 2021

	2021
Cash flows from operating activities:	
Grant and contribution receipts	3,486,964
Other receipts	-
Cash paid to employees	(1,382,927)
Cash paid to suppliers	(1,998,265)
Net cash provided by operating activities	105,772
Cash flows from capital and related financing activities:	
Acquisition of property and equipment	(138,585)
Net cash used in capital and related financing activities	(138,585)
Net change in cash	(32,813)
Cash at beginning of year	420,624
Cash at end of year	\$ 387,811
Reconciliation of change in net position to net cash provided by operating activities:	
Change in net position	\$ (483,644)
Adjustments to reconcile change in net position to net cash provided by operating activities:	
Depreciation	117,217
Bad debts	(260)
Noncash pension costs	421,116
Loss on disposal of assets	34,651
(Increase) decrease in assets:	
Receivables - grantor agencies	41,430
Receivables - general	668
Prepaid expenses	(747)
Increase (decrease) in liabilities:	
Accounts payable - trade	50,344
Accrued expenses	25,144
Due to grantor	(100,147)
Net cash provided by operating activities	\$ 105,772

Supplemental information of noncash operating activities:

During the year ended September 30, 2021, in-kind contributions of \$370,425 was recorded as other income and expense.

See accompanying notes to financial statements.

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Notes to Financial Statements
September 30, 2021

(1) Organization

Palau Community Action Agency (the Agency) was incorporated in 1967, under the laws of the Trust Territory of the Pacific Islands, as a nonprofit organization. The primary purpose of the Agency is to administer the community action programs and other related anti-poverty programs in the Republic of Palau, as well as other programs for which it has been appointed.

(2) Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Agency have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader. The Agency has historically, for external reporting purposes, reported its external financial statements under not for profit accounting requirements promulgated by the Financial Accounting Standards Board. However, due to the Republic of Palau's implementation of Governmental Accounting Standards Board (GASB) Statement No. 68 in 2015, the Agency has opted to externally report in accordance with GASB requirements.

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 deferred outflows, and liabilities and deferred inflows, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Custodial Credit Risk – Cash Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Agency may not be able to recover deposits or collateral securities held by the financial institution. At September 30, 2021, the Agency's cash balances were held in local financial institutions and had a carrying value of \$387,811 and a corresponding bank balance of \$455,298.

Under the Federal Deposit Insurance Corporation (FDIC) insurance program, deposits are insured up to \$250,000 per depositor, per institution. At September 30, 2021, all of the Agency's bank balances were fully covered by FDIC insurance. Accordingly, the Agency had no uncollateralized or uninsured deposits that were exposed to custodial credit risk at year-end.

PALAU COMMUNITY ACTION AGENCY
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Notes to Financial Statements
September 30, 2021

(2) Summary of Significant Accounting Policies, Continued

Custodial Credit Risk – Cash Deposits, Continued

The Agency does not have a formal deposit or investment policy that limits custodial credit risk. Deposits in excess of insured limits, if any, would be uncollateralized or collateralized with securities held by the financial institution in the Agency's name or in the financial institution's name. The Agency monitors the creditworthiness of its depository institutions but relies primarily on federal insurance coverage for protection against custodial credit risk.

Receivables and Allowance for Doubtful Accounts

Receivables primarily consist of federal grants due from U.S. federal grantor agencies. The Agency grants credit on an unsecured basis, to employees for advances and travel substantially all of whom are in the Republic of Palau. The allowance for doubtful accounts is established through a provision charged to expense. Accounts are charged against the allowance when management believes that the collection of the balance is unlikely based on the specific identification method. The allowance is an amount that management believes will be adequate to absorb possible losses on existing balances that may be uncollectible, based on evaluations of collectability and prior loss experience. Bad debts are written-off against the allowance based on the specific identification method.

Property and Equipment and Depreciation

Property and equipment are stated at cost less accumulated depreciation and impairment valuation loss. The Agency capitalizes capital assets with a unit cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets with unit cost of less than \$5,000 are inventoried but are not capitalized in the financial statements. Depreciation of property and equipment is computed on a straight-line basis over the estimated useful lives of the assets as follows:

	<u>Estimated Useful Lives</u>
Vehicles	3 – 6 years
Building	30 years
Leasehold improvements	30 years
Other fixed assets	3 – 8 years
Office furniture and equipment	3 – 15 years
Marine equipment	3 – 7 years

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September 30, 2021

(2) Summary of Significant Accounting Policies, Continued

Impairment of Capital Assets

In accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, the Agency evaluates capital assets for impairment when events or changes in circumstances indicate that the service utility of an asset has declined significantly and unexpectedly. Such events may include physical damage, changes in legal or environmental factors, technological obsolescence, or evidence that an asset will no longer be used for its originally intended purpose.

When an impairment is identified, the carrying amount of the affected capital asset is written down to its estimated remaining service utility, and the resulting impairment loss is recognized as an expense in the period in which the impairment occurs. Impairment losses represent permanent reductions in the carrying value of capital assets and are not subsequently reversed.

Impairment losses and write-downs of capital assets are reflected as reductions to the carrying amount of capital assets and are included within accumulated depreciation in the accompanying statements of net position.

During the year ended September 30, 2021, the Agency reduced the carrying amount of certain capital assets that were disposed of or determined to have no remaining service potential. These reductions are reflected in the capital asset activity presented in Note 3. Management identified no new impairment events during the year ended September 30, 2021.

Accrued Annual Leave

The Agency recognizes costs for accrued annual leave at the time such leave is earned. Unpaid accrued annual leave of \$114,933 as of September 30, 2021, is recorded within accrued expenses in the accompanying statement of net position.

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (deduction of net position) until then. The Agency has determined the changes in assumptions, changes in proportion and differences between the Agency's actual contributions and its proportionate share of contributions and contributions made subsequent to the measurement date associated with its defined benefit pension plan qualify for reporting in this category.

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September 30, 2021

(2) Summary of Significant Accounting Policies, Continued

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (additions to net position) until then. The Agency has determined the changes in assumptions, differences between projected and actual earnings on pension plan investments and changes in proportion and differences between the Agency's actual contributions and its proportionate share of contributions associated with its defined benefit pension plan qualify for reporting in this category.

Net Position

The Agency's net position is classified as follows:

Net Investment in Capital Assets – capital assets, net of accumulated depreciation, plus construction or improvement of those assets.

Restricted Net Position – consists of resources that are subject to externally imposed restrictions by creditors, grantors, donors, laws, or regulations. These restrictions limit the purposes for which the resources may be used. The Agency's restricted net position primarily includes unspent federal grant funds, in-kind contributions restricted for specific program activities, and unexpended balances of the Republic of Palau program allocations.

Restricted net position is released from restriction when the Agency incurs allowable expenditures in accordance with grant or regulatory requirements. At September 30, 2021, restricted net position totaled \$207,098, which is restricted for specific federal and local programs as described in Note 7.

Unrestricted Net Position – Unrestricted net position consists of net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

The Agency has determined that all assets, liabilities, revenues, expenses, gains and losses from Republic of Palau (ROP) appropriations are unrestricted. The Agency has determined that all assets, liabilities, revenues, expenses, gains and losses resulting from federal grants and contributions are restricted.

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September 30, 2021

(2) Summary of Significant Accounting Policies, Continued

Revenue Recognition

The Agency receives revenue from federal grant programs, appropriations from the Republic of Palau, in-kind contributions, and other program activities. These revenues are accounted for in accordance with the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, and are recognized as follows:

Federal Grants and Voluntary Nonexchange Transactions

The majority of the Agency's funding is derived from U.S. federal grants that are classified as voluntary nonexchange transactions. Under GASB 33, such revenues are recognized when all applicable eligibility requirements have been met, which generally include:

1. Required characteristics of recipients – The Agency must be an eligible grantee or subrecipient under the terms of the grant.
2. Time requirements – Revenues may only be recognized for the period for which the grantor has authorized the funds.
3. Reimbursement (allowable cost) requirements – For cost-reimbursement grants, revenue is recognized when allowable program expenditures are incurred.
4. Contingencies – If a grant contains specific performance or compliance requirements, revenue is recognized only when those requirements are satisfied.

Amounts received before eligibility requirements are met are recorded as deferred revenues. At September 30, 2021, deferred revenues totaled \$34,692 and primarily represent federal resources received in advance of allowable program expenditures.

Republic of Palau Appropriations

The Republic of Palau provides annual appropriations to support the Agency's operations. These appropriations are also considered voluntary nonexchange transactions. Appropriation revenue is recognized when the appropriation is authorized, measurable, and available, and when all eligibility requirements including any applicable time or purpose restrictions—have been satisfied. For the year ended September 30, 2021, the Agency recognized \$429,800 in Palau appropriations as revenue.

In-Kind Contributions

The Agency receives donated goods, services, and the use of facilities in support of its programs. In-kind contributions are recognized as revenue when received and are valued at estimated fair value at the date of donation, provided such contributions meet eligibility and allowability requirements of the related grantor. During the year ended September 30, 2021, the Agency recognized \$370,425 in in-kind contributions, which are reported as both revenue and expense in the accompanying financial statements.

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Notes to Financial Statements
September 30, 2021

(2) Summary of Significant Accounting Policies, Continued

Revenue Recognition, Continued

Other Program Revenues

Program service revenues and other operating revenues are recognized when earned and when the underlying service or activity has been provided. These revenues are considered exchange or exchange-like transactions and are recognized in accordance with the accrual basis of accounting.

Nature of Restrictions on Revenue

Federal grant revenues and Palau appropriations are generally restricted for specific program purposes. The Agency classifies net position derived from these resources as restricted until such time as expenditures are incurred for the intended purposes.

Operating and Non-Operating Revenues and Expenses

Operating revenues and expenses are those that result from the Agency's primary programmatic and operational activities, including federal and local grant-funded services, contributions, in-kind support, and program service activities. Operating expenses include personnel services, supplies, program costs, depreciation, and all other costs incurred to carry out the Agency's mission.

Non-operating revenues and expenses include items that are incidental or peripheral to the Agency's primary activities. These generally include interest income, gains or losses on disposal of assets, and other items not directly related to program operations. The Agency does not classify appropriations from the Republic of Palau as non-operating; such revenues are considered operating revenues because they support the Agency's ongoing program activities.

In-Kind Contributions and Valuation

The Agency receives in-kind contributions consisting of donated goods, materials, services, and the free use of facilities from the Republic of Palau and other parties. In-kind contributions are recognized as revenue when received and are recorded at their estimated fair value at the date of donation.

Fair value is determined based on one or more of the following valuation methodologies:

- Market-based valuation: Comparable retail market prices for similar goods or materials.
- Service valuation: Standard hourly labor rates for comparable services in the local market.
- Facility-use valuation: Estimated rental value of similar facilities within the Republic of Palau, based on prevailing commercial or governmental lease rates.

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Notes to Financial Statements
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(2) Summary of Significant Accounting Policies, Continued

In-Kind Contributions and Valuation, Continued

In-kind contributions are recognized as both revenue and expense in the accompanying financial statements, provided the donation meets eligibility and allowability criteria under applicable federal grant requirements. During the year ended September 30, 2021, the Agency recognized \$370,425 in in-kind contributions.

Functional Expenses

The Agency is a governmental not-for-profit entity that prepares its financial statements in accordance with accounting principles promulgated by the Governmental Accounting Standards Board (GASB). GASB standards do not require the presentation of expenses by functional classification nor the presentation of a statement of functional expenses.

All expenses of the Agency are charged directly to program activities or supporting services as required by federal grant agreements. Therefore, a functional expense statement is not presented.

Advertising

The Agency charges the cost of advertising as incurred.

Liquidity and Availability of Resources

The Agency manages its liquidity to ensure that financial resources are available to meet operating and programmatic obligations as they come due. The Agency's primary sources of liquidity are cash balances, grant reimbursements from U.S. federal agencies, and annual appropriations from the Republic of Palau. Because the Agency depends substantially on federal grant reimbursements, its liquidity is affected by the timing of grantor billings and the fulfillment of grant eligibility requirements.

At September 30, 2021, the Agency held cash of \$387,811 and grant and other receivables of \$189,858, which are expected to be collected within the subsequent fiscal period. Of total receivables, the majority represent reimbursable expenditures under federal grants. As such, liquidity is influenced by the timing of grant submissions and approvals.

The Agency's near-term obligations consist primarily of accounts payable, accrued payroll and benefits, and deferred revenues totaling \$385,198. The Agency also has a net pension liability that is long-term in nature and does not require near-term cash settlement.

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September 30, 2021

(2) Summary of Significant Accounting Policies, Continued

Liquidity and Availability of Resources, Continued

The Agency evaluates its liquidity needs on an ongoing basis and structures its programs so that expenditures are incurred only when reimbursable under federal grant requirements or supported by restricted funding sources. The Agency does not maintain lines of credit or other external liquidity facilities; therefore, operating liquidity is primarily dependent upon available cash and timely reimbursement from grantors.

Management monitors cash flow throughout the year to ensure that resources are sufficient to meet upcoming obligations. To manage liquidity risk, the Agency coordinates cash disbursements with expected reimbursement cycles, prioritizes essential program expenditures, and may defer non-critical purchases if timing of grantor receipts is delayed.

Taxes

The Agency is exempt from gross revenue and other taxes assessed by the Republic of Palau. Therefore, no provision has been made for taxes in the accompanying financial statements. For income tax purposes, a tax year generally remains open to assessment and collection for three years after the later of the due date for filing a tax return or the date on which the taxpayer files its return.

Pensions

Pensions are required to be recognized and disclosed using the accrual basis of accounting. The Agency recognizes a net pension liability for the defined benefit pension plan, which represents the Agency's proportional share of excess total pension liability over the pension plan assets – actuarially calculated – of a cost sharing multi-employer defined benefit plan, measured one year prior to fiscal year-end and rolled forward. Changes in the net pension liability during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the qualified pension plan and recorded as a component of pension expenses. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

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Notes to Financial Statements
September 30, 2021

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards

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

During the year ended September 30, 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postpones the effective dates of GASB Statement No.'s 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.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. 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. 84 will be effective for fiscal year ending September 30, 2021.

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. Management believes that this Statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 87 will be effective for fiscal year ending September 30, 2022.

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Notes to Financial Statements
September 30, 2021

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In March 2018, GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent or term endowments) or a permanent fund. Those governments and funds should measure the majority equity interest at fair value. 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. 90 will be effective for fiscal year ending September 30, 2021.

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 of 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 fiscal year ending September 30, 2023.

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 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 No. 2019-3, *Leases*, for interim financial reports, the terminology used to refer to derivative instruments and the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefits. The requirements related to the effective date of GASB Statement No. 87 and Implementation Guide 2019-3, reissuance recoveries and terminology used to refer to derivative instruments are effective upon issuance. The remaining requirements of GASB Statement No. 92 are effective for the fiscal year ending September 30, 2022.

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September 30, 2021

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The primary objective of this Statement is to address those and other accounting and financial reporting implications of the replacement of an IBOR. 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. 93 will be effective for fiscal year ending September 30, 2022.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships 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 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 fiscal year ending September 30, 2023.

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September 30, 2021

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In June 2020, GASB issued 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 Statements 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 employment benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevancy, 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 and for benefits provided through those plans. Management does not believe that this Statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 97 will be effective for fiscal year ending September 30, 2022.

Defined Benefit Plan

A. General Information About the Pension Plan:

Plan Description. The Agency contributes to the Republic of Palau Civil services Pension Trust Fund (the Plan), a defined benefit, cost sharing multi-employer plan, which is a component unit of the Republic of Palau (ROP) National Government, providing retirement, security and other benefits to employees, their spouses and dependents, of the ROP, ROP State Governments and ROP agencies, funds and public corporations. The Plan was established pursuant to Republic of Palau Public Law (RPPL) No. 2-26 passed into law on April 3, 1987 and began operations on October 1, 1987. Portions of RPPL No. 2-26 were revised by RPPL 3-21, RPPL 4-40, RPPL 4-49, RPPL 5-30, RPPL 6-37, RPPL 7-56, RPPL 8-10 and RPPL 9-2.

A single actuarial valuation report is performed annually covering all plan members and the same contribution rate applies to each employer. The Plan issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit plan. That report may be obtained by writing to the Plan's Administrator at the Republic of Palau Civil Service Pension Trust Fund, P.O. Box 1767, Koror, Republic of Palau 96940, or e-mail cspp@palaunet.com or call (680) 488-2523.

**PALAU COMMUNITY ACTION AGENCY
(A Nonprofit Corporation)**

Notes to Financial Statements
September 30, 2021

(2) Summary of Significant Accounting Policies, Continued

Defined Benefit Plan, Continued

A. General Information About the Pension Plan, Continued:

Plan Membership. The ROP National Government, ROP State Governments and ROP public corporations, quasi-governmental organizations and other public entities of the National and State Governments of ROP, participate in the Plan. Membership consisted of the following as of October 1, 2021 (the valuation date):

Inactive members currently receiving benefits	1,730
Inactive members entitled to but not receiving benefits	404
Inactive nonvested members	1,105
Active members	<u>3,423</u>
Total members	<u>6,662</u>

Summary of the Principal Provisions of the Plan.

Effective date:	October 1, 1987
Plan year:	October 1 through September 30

Eligibility to Participate. All persons becoming full-time employees of a participating agency before attaining the age of sixty shall become members as a condition of employment.

Service.

Vesting Service: Includes membership service and prior service credit.

Membership Service: A year of membership service is earned for a year of service rendered at a participating employer. Years of membership service shall be rounded to the nearest one year. Membership service includes accumulated sick leave and vacation leave.

Prior Service Credit: Persons becoming members of the Plan on October 1, 1987 are entitled to Prior Service Credit for services rendered as an employee of participating agencies, the Trust Territory of the Pacific Islands (TTPI), and the United States Naval Government after World War II and before the establishment of the TTPI.

PALAU COMMUNITY ACTION AGENCY
(A Nonprofit Corporation)

Notes to Financial Statements
September 30, 2021

(2) Summary of Significant Accounting Policies, Continued

Defined Benefit Plan, Continued

A. General Information About the Pension Plan, Continued:

Pension Benefits. Retirement benefits are paid to members who are required, with certain exceptions, to retire no later than their sixtieth birthday or after thirty years of service. A member may retire after his or her fifty-fifth birthday at a reduced pension amount if the member has completed at least twenty years of government employment. A married member of a former member receiving a distribution of benefits under the Pension Fund receives reduced benefit amounts to provide survivors' benefits to his or her spouse. An unmarried member or former member may elect to receive a reduced benefit amount during his or her lifetime with an annuity payable to his or her designated beneficiary. Disability benefits are paid to qualified members for the duration of the disability. Effective May 17, 1996, through RPPL 4-49, members, who have twenty-five years or more of total service, are eligible for retirement regardless of their age and, upon such retirement, are eligible to receive pension benefits at a level established by the Board. Effective July 1, 1999, pursuant to RPPL 4-49 and RPPL 5-30, retirement is mandatory for all members who have thirty years or more of total service and all employees who are sixty years of age or older with certain exceptions. Beginning October 1, 2003, pursuant to RPPL 6-37, mandatory retirement may be delayed for up to five years, by specific exemption by the Board. In December 2008, RPPL 7-56 eliminated early retirement and thirty-year mandatory service provisions. These provisions were restored through RPPL 8-10 in October 2009. On April 30, 2013, RPPL 9-2 eliminated the mandatory service retirement after thirty years of service. After December 31, 2013, no employee shall be entitled to pension benefits until reaching the age of sixty.

In accordance with the directives of RPPL 5-7, the Board adopted a resolution which provides that "no person who retires after October 1, 1997, may receive benefits under the Plan unless he or she has contributed to the Plan for at least five years or has made an actuarially equivalent lump sum contribution". In accordance with RPPL 9-2, members who retire after April 30, 2013 must not receive benefits greater than thirty thousand dollars per year. Further, the amount of benefits that a member receives should not be recalculated if the member is re-employed after the member begins receiving benefits under the Plan. Additionally, a member should not receive benefits during the time the member is re-employed subsequent to retirement.

PALAU COMMUNITY ACTION AGENCY
(A Nonprofit Corporation)

Notes to Financial Statements
September 30, 2021

(2) Summary of Significant Accounting Policies, Continued

Defined Benefit Plan, Continued

A. General Information About the Pension Plan, Continued:

Pension Benefits, continued. Currently, normal benefits are paid monthly and are two percent of each member's average monthly salary for each year of credited total service up to a maximum of thirty years total service. The average annual salary is the average of the highest three consecutive fiscal years of compensation received by a member during his or her most recent ten full fiscal years of service. For members who have not completed three consecutive fiscal years of employment during his or her most recent ten full fiscal years of service, the average annual salary is the average monthly salary during the term of the member's service multiplied by twelve.

The benefit amount that married members or unmarried members receive, who have elected to designate a beneficiary, is based on the normal benefit amount reduced by the following factors:

<u>Factor</u>	<u>If the Spouse or Beneficiary is:</u>
1.00	21 or more years older than the member
0.95	16 to 20 years older than the member
0.90	11 to 15 years older than the member
0.85	6 to 10 years older than the member
0.80	0 to 5 years younger than the member or 0 to 5 years older than the member
0.75	6 to 10 years younger than the member
0.70	11 to 15 years younger than the member
0.65	16 or more years younger than the member

Surviving beneficiaries of an employee may only receive benefits up to the total present value of the employees accrued benefit pursuant to RPPL 9-2.

A member that meets the requirements for early retirement and elects to retire on an early retirement date is entitled to receive payment of an early retirement benefit equal to the member's normal retirement benefit reduced according to the following schedule based on the age at which early retirement benefit payments begin:

- 1/12th per year for the first 3 years before age 60;
- plus an additional 1/18th per year for the 3 years;
- plus an additional 1/24th per year for the next 5 years; and
- plus an additional 1/50th per year for each year in excess of 11 years.

PALAU COMMUNITY ACTION AGENCY
(A Nonprofit Corporation)

Notes to Financial Statements
September 30, 2021

(2) Summary of Significant Accounting Policies, Continued

Defined Benefit Plan, Continued

A. General Information About the Pension Plan, Continued:

Pension Benefits, continued. Upon the death of a member or former member with eligible survivors before commencement of the members' normal, early, or late retirement benefits or disability retirement benefits the following shall be payable:

- If the former member is not an employee at his date of death and a spouse or beneficiary survives, the total death benefits payable shall be the actuarial equivalent of the member's present value of accrued benefit.
- If the member is an employee at his date of death and a spouse or beneficiary survives, the total death benefits payable shall be the actuarial equivalent of the greater of 3 times the member's average annual salary or the member's present value of accrued benefits.

Upon the death of a member or former member before commencement of his normal, early, or late retirement benefit or disability retirement benefit leaving no persons eligible for survivor benefits, the following shall be payable:

- If the former member is not an employee at the date of death, a refund of the total amount of contributions made by the member.
- If the member was an employee at the date of death and had completed one year of total service, the estate of the member shall be entitled to a death benefit equal to the greater of three times the member's annual salary or the present value of the member's accrued benefit payable in the form of a single lump sum payment.

Any member who is not otherwise eligible to receive normal, early or late retirement benefits, who shall become totally and permanently disabled for service regardless of how or where the disability occurred, shall be entitled to a disability retirement annuity, provided that he or she is not receiving disability payments from the United States Government or its agencies for substantially the same ailment, and further provided that to be eligible for a disability retirement annuity from a cause unrelated to service, the member shall have had at least ten (10) years of total service credited. The amount of disability retirement annuity shall be an amount equal to the actuarial equivalent at the attained age of the member's present value of accrued benefit and shall be paid in the same form as a normal retirement benefit. Any special compensation allowance received or payable to any member because of disability resulting from accidental causes while in the performance of a specific act or acts of duty shall be deducted from the disability annuity payable by the Plan on account of the same disability.

PALAU COMMUNITY ACTION AGENCY
(A Nonprofit Corporation)

Notes to Financial Statements
September 30, 2021

(2) Summary of Significant Accounting Policies, Continued

Defined Benefit Plan, Continued

A. General Information About the Pension Plan, Continued:

Member Contributions. Member contribution rates are established by RPPL No. 2-26 at six percent of total payroll and are deducted from the member's salary and remitted by participating employers. Upon complete separation from service, a member with less than (15) fifteen years membership service may elect to receive a refund of all his or her contributions. Subsequent changes in the percentage contributed by members may be made through an amendment of the Trust Fund Operation Plan subject to the requirements of Title 6 of the Palau National Code. RPPL 9-2 requires each employee of the National Government and all State Governments, without regard to whether the employee is employed part-time or on a temporary basis, seasonal or an impermanent basis, to contribute to the Plan through payroll deduction.

Employers and Other Contributions. Employers are required to contribute an amount equal to that contributed by employees. Pursuant to RPPL No. 2-26 and RPPL No. 3-21, the Government of the Republic of Palau must from time to time contribute additional sums to the Plan in order to keep the Plan on a sound actuarial basis. RPPL 9-2 requires the Government of ROP to make regular contributions to the Plan equal to the amount contributed by each and every employee of ROP. Additionally, an excise tax of four percent (4%) is levied against each non-citizen person transferring money out of ROP. The money transfer tax must be remitted to the Plan.

The Agency's contributions to the Plan for the year ended September 30, 2021 was \$82,137 and is recorded in the following program categories.

	<u>2021</u>
Head Start	\$ 64,525
Historical Preservation Trust	4,412
Republic of Palau	<u>13,200</u>
	<u>\$ 82,137</u>

PALAU COMMUNITY ACTION AGENCY
(A Nonprofit Corporation)

Notes to Financial Statements
September 30, 2021

(2) Summary of Significant Accounting Policies, Continued

Defined Benefit Plan, Continued

A. General Information About the Pension Plan, Continued:

Actuarial Assumptions and Other Inputs. The total pension liability was determined by an actuarial valuation as of October 01, 2021 using the following actuarial assumptions and other inputs:

Actuarial Cost Method:	Normal costs are calculated under the entry age normal method
Amortization Method:	Level dollar, open with remaining amortization period of 30 years
Asset Valuation Method:	Market Value of Assets
Long-term Expected Rate of Return:	6.74% per year, net of investment expenses, including price inflation
Municipal Bond Index Rate:	2.17%
Year fiduciary net position is projected to be depleted:	2027
Price Inflation:	2.5% per year
Interest on Member Contributions:	5.0% per year
Salary Increase:	3.0% per year
Expenses:	\$300,000 annually added to normal cost
Mortality:	RP 2000 Combined Mortality Table, set forward four years for all members except disability recipients, where the table is set forward ten years
Termination of Employment:	5% for ages 20 to 39; none all other ages

**PALAU COMMUNITY ACTION AGENCY
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Notes to Financial Statements
September 30, 2021

(2) Summary of Significant Accounting Policies, Continued

Defined Benefit Plan, Continued

A. General Information About the Pension Plan, Continued:

Actuarial Assumptions and Other Inputs, continued.

Disability:	<u>Age</u>	<u>Disability</u>
	25	0.21%
	30	0.18%
	35	0.25%
	40	0.35%
	45	0.50%
	50	0.76%
	55	1.43%
	60	2.12%

Retirement Age: 100% at age 60

Form of Payment: Single: Straight life annuity; Married: 100% joint and survivor

Marriage Assumption: 80% of the workers are assumed to be married and males are assumed to be 3 years older than their spouses. Beneficiaries are assumed to be the opposite gender of the member.

Duty vs Non-duty related disability: 100% Duty related

Refund of Contributions: 80% of terminated vested members elect a refund of contributions

Investment Rate of Return. The long-term expected rate of return on the Agency's investments of 5.95% was determined using log-normal distribution analysis, creating a best-estimate range for each asset class.

PALAU COMMUNITY ACTION AGENCY
(A Nonprofit Corporation)

Notes to Financial Statements
September 30, 2021

(2) Summary of Significant Accounting Policies, Continued

Defined Benefit Plan, Continued

A. General Information About the Pension Plan, Continued:

Investment Rate of Return, continued. As of July 2024, the twenty-year arithmetic real rates of return for each major investment class are as follows:

Asset Class	Target Allocation	Expected Rate of Return
US Equities	46%	8.46%
Non-US Equities (Mature Markets)	10%	8.20%
Fixed Income (US Core)	40%	3.72%
Alternatives (Real Estate Investment Trusts)	<u>4%</u>	8.72%
	<u>100%</u>	

Discount Rate. The discount rate used to measure the total pension liability was 2.23% at the current measurement date and 2.28% at the prior measurement date. The discount rate was determined using the current assumed rate of return of 6.74% until the point where the plan fiduciary net position is negative. Using the current contribution rates, a negative position happens in 2027. For years on or after 2027, the Municipal Bond Index Rate of 2.17% was used. The Municipal Bond Index Rate from the prior measurement date was 2.28%.

Sensitivity of Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the Agency as of September 30, 2021, calculated using the discount rate of 2.23%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (1.23%) or 1.00% higher (3.23%) from the current rate.

	1% Decrease 1.23%	Current Single Discount Rate Assumption 2.23%	1% Increase 3.23%
Net Position Liability	\$ <u>8,094,325</u>	\$ <u>6,920,666</u>	\$ <u>5,960,912</u>

PALAU COMMUNITY ACTION AGENCY
(A Nonprofit Corporation)

Notes to Financial Statements
September 30, 2021

(2) Summary of Significant Accounting Policies, Continued

Defined Benefit Plan, Continued

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Liability. At September 30, 2021, the Agency reported a liability of \$6,920,666 for its proportionate share of the net pension liability. The Agency's proportion of the net pension liability was based on the projection of the Agency's long-term share of contributions to the Plan relative to the projected contributions of Republic of Palau, Republic of Palau's component units and other Government agencies, actuarially determined. At September 30, 2021, the Agency's proportion was 2.2701%.

Pension Expense. For the year ended September 30, 2021, the Agency recognized pension expense of \$421,116.

Deferred Outflows and Inflows of Resources. At September 30, 2021, the Agency reported total deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$1,325,024	\$ 344,419
Differences between expected and actual experience	170,154	1,123,614
Net difference between projected and actual earnings on pension plan investments	9,738	44,320
Changes in proportion and difference between the Agency's contributions and proportionate share of contributions	411,892	483,798
Total	\$1,916,808	\$1,996,151

Deferred outflows resulting from contributions subsequent to measurement date will be recognized as a reduction of the net pension liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at September 30, 2021 will be recognized in pension expense.

PALAU COMMUNITY ACTION AGENCY
(A Nonprofit Corporation)

Notes to Financial Statements
September 30, 2021

(3) Property and Equipment

Capital asset activities for the year ended September 30, 2021 is as follows:

	Balance at October 1, 2020	Additions	Deletions	Balance at September 30, 2021
Depreciable assets:				
Vehicles	\$ 846,855	\$ 138,585	\$ (172,500)	\$ 812,940
Buildings	750,236	-	-	750,236
Leasehold improvements	367,088	-	-	367,088
Other fixed assets	-	-	-	-
Office furniture and equipment	60,487	-	-	60,487
Marine equipment	42,926	-	-	42,926
	2,067,592	138,585	(172,500)	2,033,677
Less accumulated depreciation and impairment valuation reserve	<u>(1,112,847)</u>	<u>(117,217)</u>	<u>137,849</u>	<u>(1,092,215)</u>
Capital assets, net	<u>\$ 954,745</u>	<u>\$ 21,368</u>	<u>\$ (34,651)</u>	<u>\$ 941,462</u>

(4) Republic of Palau Appropriation

During the year ended September 30, 2021, the Republic of Palau appropriated \$480,000 for operations of the Agency through RPPL 11-03, of which \$126,000 was transferred to the Head Start Program as the Agency's local match. The Republic of Palau appropriation of \$429,800 is recognized and included in contributions in the accompanying financial statements at September 30, 2021.

(5) Contingencies

Sick Leave

It is the policy of the Agency to record an expense for sick leave when leave is actually taken. Sick leave is compensated time for absence during work hours arising from employee illness or injury. The estimate accumulated amount of unused sick leave is \$302,167 at September 30, 2021.

Pension Trust Fund

The Republic of Palau Civil Service Pension Trust Fund's actuarial valuation has determined that the Fund's fiduciary net position will be negative by 2027 if no changes are made in contributions and/or benefits.

PALAU COMMUNITY ACTION AGENCY
(A Nonprofit Corporation)

Notes to Financial Statements
September 30, 2021

(5) Contingencies, Continued

Federal Grants

Pursuant to the Compact of Free Association entered into between the Republic of Palau National Government and United States Government, substantially all U.S. federal grant activity provided by grantors other than the U.S. Department of the Interior (DOI) phases out over the term of the Compact.

Substantially all of the Agency's funding is provided by grants from the U.S. Government. Therefore, the future of the entity is contingent upon the Agency's ability to obtain grant funding.

(6) Risk Management

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The Agency has elected to purchase commercial insurance from independent third parties for the risks of loss to which it is exposed. Settled claims have not exceeded this commercial coverage in any of the past three years.

(7) Restricted Net Position

The Agency has determined that all assets, liabilities, revenues, expenses, gains and losses resulting from federal grants and contributions are restricted. As of September 30, 2021, restricted net position is as follows:

	<u>2021</u>
Head Start Program	\$ 29,482
Historical Preservation Program	69,311
Yap Against Drugs and Alcohol	718
Belau Child Care Program	107,194
Local Programs	<u>393</u>
	<u>\$ 207,098</u>

PALAU COMMUNITY ACTION AGENCY
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Notes to Financial Statements
September 30, 2021

(8) Operating Expenses by Program

As of September 30, 2021, operating expenses by program are as follows:

	<u>2021</u>
Head Start	\$ 2,547,756
Republic of Palau appropriation	570,695
Pension expense	421,116
Historical preservation programs	293,484
Other programs	182,583
Depreciation	117,217
	<u>4,132,851</u>
Acquisition of fixed assets	<u>(138,585)</u>
Total operating expenses	<u>\$ 3,994,266</u>

All costs are charged to programs. There are no unallocated administrative and management costs.

(9) Restatement

Subsequent to the issuance of the Agency's 2020 financial statements, the Agency's management determined that deferred outflows of resources from pension was understated by \$295,914, net pension liability was understated by \$227,960, deferred inflows of resources from pension was understated by \$83,517, and pension cost was understated by \$607,391 as of September 30, 2020. As a result of this determination, the Agency's beginning net position has been restated from the amount previously reported of (\$4,769,716) to (\$5,377,107).

(10) Date of management review

Management evaluated subsequent events through August 12, 2025, the date the financial statements were available to be issued. No events requiring adjustment or additional disclosure were identified.

PALAU COMMUNITY ACTION AGENCY
(A Nonprofit Corporation)

Required Supplemental Information (Unaudited)
Schedule of Proportional Share of the Net Pension Liability
Last 10 Fiscal Years*

	<u>2021 Valuation</u>	<u>2020 Valuation</u>	<u>2019 Valuation</u>	<u>2018 Valuation</u>	<u>2017 Valuation</u>	<u>2016 Valuation</u>	<u>2015 Valuation</u>	<u>2014 Valuation</u>	<u>2013 Valuation</u>
Civil Service Pension Trust Fund total net pension liability	\$ 304,866,042	\$ 344,384,167	\$ 308,480,463	\$ 250,868,784	\$ 259,395,005	\$ 249,453,960	\$ 215,546,176	\$ 204,281,232	\$ 198,345,104
The Agency's proportionate share of the net pension liability	\$ 6,920,666	\$ 7,552,431	\$ 7,324,471	\$ 5,852,520	\$ 6,408,662	\$ 5,557,567	\$ 4,647,391	\$ 4,134,448	\$ 3,069,703
The Agency's proportion of the net pension liability	2.270%	2.193%	2.374%	2.333%	2.471%	2.228%	2.156%	2.024%	1.548%
The Agency's covered-employee payroll**	\$ 1,368,950	\$ 1,344,967	\$ 1,418,933	\$ 1,368,633	\$ 1,431,317	\$ 1,179,966	\$ 1,045,645	\$ 951,468	\$ 557,113
The Agency's proportionate share of the net pension liability as a percentage of its covered employee payroll	505.55%	561.53%	516.20%	427.62%	447.75%	470.99%	444.45%	434.53%	551.00%
Plan fiduciary net position as a percentage of the total pension liability	19.78%	17.81%	19.37%	23.39%	22.33%	21.23%	22.50%	23.01%	18.15%

* This data is presented for those years for which information is available.

** Covered-employee payroll data from the actuarial valuation date with one-year lag.

See accompanying Independent Auditors' Report.

PALAU COMMUNITY ACTION AGENCY
(A Nonprofit Corporation)

Required Supplemental Information (Unaudited)
Schedule of Pension Contributions
Last 10 Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 351,135	\$ 345,504	\$ 334,568	\$ 403,883	\$ 424,422	\$ 321,206	\$ 235,013	\$ 215,009	\$ 94,578
Contribution in relation to the actuarially determined contribution	<u>82,137</u>	<u>80,698</u>	<u>85,136</u>	<u>82,118</u>	<u>85,879</u>	<u>69,828</u>	<u>62,321</u>	<u>56,028</u>	<u>37,827</u>
Contribution (excess) deficiency	<u>\$ 268,998</u>	<u>\$ 264,806</u>	<u>\$ 249,432</u>	<u>\$ 321,765</u>	<u>\$ 338,543</u>	<u>\$ 251,378</u>	<u>\$ 172,692</u>	<u>\$ 158,981</u>	<u>\$ 56,751</u>
The Agency's covered-employee payroll**	<u>\$ 1,368,950</u>	<u>\$ 1,344,967</u>	<u>\$ 1,418,933</u>	<u>\$ 1,368,633</u>	<u>\$ 1,431,317</u>	<u>\$ 1,179,966</u>	<u>\$ 1,045,645</u>	<u>\$ 951,468</u>	<u>\$ 557,113</u>
Contribution as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.00%	6.00%	5.92%	5.96%	5.89%	6.79%

* This data is presented for those years for which information is available.

** Covered-employee payroll data from the actuarial valuation date with one-year lag.

See accompanying Independent Auditors' Report.

**PALAU COMMUNITY ACTION AGENCY
(A Nonprofit Corporation)**

**Independent Auditors' Reports on Internal Control
and on Compliance**

For the Year Ended September 30, 2021



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*

Board of Directors
Palau Community Action Agency:

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 Palau Community Action Agency (“the Agency”), which comprise the statement of net position as of September 30, 2021, 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 August 12, 2025.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency’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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency'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 or 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.

Bryce Comus & Associates

Koror, Republic of Palau
August 12, 2025



INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR THE SOLE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Palau Community Action Agency:

Report on Compliance for the Sole Major Federal Program

We have audited the Palau Community Action Agency's (“the Agency”) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the Agency's sole major federal program for the year ended September 30, 2021. The Agency's sole major federal program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations statutes, regulations, rules and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for the Agency’s sole major program based on our audit of the types of requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America; and the audit requirements of Title 2 U.S *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the sole major federal program. However, our audit does not provide a legal determination of the Agency’s compliance.

Saipan Office

1930 Picarro Lane, I Liyang Village
P.O. Box 504053, Saipan, MP 96950
Tel Nos. (670) 235-8722 (670) 233-1837
Fax Nos. (670) 235-6905 (670) 233-8214

Guam Office

333 South Marine Corps Drive
Tamuning, Guam 96913
Tel Nos. (671) 646-5044 (671) 472-2680
Fax Nos. (671) 646-5045 (671) 472-2686

Palau Office

PIDC Apartment No. 11
Koror, PW 96940
Tel Nos. (680) 488-8615
Fax Nos. (680) 488-8616

Opinion on the Sole Major Program

In our opinion, the Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its sole major federal program for the year ended September 30, 2021.

Report on Internal Control Over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Agency's internal control over compliance with the types of requirements that could have a direct and material effect on the sole major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the sole major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Agency as of and for the year ended September 30, 2021, and have issued our report thereon dated August 12, 2025, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Bryce Comu & Associates

Koror, Republic of Palau
August 12, 2025

PALAU COMMUNITY ACTION AGENCY
(A Nonprofit Corporation)

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2021

<u>Federal Grantor/Program or Cluster Title</u>	<u>Federal ALN Number</u>	<u>Federal Award ID Number (FAIN)</u>	<u>Passed Through to Subrecipients</u>	<u>Federal Expenditures</u>
Direct Programs				
U.S. Department of Interior				
Historic Preservation Funds Grants-In-Aid	15.904	P19AF00236	\$ -	\$ 293,485
<i>Total U.S. Department of Interior</i>			<u>-</u>	<u>293,485</u>
U.S. Department of Health and Human Services				
CARES Act			-	21,456
American Rescue Plan	93.600	09HE000909	-	21,357
Head Start	93.600	09CH010606	-	2,041,164
<i>Total U.S. Department of Health and Human Services</i>			<u>-</u>	<u>2,083,978</u>
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 2,377,462</u>
Reconciliation to the financial statements:				
Total federal awards expended				\$ 2,377,462
Depreciation				117,217
Non-federal awards				<u>1,499,587</u>
Total expenses per financial statements				<u><u>\$ 3,994,266</u></u>

Notes: Expenses are recognized on the accrual basis of accounting, consistent with the manner in which the Agency maintains its accounting records.

The Agency did not elect to use the de minimis indirect cost rate allowed under the Uniform Guidance.

**PALAU COMMUNITY ACTION AGENCY
(A Nonprofit Corporation)**

Schedule of Findings and Questioned Costs
Year Ended September 30, 2021

Section I – Summary of Auditors’ Results

Financial Statements

- | | |
|---|---------------|
| 1. Type of report that auditors issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified |
| Internal control over financial reporting: | |
| 2. Material weakness(es) identified? | No |
| 3. Significant deficiency(ies) identified? | None reported |
| 4. Noncompliance material to financial statements noted? | No |

Federal Awards

Internal control over major federal programs:

- | | |
|---|------------|
| 5. Material weakness(es) identified? | No |
| 6. Significant deficiency(ies) identified? | No |
| 7. Type of auditors’ report issued on compliance for major federal programs: | |
| 15.904 | Unmodified |
| 93.600 | Unmodified |
| 8. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |

9. Identification of major federal programs:

<u>ALN Numbers</u>	<u>Name of Federal Program or Cluster</u>
15.904	Historic Preservation Funds Grants-In-Aid
93.600	Head Start

- | | |
|--|-----------|
| 10. Dollar threshold used to distinguish between Type A and Type B programs: | \$750,000 |
| 11. Auditee qualified as low-risk auditee? | Yes |

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported



PALAU COMMUNITY ACTION AGENCY

CHELDELLEL A URREOR-NG-KLUNGIOLEL BELAU
P.O. BOX 3000
KOROR, REPUBLIC OF PALAU 96940
TEL.: (680) 488-1170/3022 FAX: (680) 488-1169

SUMMARY SCHEDULE OF PRIOR YEAR FINDING

Finding No. 2020-001: Cash Management

- Status: The finding was fully addressed through implementation of corrective actions.

Finding No. 2020-002: Procurement, Suspension and Debarment

- Status: The finding was fully addressed through implementation of corrective actions.
- Per e-mail communication between the Agency officials and the grantor, the finding did not warrant full resolution by grantor and is now considered closed.

Final Certification:

Darren Fritz
Executive Director
Palau Community Action Agency