REPORT ON THE AUDIT OF FINANCIAL STATEMENTS IN ACCORDANCE WITH THE UNIFORM GUIDANCE

YEAR ENDED SEPTEMBER 30, 2017

BASIC FINANCIAL STATEMENTS, ADDITIONAL INFORMATION AND INDEPENDENT AUDITORS' REPORT

YEAR ENDED SEPTEMBER 30, 2017

FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2017

TABLE OF CONTENTS

		Page
I.	Independent Auditors' Report	1
II.	Management's Discussion and Analysis	4
III.	Basic Financial Statements	
	Government-Wide Financial Statements: Statement of Net Position Statement of Activities	17 18
	Governmental Fund Financial Statements: Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balances Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	19 20 21
	Fiduciary Fund Financial Statements: Statement of Fiduciary Net Position Statement of Changes in Fiduciary Net Position	22 23
	Discretely Presented Component Unit Financial Statements: Combining Statement of Net Position Combining Statement of Revenues, Expenses, and Changes in Net Position	24 25
	Notes to the Basic Financial Statements	26
IV.	Required Supplementary Information - Budgetary Reporting and Pension Information	79
	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund (Fund 100100)	80
	Notes to Required Supplementary Information - Budgetary Reporting	81
	Schedule of Proportionate Share of the Net Pension Liability (Unaudited)	82
	Schedule of Pension Contributions (Unaudited)	83
V.	Other Supplementary Information	84
	General Fund: Narrative Combining Balance Sheet Combining Statement of Revenues, Expenditures by Function, and Changes in Fund Balance (Deficit) Combining Schedule of Expenditures by Object Schedule of Revenues Schedule of Revenues, Expenditures, and Changes in Fund Balance	85 86 88 90 92
	- Budget and Actual - General Fund (100100)	93

FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2017

TABLE OF CONTENTS, CONTINUED

		<u>Page No.</u>
V.	Other Supplementary Information, Continued	
	Grants Fund:	
	Narrative	97
	Combining Balance Sheet	98
	Combining Statement of Revenues, Expenditures by Function and	
	Changes in Fund Balances	99
	Combining Schedule of Expenditures by Object	100
	Nonmajor Governmental Funds - Special Revenue Funds:	
	Narrative	101
	Combining Balance Sheet	102
	Combining Statement of Revenues, Expenditures by Function and	
	Changes in Fund Balances (Deficit)	103
	Combining Schedule of Expenditures by Object	104
	Other Information:	
	Narrative	105
	Combining Schedule of Expenditures by Object - Governmental Funds	106
	Schedule of Expenditures of Other Country Grants	107
	Schedule of Expenditures of Other Non-U.S. Federal Grants	110



Deloitte & Touche LLP 361 South Marine Corps Drive Tamuning, GU 96913 USA

Tel: +1 (671) 646-3884 Fax: +1 (671) 649-4265

www.deloitte.com

INDEPENDENT AUDITORS' REPORT

His Excellency Tommy Remengesau, Jr. President Republic of Palau:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Republic of Palau (the Republic) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Republic's basic financial statements as set forth in Section III of the foregoing 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 opinions on these financial statements based on our audit. We did not audit the financial statements of the Belau Submarine Cable Corporation, Palau International Coral Reef Center, the Palau Community College, the Palau National Communications Corporation, and the Palau District Housing Authority, which represent 34%, 1%, and 46%, respectively, of the assets and deferred outflows of resources, net position, and operating revenues of the Republic's discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Belau Submarine Cable Corporation, Palau International Coral Reef Center, the Palau Community College, the Palau National Communications Corporation, and the Palau District Housing Authority, is based solely on the reports of the other auditors. We conducted our 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. 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.

Deloitte.

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Republic of Palau as of September 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matters

Uncertainty

As discussed in Note 14H, the Republic of Palau Civil Service Pension Trust Fund's actuarial valuation has determined that the Fund has a net pension liability of \$249,453,959 which would cause the Fund's fiduciary net position to become negative in 2019. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 16 as well as the Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund and notes thereto, on pages 80 and 81, the Schedule of Proportionate Share of the Net Pension Liability, on page 82, and the Schedule of Pension Contributions, on page 83, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Deloitte.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Republic's basic financial statements. The Other Supplementary Information, as set forth in Section V of the foregoing table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Other Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, and the procedures performed as described above, the additional information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2018 on our consideration of the Republic'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 Republic'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 Republic's internal control over financial reporting and compliance.

July 31, 2018

Out Hardall

Management's Discussion and Analysis Year Ended September 30, 2017

As management of the Government of the Republic of Palau (the "Republic"), we offer readers of the Republic's financial statements this narrative overview and analysis of the financial activities of the Republic for the fiscal year ended September 30, 2017. We encourage readers to consider the information presented here in conjunction with the Republic's basic financial statements, which follow this section. Fiscal year 2016 comparative information has been included, where appropriate.

FINANCIAL HIGHLIGHTS

- The assets of the Republic exceeded its liabilities at the close of the most recent fiscal year by \$222.4 million (net position), which increased by \$12.3 million (or 5.8%) from net position of \$210.2 million in the prior year. Of this amount, \$117.4 million represents the Republic's investment in capital assets; \$227.5 million represents amounts restricted for various purposes, with the remaining deficiency of \$122.4 million to be funded from future governmental activities.
- During the current fiscal year, the Republic's expenses for governmental activities were \$131.4 million and were funded in part by \$49.1 million in program revenues and \$65.5 million in taxes and other general revenues. General revenues decreased by \$1 million (or down 1.5%) from \$66.5 million in the prior year to \$65.5 million, which was attributable primarily to the decrease in tax revenues of \$1 million. Expenses decreased by \$11.5 million (or down 8.0%) from \$142.9 million in the prior year to \$131.4 million, which was attributable primarily to the decrease in general government expenses.
- The Compact Section 211(f) Trust Fund generated a net gain of \$22.7 million in the current fiscal year offset by an appropriation of \$5 million representing the transfer out to the General Fund as budgetary support, increasing the Republic's trust fund balance to \$219.5 million from \$196.7 million in the prior year (up 11.5%).
- For the current fiscal year, the General fund revenues (and other financing sources) of \$101.8 million exceeded general fund expenditures (and other financing uses) of \$82.1 million. General fund revenues (and other financing sources) were down \$4.5 million (or down 4.3%) from prior year primarily due to decreases in loan proceeds received in 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Republic's basic financial statements, which comprise of the following three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional required supplementary information in the form of a budgetary schedule, which is prepared on the budgetary basis of accounting, and other supplementary information, in addition to the basic financial statements themselves, which includes combining statements for governmental funds, fiduciary funds and other supplemental information.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Republic's finances, in a manner similar to a private-sector business. The statement of net position presents information on all of the Republic's assets and liabilities, with the difference between the two reported as net position. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

Management's Discussion and Analysis Year Ended September 30, 2017

The two government-wide financial statements report the Republic's net position and how they have changed. Net position, being the difference between the Republic's assets and liabilities, is one way to measure the Republic's financial health or position.

- Over time, increases or decreases in the Republic's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Republic, additional non-financial factors such as changes in the Republic's tax base, the condition of the Republic's roads and infrastructure, and the quality of services needs to be considered.

The government-wide financial statements of the Republic are divided into two categories:

- Primary government this grouping comprises governmental activities, which includes most of the Republic's basic services such as education, health and welfare, public safety, and general administration. Compact and other federal grants finance most activities of the primary government.
- Discretely presented component units the Republic includes numerous other entities in its report. Although legally separate, these "component units" are important because the Republic is financially accountable for them.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Republic, like other governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal matters.

- Some funds are required by Olbiil Era Kelulau legislation.
- The Republic establishes other funds to control and manage money for particular purposes (like the Other Country Grants Fund) or to show that it is properly using certain grants (like federal grants reported in the U.S. Federal Grants and Other Assistance Funds).

All of the funds of the Republic can be divided into two categories – governmental and fiduciary.

Governmental funds – These are used to account for essentially the same functions reported as government activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the Republic's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Republic's programs.

Management's Discussion and Analysis Year Ended September 30, 2017

Fiduciary funds – These are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Republic's own programs. The Republic is the trustee, or fiduciary, for other assets that because of trust arrangements, can be used only for the trust beneficiaries. The Republic is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Republic's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of change in fiduciary net position.

Discretely presented component unit financial statements are presented for entities where the Republic has financial accountability, but are independent of the core Republic operations. Most operate similar to private-sector businesses.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgetary comparisons.

The other supplementary information referred to earlier is presented immediately following the required supplementary information on budgetary comparisons.

A FINANCIAL ANALYSIS OF THE REPUBLIC AS A WHOLE

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Republic, assets exceeded liabilities by \$222.4 million at the close of the most recent fiscal year. However, all these net position are either restricted as to the purpose they can be used for or are invested in capital assets. The Republic uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Republic's investment in its capital assets in reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate the liabilities. The majority of the Republic's net position is comprised of its capital assets net of long-term liabilities. Current assets and liabilities are amounts that are available in the current period and obligations that will be paid within one year, respectively. The Republic's current assets amounted to \$56 million while its current liabilities were \$17.4 million. Restricted net position represents resources that are subject to external constraints. The table below summarizes the Republic's net position at the close of the current year compared with prior year.

Management's Discussion and Analysis Year Ended September 30, 2017

Net Position As of September 30

	Governmental Activities <u>2017</u>	Governmental Activities <u>2016</u>	Total Percentage Change 2017-2016
Current and other assets Capital assets	\$ 310,026,285 124,233,771	\$268,874,305 142,798,864	15.3% -13.0%
Total assets	434,260,056	411,673,169	5.5%
Deferred outflows of resources	34,115,432	19,574,832	5.48%
Long-term debt outstanding Other liabilities	50,323,941 <u>178,094,888</u>	40,551,593 <u>162,166,716</u>	24.1% 9.8%
Total liabilities	228,418,829	202,718,309	12.7%
Deferred inflows of resources	<u> 17,511,231</u>	18,367,890	-4.66%
Net position: Net investment in capital assets Restricted Unrestricted	117,376,610 227,454,519 (<u>122,385,701</u>)	134,341,707 200,891,174 (<u>125,071,079</u>)	-12.6% 13.2% -2.1%
Total net position	\$ <u>222,445,428</u>	\$ <u>210,161,802</u>	5.8%

At the end of the current fiscal year, the Republic's unrestricted net position deficiency was \$122.4 million, a decrease from the prior year amount of \$125 million (or 2.1%). This deficiency is the result of having long-term commitments that are greater than currently available resources including the Republic's share of the net pension liability. Specifically, the Republic did not include in past annual budgets the full amounts needed to finance future liabilities arising from Mega International Commercial Bank (MICB) and Asian Development Bank (ADB) loans as well as to pay for unused employee annual leave balances. The Republic will include these amounts in future years' budgets as they become due.

Changes in Net Position

As noted earlier, net position of the primary government increased by \$12.3 million, representing an increase of 5.8% from the prior year's amount of \$210.2 million. This result indicates that the Republic's financial condition, as a whole, improved slightly from the prior year. The table below summarizes the Republic's change in net position for the current fiscal year as compared with prior year.

Management's Discussion and Analysis Year Ended September 30, 2017

Changes in Net Position For the Years Ended September 30

For the rears chided September 30						
	Governmental Activities <u>2017</u>	Governmental Activities <u>2016</u>	Total Percentage Change <u>2017-2016</u>			
Revenues:						
Program revenues:						
Charges for services	\$ 28,253,939	\$ 24,111,779	17.2%			
Operating grants and contributions	18,668,205	31,356,606	-40.5%			
Capital grants and contributions	<u>2,188,000</u>	<u>8,587,503</u>	-74.5%			
	49,110,144	<u>64,055,888</u>	-23.3%			
General revenues:						
Taxes	50,796,783	52,005,432	-2.3%			
Other general revenues	14,658,132	14,463,287	1.6%			
	65,454,915	66,468,719	-1.5%			
Total revenues	114,565,059	130,524,607	-12.2%			
Expenses:						
General government	34,980,188	40,567,024	-13.8%			
Education	18,609,261	17,746,030	4.9%			
Health and welfare	22,641,799	21,259,141	6.5%			
Public safety	6,822,826	5,792,686	17.8%			
Cultural affairs and recreation	4,702,426	3,788,737	24.1%			
Transportation and commerce	35,181,301	45,939,237	-23.4%			
State government appropriations	7,089,275	6,503,600	9.0%			
Depreciation - unallocated	787,173	787,173	0.0%			
Interest	617,999	555,005	11.4%			
Total expense	<u>131,432,248</u>	<u>142,938,633</u>	-8.0%			
Contributions from permanent funds	29,150,815	19,025,438	53.2%			
Change in net position	12,283,626	6,611,412	85.8%			
Net position at beginning of year	210,161,802	203,550,390	3.2%			
Net position, end of year	\$ <u>222,445,428</u>	\$ <u>210,161,802</u>	5.8%			

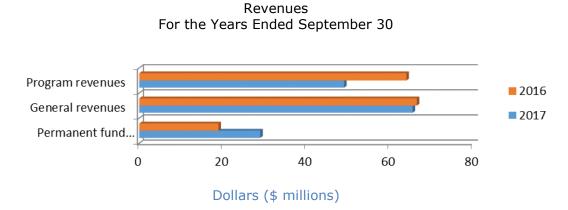
Management's Discussion and Analysis Year Ended September 30, 2017

Key elements of the increase in net position are as follows:

• The Compact Section 211(f) Trust Fund contributions of \$29.1 million increased by \$10.1 million (or 53.2%) from prior fiscal year when the trust fund earnings contributed \$19.0 million. Overall revenues decreased in the current year by \$16 million (or down 12.2%). Concurrently total expenditures decreased by \$11.5 million (or down 8.0%) in the current year.

A graphic summary of program revenues, general revenues and permanent fund contributions received by the Republic for the current year compared with prior year follows:

Graph 1



A significant portion of the Republic's general revenues involves tax revenue collections. At \$50 million in the current year, tax revenues were lower than the \$52 million collected in the prior year. A graphic summary of the Republic's tax revenue collections for the current year compared with prior year follows:

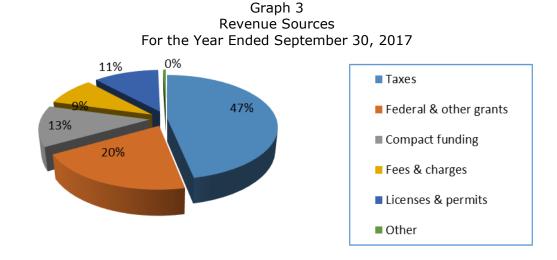
Graph 2 Tax Revenues



Management's Discussion and Analysis Year Ended September 30, 2017

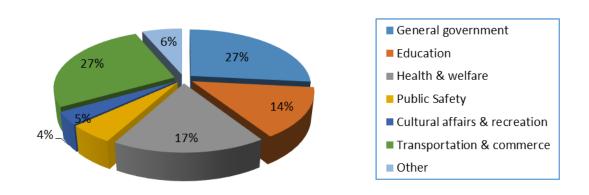
Cost of governmental activities decreased in the current year by \$11.5 million (down 8.0%) compared with prior year. General government expenses significantly decreased by \$5.6 million (down 13.8%) compared with prior year. Cost of Education increased by \$.8 million (up 4.9%) in the current year as well as the cost of Health by \$1.4 million (up 6.5%) compared with prior year. Cost of Transportation and commerce decreased by \$10.8 million (or down 23.4%) from prior.

Graphs 3 and 4 below indicate the major component of revenues and cost of governmental activities.



Compact funding, local taxes and federal and other grants are the major sources of revenue for the Republic, which comprise over 80% of the total revenues for the current year. The remaining 20% is primarily comprised of various fees and service charges.

Graph 4
Cost of Governmental Activities
For the Year Ended September 30, 2017

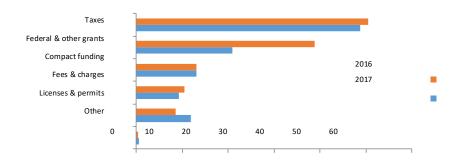


Management's Discussion and Analysis Year Ended September 30, 2017

Other expenses that make up a portion of the costs of governmental activities include State government appropriations (\$7 million), unallocated depreciation expense (\$0.8 million), and interest expense (\$0.6 million).

Graphs 5 and 6 below show a comparison of the major components of revenues and cost of governmental activities for fiscal years 2017 and 2016.

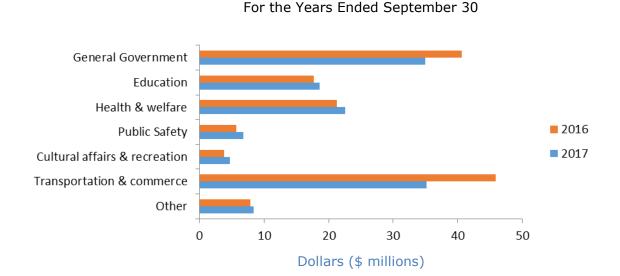
Graph 5
Revenue sources
For the Years Ended September 30



Dollars (\$millions)

Graph 6

Cost of Governmental Activities



Management's Discussion and Analysis Year Ended September 30, 2017

Other expenses in the current year include State government appropriations of \$7 million, which increased by \$0.6 million from the prior year. Overall cost of governmental activities decreased by \$11.5 million (down 8.0%) compared to prior fiscal year.

General revenues decreased by \$1 million (or 1.5%) from the previous fiscal year. The decrease was primarily due to decreases in taxes of \$1.2 million (or 2.3%) and increases other revenues and investment earnings of \$.2 million (or 1.3%) compared with prior year.

FINANCIAL ANALYSIS OF THE REPUBLIC'S FUNDS

As noted earlier, the Republic uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

The focus of the Republic's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Republic's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the Republic's governmental funds reported combined ending fund balances of \$297.7 million, which represents an increase of \$46.3 million (or 18.4%) in comparison with the prior year. This increase is primarily attributable to the increase in Compact Trust Fund investments and loan proceeds. Of this total combined fund balance, \$251 million is designated as non spendable and cannot be spent either because it is not in a spendable form or because of legal or contractual constraints; \$3.9 million is designated as restricted and is constrained for specific purposes which are externally imposed; and \$6.9 million is designated as committed and is constrained for specific purposes which are internally imposed. The combined unassigned fund balance of the Republic's governmental funds is \$35.8 million.

The General Fund is the chief operating fund of the Republic. At the end of the current fiscal year, the unassigned fund balance of the General fund was \$35.8 million. Total fund balance was \$67.2 million compared with a total fund balance of \$47.5 million at the end of the prior fiscal year.

The Compact Section 211(f) Trust Fund has a total fund balance of \$219.5 million, all of which is restricted for the funding of future operations of the primary government. The net increase in fund balance during the current year in the Compact Section 211(f) Trust Fund was \$22.7 million (or 11.5%), which reflects a transfer of \$5 million to the Republic's General Fund and a net increase in the value of trust fund investments of \$29 million.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the fiscal year, budget revisions of \$.5 million were made by management and elected officials of the Republic to the General Fund budget. Revenues collected (including other financing sources) of \$95 million were higher than budgeted amounts of \$79.8 million due primarily to an increase in local revenue collections and loan proceeds. In addition, charges to appropriations (including other financing uses) of \$76.7 million were lower than budgeted amounts of \$80.8 million due primarily to expenditures associated with the executive branch and other appropriations of \$42.8 million and \$1 million, respectively, which were lower than budgeted amounts of \$45.9 million and \$1 million, respectively. Operating transfers out include \$68 million of transfers to the non-lapsing fund due to previous year legislative appropriations from the general fund.

Management's Discussion and Analysis Year Ended September 30, 2017

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Republic's investment in capital assets for its governmental activities as of September 30, 2017 amounted to \$451.7 million (including \$13 million of land and construction in progress), net of accumulated depreciation of \$327.5 million, leaving a net book value of \$124.2 million. This represents a decrease of \$18.6 million from the amount of \$142.8 reported in the prior year. The Republic's capital assets include machinery and equipment, vehicles, infrastructure, roads, bridges, buildings, land and various projects under construction.

Capital Assets September 30, (Net of depreciation)

	Governmental Activities <u>2017</u>	Governmental Activities <u>2016</u>	Total Percentage Change 2017-2016
Buildings and other improvements	\$ 79,314,299	\$ 64,495,975	23.0%
Machinery and equipment	5,006,900	3,284,421	52.4%
Vehicles	1,975,387	1,613,087	22.5%
Infrastructure	24,984,498	39,851,585	-37.3%
Land	3,899,403	3,899,403	0.0%
Construction in progress	9,053,281	29,654,393	-69.5%
Total	\$ <u>124,233,768</u>	\$ <u>142,798,864</u>	-13.0%

Major capital asset additions during the current year were as follows:

Completion of the following infrastructure projects:

	Current Year	Completed
<u>Infrastructure Project</u>	Additions (\$ millions)	(Cost (\$ millions)
Aimeliik-COFA Road	\$ 0.007	\$ 0.007
Aimeliik-Mongami Road	\$ 0.019	\$ 0.019
Melekeok Road	\$ 0.030	\$ 0.030
Ngaraard Road	\$ 0.046	\$ 0.046
Ngarchelong Road	\$ 0.002	\$ 0.002
Ngardmau State Rd	\$ 0.008	\$ 0.008
Ngaremlengui Road	\$ 0.047	\$ 0.047
Ngatpang Road	\$ 0.006	\$ 0.006
Ngchesar Road	\$ 0.003	\$ 0.003
Ngiwal Road	\$ 0.027	\$ 0.027

Management's Discussion and Analysis Year Ended September 30, 2017

• Acquisition of the following machinery and equipment:

Machinery & Equipment	Current Year
	Additions (\$ millions)
Boat, Yanmar Small Patrol	\$ 0.80
Fire Truck	\$ 0.15
Backhoe, Loader	\$ 0.08
Dump truck	\$ 0.06
Dump truck	\$ 0.06
Bulldozer	\$ 0.11
Shredder unit	\$ 0.17
Desalination system	\$ 2.19

Ongoing construction in progress of the following infrastructure projects:

	Current Year	
	<u>Additions</u>	Completed
<u>Infrastructure Project</u>	(\$ millions)	(Cost (\$ millions)
Rehab Apron Phase II (Tarmac)	\$ 1.20	\$ 7.15
Capital Archives Building	\$ 0.01	\$ 0.25
Civic Center Renovation	\$ 0.25	\$ 0.57
BOA Slaughterhouse Building	\$ 0.45	\$ 0.69
New Correctional Facility	\$ 0.24	\$ 0.40

Additional information on the Republic's capital assets can be found in note 5 to the financial statements.

Long-term Debt

The Republic has entered into ten separate loans with the MICB and ADB (See table below). Long-term debt obligations increased by \$9.8 million (or 24.1%) in the current fiscal year.

Outstanding Long-term Debt September 30

	Governmental Activities <u>2017</u>	Governmental Activities <u>2016</u>	Total Percentage Change 2017-2016
Republic of Palau Capitol Building	\$ 3,428,559	\$ 4,571,417	-25.0%
Palau International Airport Repaving	3,428,600	3,885,740	-11.8%
Agriculture & Aquaculture Projects-NDBP	5,000,000	5,000,000	0.0%
Palau Housing Projects-PHA	5,000,000	5,000,000	0.0%
Water Sector Improvement (Loan #2691)	10,294,724	11,035,510	-6.7%
Water Sector Improvement (Loan # 2692)	3,472,734	3,472,734	0.0%
Koror-Airai Sanitation Loan (Loan #3060)	4,990,986	999,921	399.1%
Koror-Airai Sanitation Loan SDR (Loan #3061)	1,018,470	831,435	22.5%
North Pacific Regional Connectivity Inv. Loan (Loan # 3346)	8,991,307	3,792,737	137.1%
North Pacific Regional Connectivity Inv. Loan (Loan # 3347)	4,698,561	1,962,099	139.5%
Total	\$ <u>50,323,941</u>	\$ <u>40,551,593</u>	

Additional information on the Republic's long-term debt can be found in note 8 to the financial statements.

Management's Discussion and Analysis Year Ended September 30, 2017

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In Fiscal Year 2017, growth is estimated at -3.4 percent, primarily due to reduced tourism activities and delayed construction activities related to supply constraints of aggregate materials. A financing totaling \$10m for agriculture and aquaculture projects and affordable housing development in Babeldaob contributes to the sustained construction and expanded economic activities. These developments will support continued growth in the future.

In FY2017 tourist arrivals was 122,050 a decline of 16.8 percent over previous year with People's Republic of China comprising 45.5% of overall arrivals. Contributing factors to the declines include the reduction of charter flight arrivals and the Jelly Fish Lake still recovering from the drought. Overall tourism revenue has declined but the total tourism revenue per arrival and total tourism revenue per visitor night have increased by 5.4 percent and 1.9 percent, respectively. This development highlights the importance of a tourism policy that promotes high-value tourism rather than mass tourism, in order to ensure sustainable carrying capacity of our natural environment, which is the key attraction for tourists.

General fund revenue saw a 1 percent (1%) increase in FY2017 largely from sustained increase in non-tax revenues driven by fishing days' fees. Total expenditures declined from \$81.9 million down to \$81.1 million or -1 percent (-1%), mostly due to reduced subsidy payments. Overall, the General Fund fiscal balance showed a savings of about \$3 million. FY2017 expenditures declined slightly because of reduced payments to state owned enterprises. Expenditures on wages and salaries account for 56 percent of the general government operating expenditures. External grants represented 54.2 percent in FY2016 and 46.7 percent in FY2017 of the annual national budget.

The number of employed persons in FY2017 increased by 4.1 percent compared to FY2016. Total Palauans employed was 5,414 and with 6,552 non-Palauans. The total average wage and salary levels increased by 2 percent from \$10,832 in FY2016 to \$11,063 in FY2017. The average wage and salary level for Palauans is \$14,023 and \$8,617 for non-Palauans. Gender wise, the total average wage and salary level for females is \$11,366 and \$10,866 for males. Scheduled increase in the minimum wage and anticipated increases in benefit payments will contribute to sustained growth in consumer spending and tax receipts for the government.

Although revenue collection saw a slight increase in Fiscal 2017 from the previous year, the government continues to struggle to balance its budget mainly due to increasing maintenance costs. Additionally the government has completed some major infrastructure projects that we now have to maintain. The government continues to seek other revenue sources to meet these anticipated costs. New measures have been introduced to try and raise additional revenue, i.e. tax reforms, eliminating import duty exemptions, moving to CIF (cost, insurance, and freight) valuation, and adopting a value-added tax (VAT); however the proposals have yet to be enacted.

Palau is aware of increasing demands for the limited government resources and despite prioritizing, reallocation of funds and other cost cutting measures these efforts are simply not a sufficient bridge between revenue collection and budgetary requirements. The administration again will try to push additional measures, i.e. room tax and visitor's departure tax increases to raise additional revenues.

Management's Discussion and Analysis Year Ended September 30, 2017

Looking beyond Fiscal Year 2017, revenue collections will gradually improve going forward. This can be attributed to the improving global economies as well as improved collections processes by the Bureau of Taxation and Bureau of Customs. Wage gains, tourism, and construction that drove growth in FY2017 are expected to continue in FY2018 and FY2019. Scheduled and planned increases in wages and benefit payments will continue to contribute to consumer spending. Expected expansion of room capacity should support sustained tourism growth. Construction is also expected to perform strongly due to continued construction and improvements to new and existing visitor accommodations, housing developments (subdivision) in Babeldaob, road, sewer-lines and water lines construction. Existing financing to Agriculture and Aquaculture will further encourage commercial activities and increased incomes. The current account deficit is anticipated to continue to narrow with increased tourist arrivals and stable oil import payments.

CONTACTING THE REPUBLIC'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors a general overview of the Republic's finances and to demonstrate its accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Minister of Finance, P.O. Box 6011, Koror, Republic of Palau 96940.

Statement of Net Position September 30, 2017

	Primary Government	Component Units
ASSETS	Covernment	Office
Current assets:	¢ 27.064.467	¢ 22.002.024
Cash and cash equivalents Investments	\$ 37,964,167 4,279,226	\$ 32,893,931 3,259,896
Receivables, net of allowance for uncollectibles	10,612,816	8,431,375
Inventories	-	9,120,462
Due from primary government	-	702,366
Due from component units	680,716	-
Other current assets	1,126,187	421,132
Restricted assets:	4 000 400	
Cash and cash equivalents Time certificates of deposit	1,298,103	- 456,143
Total current assets	FE 061 21E	
	55,961,215	55,285,305
Noncurrent assets:		1 407 000
Investments Receivables	-	1,487,988 20,714,100
Capital assets:		20,714,100
Nondepreciable capital assets	12,952,685	36,272,495
Capital assets, net of accumulated depreciation	111,281,086	63,144,483
Indefeaseable right to use	· · · · · · · · · · · · · · · · · · ·	4,007,600
Foreclosed real estate	-	347,199
Due from component units	29,541,653	=
Other noncurrent assets	1,191,965	54,300
Restricted assets:		F 040 000
Cash and cash equivalents Investments	223,331,452	5,640,998 4,929,037
Total noncurrent assets	378,298,841	136,598,200
Total assets	434,260,056	191,883,505
DEFERRED OUTFLOWS OF RESOURCES	04.445.400	7 700 040
Deferred outflows from pensions	34,115,432	7,729,816
	\$ 468,375,488	\$ 199,613,321
<u>LIABILITIES</u>		
Current liabilities:		
Note payable	\$ 198,142	\$ -
Current portion of long-term obligations	2,340,782	2,902,001
Current portion of compensated absences payable	2,242,963	- 0.057.000
Accounts payable	6,143,598	6,257,393
Contracts payable Due to State governments	802,179 569,081	_
Due to primary government	-	165,263
Due to fiduciary funds	-	363,117
Accrued payroll and others	2,443,537	1,764,377
Unearned revenue	1,139,881	1,706,096
Other liabilities	500,336	1,894,549
Income tax refunds	998,401	
Total current liabilities	17,378,900	15,052,796
Noncurrent liabilities:		
Noncurrent portion of long-term obligations	47,983,159	27,487,207
Compensated absences payable, net of current portion	2,233,271	-
Net pension liability Due to U.S. Government	157,823,499	41,092,791
Due to primary government	3,000,000	30,057,106
Due to fiduciary funds	_	2,656,358
Total noncurrent liabilities	211,039,929	101,293,462
Total liabilities	228,418,829	116,346,258
	228,418,029	110,340,230
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows from pensions	17,511,231	5,602,630
NET POSITION		
Net investment in capital assets:	117,376,610	59,074,199
Restricted for:		
Future operations	219,477,948	-
Endowment	-	4,681,110
Debt service	-	16,158,019
Compact related	901,094	<u>-</u>
Other purposes	7,075,477	13,237,365
Unrestricted Total not position	(122,385,701)	(15,486,260)
Total net position	222,445,428	77,664,433
	\$ 468,375,488	\$ 199,613,321

Statement of Activities Year Ended September 30, 2017

		ı	Program Rever	, ,	Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and	Primary Government	Component Units	
Functions/Programs							
Primary government:							
Governmental activities: General government Education Health and welfare Public safety Cultural affairs and recreation Transportation and commerce	\$ 34,980,188 18,609,261 22,641,799 6,822,826 4,702,426 35,181,301	\$ 20,631,859 943,368 6,260,334 77,350 249,004 92,024	\$ 3,787,367 2,454,154 5,287,367 772,910 12,029 6,354,378	- - - -	\$ (10,560,962) (15,211,739) (11,094,098) (5,972,566) (4,441,393) (26,546,899)	\$ - - - - - -	
State government appropriations Depreciation - unallocated	7,089,275 787,173	-	-	-	(7,089,275) (787,173)	-	
Interest (unallocated)	617,999				(617,999)		
Total primary government	\$ 131,432,248	\$ 28,253,939	\$ 18,668,205	\$ 2,188,000	(82,322,104)		
Component units: National Development Bank of Palau Palau Community College	\$ 1,614,272 7,395,626	\$ 1,546,246 1,039,346	\$ 23,700 4,357,30		- -	(44,326) (1,998,979)	
Palau National Communications Corporation Palau International Coral Reef Center Palau Visitors Authority	10,990,703 1,766,409 1,137,433	15,010,078 603,508 55,265	576,306	- -	-	4,019,375 (586,595) (1,082,168)	
Public Utilities Corporation	27,257,510	23,947,055	42,000	10,449,520	-	7,181,065	
Palau District Housing Authority	416,980	106,169	-	· -	-	(310,811)	
Protected Areas Network Fund Belau Submarine Cable Corporation	1,824,231 179,872	<u>-</u>	239) - _ <u>-</u>	<u>-</u>	(1,823,992) (179,872)	
Total component units	\$ 52,583,036	\$ 42,307,667	\$ 4,999,546	\$ 10,449,520		5,173,697	
	General revenue Taxes: Business gro Salary and w Alcohol and Hotel occupa Travelers he	oss receipts vage tobacco ancy ad			13,955,595 10,933,714 11,028,498 4,808,767 2,702,771	- - - -	
	General imp Road use	ort			2,951,894 844,038	-	
	Fuel export Other	ntributions not res	anticted for one	oifi o nyo gyomo	730,759 2,840,747	-	
	Unrestricted in	ntributions not re evestment earning from primary gov	igs	ecine programs	13,147,000 1,011,531 - 499,601	1,059,302 6,408,875	
	Total ger	neral revenues			65,454,915	7,468,177	
	Contributions fro	om permanent fu	ınds		29,150,815		
	Total ger	neral revenues a	and contribution	S	94,605,730	7,468,177	
	Change	in net position			12,283,626	12,641,874	
	Net position at b			reported	210,161,802	65,820,050 (797,491)	
	Net position at b	eginning of year	, as restated		210,161,802	65,022,559	
	Net position at e	end of year			\$ 222,445,428	\$ 77,664,433	

Balance Sheet Governmental Funds September 30, 2017

				Special Revenue		Permanent				
		General		Grants	_;	Compact Section 211(f)	G	Other overnmental Funds		Total
<u>ASSETS</u>										
Cash and cash equivalents Investments Receivables, net:	\$	37,964,167 4,279,197	\$	-	\$	-	\$	29	\$	37,964,167 4,279,226
Taxes General Federal agencies		5,364,994 1,626,755		1,007,944 2,598,643		- - -		7,235 -		5,364,994 2,641,934 2,598,643
Accrued interest Due from component units Due from other funds Advances Prepaid items Other assets		7,245 30,222,369 2,057,433 510,915 27,724 1,191,965		1,168,014 498,597 68,246		- - - -		7,712,603 8,446 12,259		7,245 30,222,369 10,938,050 1,017,958 108,229 1,191,965
Restricted assets: Cash and cash equivalents		1,298,103		-		- 210 477 048		- 3,853,504		1,298,103
Investments	\$	84,550,867	\$	5,341,444	\$	219,477,948 219,477,948	\$	11,594,076	\$	223,331,452 320,964,335
LIABILITIES AND FUND BALANCES										
Liabilities: Note payable Accounts payable Contracts payable	\$	198,142 4,212,097 -	\$	- 1,187,794 802,179	\$	- - -	\$	- 743,707 -	\$	198,142 6,143,598 802,179
Due to State governments Due to other funds Accrued payroll and others Other liabilities Unearned revenues		569,081 8,880,617 2,016,893 296,429 180,453		2,055,761 - 203,907 959,428		- - - -		1,672 6,173		569,081 10,938,050 2,023,066 500,336 1,139,881
Income tax refunds		998,401		-		<u> </u>				998,401
Total liabilities		17,352,113	_	5,209,069	_	-		751,552		23,312,734
Fund balances: Nonspendable Restricted Committed Unassigned:		31,442,058 - -		68,246 - -		219,477,948 - -		3,901,094 6,943,102		250,988,252 3,901,094 6,943,102
General fund Special revenue funds		35,756,696		- 64,129		-		- (1,672)		35,756,696 62,457
Total fund balances		67,198,754		132,375	_	219,477,948		10,842,524		297,651,601
	\$	84,550,867	\$	5,341,444	\$	219,477,948	\$	11,594,076		
	ne (et position are of Capital assets resources and Long-term liabi	diffe use d, th dilities cui The Lo	rent because d in governme erefore, are r s, including lo rent period a liabilities include; mperesated a propensated a	ent ent oan ind lud gati abs	ons ences	not f fund not d	rinancial s ue and ported (50,323,941) (4,476,234)		124,233,771
			Ne	crued interes et pension liat	bilit	ty		(420,471) (157,823,499)		
			Dι	ue to U.S. Go	ver	rnment		(3,000,000)		(216,044,145)
		are not report of deferred ou Deferred inflow	ed i utflo vs of	n the funds. ws on the net resources be	The t pe ene	e charged to futu ose deferred out ension liability efit future period deferred inflows	tflow s an	s consist d are		34,115,432
		of deferred in					CON	ioiol	_	(17,511,231)
	1	Net position of		•		•			\$	222,445,428

Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds Year Ended September 30, 2017

		Special Revenue	Permanent		
_	General	Grants	Compact Section 211(f)	Other Governmental Funds	Total
Revenues: Taxes	\$ 48,849,712	\$ -	\$ -	\$ 1,947,071	\$ 50,796,783
Federal and other grants Compact funding Net change in the fair value of investments Fees and charges Licenses and permits Other	13,147,000 551,250 9,212,817 11,860,175 499,602	18,668,205 - - - - -	29,150,815 - - -	500,000 - 460,281 6,627,916 53,031	19,168,205 13,147,000 30,162,346 15,840,733 11,913,206 499,602
Total revenues	84,120,556	18,668,205	29,150,815	9,588,299	141,527,875
Expenditures: Current: Judicial Branch Legislative Branch Office of the President Office of the Vice-President Ministry of Finance Ministry of State Ministry of Community and Cultural Affairs Ministry of Education Ministry of Public Infrastructure, Industry and Commerce Ministry of Justice Ministry of Health Ministry of Natural Resources, Environment and Tourism Boards, Commissions, and Authorities State Block Grants Independent Agencies Other Agencies and Activities Education assistance Inauguration ceremony Financial and Compliance Audit Civil Service Pension Plan Investment management fees Court Settlement Health Care Fund Contributions Social Security Fund Contributions Other Capital projects Debt service: Principal retirement Interest	2,984,830 5,450,601 1,219,531 462,695 3,711,920 3,377,135 1,353,647 8,740,646 6,051,864 5,871,571 1,453,858 1,059,933 7,089,275 3,325,157 4,681,132 6,484,208 194,128 784,712 490,000 1,103,034 1,987,350 566,705 2,340,782 456,570	528,968 5,064 434,583 278,901 12,029 2,454,154 16,516 772,910 5,694,147 1,307,435 - 714,665 - 536,380 - - - - - - - - - - - - -		- - - - - - - - - - - - - - - - - - -	2,984,830 5,450,601 1,748,499 467,759 4,146,503 3,662,861 1,365,676 11,194,800 6,406,275 6,699,798 20,253,637 2,862,626 1,059,933 7,089,275 4,049,556 4,681,132 6,484,208 194,128 536,380 784,712 1,455,456 490,000 1,103,034 1,987,350 7,406,040 2,340,782 456,570
Total expenditures	81,096,554	19,595,087	1,434,104	5,236,676	107,362,421
Excess of revenues over expenditures	3,024,002	(926,882)	27,716,711	4,351,623	34,165,454
Other financing sources (uses): Loan proceeds Operating transfers in Operating transfers out	12,113,130 5,547,832 (969,725)	969,725 (25,800)	- - (5,000,000)	- - (522,032)	12,113,130 6,517,557 (6,517,557)
Total other financing sources (uses), net	16,691,237	943,925	(5,000,000)	(522,032)	12,113,130
Net change in fund balances	19,715,239	17,043	22,716,711	3,829,591	46,278,584
Fund balances at beginning of year	47,483,515	115,332	196,761,237	7,012,933	251,373,017
Fund balances at end of year	\$ 67,198,754	<u>\$ 132,375</u>	\$ 219,477,948	\$ 10,842,524	\$ 297,651,601

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities Year Ended September 30, 2017

Amounts reported for governmental activities in the statement of activities are different from changes in fund balances because:

Net change in fund balances - total governmental funds

\$ 46,278,584

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the current period. For the current year, these activities consist of:

Capital outlays, net of disposals \$ 8,163,654 Depreciation expense, net (26,728,748)

(18,565,094)

The incurrence of long-term debt (e.g., loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. For the current year, these amounts consist of:

Proceeds from ADB loans	(12,113,130)
Repayment of MICB loans	1,599,998
Repayment of ADB loans	740,784

(9,772,348)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds. These expenses include pension costs, accrued annual leave and interest payable that are reported in the statement of activities, but not in funds. For the current year, these activities consist of:

Change in compensated absences payable	\$ (166,136)
Change in accrued interest payable	(161,429)
Net pension activity	(5,329,951)

(5,657,516)

Change in net position of governmental activities.

\$ <u>12,283,626</u>

Statement of Fiduciary Net Position Fiduciary Funds September 30, 2017

ASSETS Cash and cash equivalents \$ 988,656 671,936 \$ 1,660,592 Time certificates of deposit - 1,943,399 1,943,399 Receivables, net: - 1,943,399 1,943,399 Receivables, net: - 1,943,399 1,943,399 Receivables, net: - 2,91,042 - 291,042 Other 276,128 42,002 318,130 Investments 110,411,475 27,309,260 137,720,735 Due from component units 3,019,475 - 3,019,475 Prepaid items 28,473 - 28,473 Capital assets, net 95,042 18,201 113,243 Total assets 119,140,480 30,246,822 149,387,302 Deferred outflows from pensions 570,645 211,973 782,618 Deferred outflows from pensions 570,645 211,973 782,618 Net pension liabilities and accruals 90,549 26,997 117,546 Net pension liabilities 3,759,000 877,647			Private Purpose Trust	Total	
Cash and cash equivalents \$ 988,656 671,936 \$ 1,660,592 Time certificates of deposit - 1,943,399 1,943,399 Receivables, net: - 1,943,399 1,943,399 Receivables, net: - 1,943,399 1,943,399 Receivables, net: - 291,042 - 291,042 Other 276,128 4,000 318,130 3110,411,475 27,309,260 137,720,735 Due from component units 3,019,475 - 3,019,475 - 3,019,475 Prepaid items 28,473 - 28,473 - 28,473 Capital assets, net 95,042 18,201 113,243 119,140,480 30,246,822 149,387,302 DEFERRED OUTFLOWS OF RESOURCES Deferred outflows from pensions 570,645 211,973 782,618 Benefits payable 703,985 - 703,985 Other liabilities and accruals 90,549 26,997 117,546 Net pension liability 2,964,466 850,650 3,815,116	ASSETS	-			
Contributions 4,030,189 262,024 4,292,213 Accrued interest and dividends 291,042 - 291,042 Other 276,128 42,002 318,130 Investments 110,411,475 27,309,260 137,720,735 Due from component units 3,019,475 - 3,019,475 Prepaid items 28,473 - 28,473 Capital assets, net 95,042 18,201 113,243 Total assets 119,140,480 30,246,822 149,387,302 DEFERRED OUTFLOWS OF RESOURCES 211,973 782,618 Deferred outflows from pensions 570,645 211,973 782,618 Senefits payable \$ 703,985 - \$ 703,985 Other liabilities and accruals 90,549 26,997 117,546 Net pension liability 2,964,466 850,650 3,815,116 Total liabilities 3,759,000 877,647 4,636,647 Deferred inflows from pensions 264,557 171,671 436,228 Deferred inflows from pensions 264,557	Cash and cash equivalents Time certificates of deposit	\$	988,656 -	\$ •	\$
Due from component units 3,019,475 - 3,019,475 Prepaid items 28,473 - 28,473 Capital assets, net 95,042 18,201 113,243 Total assets 119,140,480 30,246,822 149,387,302 DEFERRED OUTFLOWS OF RESOURCES 570,645 211,973 782,618 Deferred outflows from pensions 570,645 211,973 782,618 LIABILITIES \$ 119,711,125 \$ 30,458,795 \$ 150,169,920 Content liabilities and accruals 90,549 26,997 117,546 Net pension liability 2,964,466 850,650 3,815,116 Total liabilities 3,759,000 877,647 4,636,647 DEFERRED INFLOWS OF RESOURCES Deferred inflows from pensions 264,557 171,671 436,228 NET POSITION Held in trust for: Social security benefits - 115,687,568 Pension benefits - 29,409,477 29,409,477 Total net position 115,687,568 29,409,477 145,097,045	Contributions Accrued interest and dividends		291,042	-	291,042
Total assets 119,140,480 30,246,822 149,387,302 DEFERRED OUTFLOWS OF RESOURCES 570,645 211,973 782,618 Deferred outflows from pensions 570,645 211,973 782,618 \$ 119,711,125 \$ 30,458,795 \$ 150,169,920 LIABILITIES Benefits payable \$ 703,985 \$ - \$ 703,985 Other liabilities and accruals 90,549 26,997 117,546 Net pension liability 2,964,466 850,650 3,815,116 Total liabilities 3,759,000 877,647 4,636,647 DEFERRED INFLOWS OF RESOURCES 264,557 171,671 436,228 NET POSITION ** ** 115,687,568 - 115,687,568 Pension benefits - 29,409,477 29,409,477 29,409,477 Total net position 115,687,568 29,409,477 145,097,045	Due from component units		3,019,475	27,309,260	3,019,475
DEFERRED OUTFLOWS OF RESOURCES Deferred outflows from pensions 570,645 211,973 782,618 \$ 119,711,125 \$ 30,458,795 \$ 150,169,920 LIABILITIES Benefits payable \$ 703,985 - \$ 703,985 Other liabilities and accruals 90,549 26,997 117,546 Net pension liability 2,964,466 850,650 3,815,116 Total liabilities 3,759,000 877,647 4,636,647 DEFERRED INFLOWS OF RESOURCES Deferred inflows from pensions 264,557 171,671 436,228 NET POSITION Held in trust for: Social security benefits 115,687,568 - 115,687,568 Pension benefits - 29,409,477 29,409,477 29,409,477 Total net position 115,687,568 29,409,477 145,097,045	Capital assets, net		95,042	18,201	 113,243
Deferred outflows from pensions 570,645 211,973 782,618 \$ 119,711,125 \$ 30,458,795 \$ 150,169,920 LIABILITIES Benefits payable \$ 703,985 - \$ 703,985 Other liabilities and accruals 90,549 26,997 117,546 Net pension liability 2,964,466 850,650 3,815,116 Total liabilities 3,759,000 877,647 4,636,647 Deferred inflows from pensions 264,557 171,671 436,228 NET POSITION Held in trust for: Social security benefits 115,687,568 - 115,687,568 Pension benefits - 29,409,477 29,409,477 29,409,477 Total net position 115,687,568 29,409,477 145,097,045	Total assets		119,140,480	30,246,822	149,387,302
LIABILITIES \$ 30,458,795 \$ 150,169,920 Benefits payable \$ 703,985 \$ - \$ 703,985 Other liabilities and accruals 90,549 26,997 117,546 Net pension liability 2,964,466 850,650 3,815,116 Total liabilities 3,759,000 877,647 4,636,647 DEFERRED INFLOWS OF RESOURCES Deferred inflows from pensions 264,557 171,671 436,228 NET POSITION Held in trust for: Social security benefits 115,687,568 - 115,687,568 Pension benefits - 29,409,477 29,409,477 29,409,477 Total net position 115,687,568 29,409,477 145,097,045	DEFERRED OUTFLOWS OF RESOURCES				
LIABILITIES Benefits payable \$ 703,985 - \$ 703,985 Other liabilities and accruals 90,549 26,997 117,546 Net pension liability 2,964,466 850,650 3,815,116 Total liabilities 3,759,000 877,647 4,636,647 DEFERRED INFLOWS OF RESOURCES Deferred inflows from pensions 264,557 171,671 436,228 NET POSITION Held in trust for: Social security benefits 115,687,568 - 115,687,568 Pension benefits - 29,409,477 29,409,477 29,409,477 Total net position 115,687,568 29,409,477 145,097,045	Deferred outflows from pensions		570,645	 211,973	 782,618
Benefits payable \$ 703,985 \$ - \$ 703,985 Other liabilities and accruals 90,549 26,997 117,546 Net pension liability 2,964,466 850,650 3,815,116 Total liabilities 3,759,000 877,647 4,636,647 DEFERRED INFLOWS OF RESOURCES Deferred inflows from pensions 264,557 171,671 436,228 NET POSITION Held in trust for: Social security benefits 115,687,568 - 115,687,568 Pension benefits - 29,409,477 29,409,477 29,409,477 Total net position 115,687,568 29,409,477 145,097,045		\$	119,711,125	\$ 30,458,795	\$ 150,169,920
Benefits payable \$ 703,985 \$ - \$ 703,985 Other liabilities and accruals 90,549 26,997 117,546 Net pension liability 2,964,466 850,650 3,815,116 Total liabilities 3,759,000 877,647 4,636,647 DEFERRED INFLOWS OF RESOURCES Deferred inflows from pensions 264,557 171,671 436,228 NET POSITION Held in trust for: Social security benefits 115,687,568 - 115,687,568 Pension benefits - 29,409,477 29,409,477 29,409,477 Total net position 115,687,568 29,409,477 145,097,045	LIABILITIES				
Net pension liability 2,964,466 850,650 3,815,116 Total liabilities 3,759,000 877,647 4,636,647 DEFERRED INFLOWS OF RESOURCES Deferred inflows from pensions 264,557 171,671 436,228 NET POSITION Held in trust for: Social security benefits 115,687,568 - 115,687,568 Pension benefits - 29,409,477 29,409,477 29,409,477 Total net position 115,687,568 29,409,477 145,097,045		\$	703,985	\$ -	\$ 703,985
DEFERRED INFLOWS OF RESOURCES Deferred inflows from pensions 264,557 171,671 436,228 NET POSITION Held in trust for: Social security benefits 115,687,568 - 115,687,568 Pension benefits - 29,409,477 29,409,477 Total net position 115,687,568 29,409,477 145,097,045			•	•	•
Deferred inflows from pensions 264,557 171,671 436,228 NET POSITION Held in trust for: Social security benefits 115,687,568 - 115,687,568 Pension benefits - 29,409,477 29,409,477 Total net position 115,687,568 29,409,477 145,097,045	Total liabilities		3,759,000	877,647	4,636,647
NET POSITION Held in trust for: 115,687,568 - 115,687,568 Pension benefits - 29,409,477 29,409,477 Total net position 115,687,568 29,409,477 145,097,045	DEFERRED INFLOWS OF RESOURCES				
Held in trust for: Social security benefits 115,687,568 - 115,687,568 Pension benefits - 29,409,477 29,409,477 Total net position 115,687,568 29,409,477 145,097,045	Deferred inflows from pensions		264,557	171,671	436,228
Social security benefits 115,687,568 - 115,687,568 Pension benefits - 29,409,477 29,409,477 Total net position 115,687,568 29,409,477 145,097,045	NET POSITION				
	Social security benefits		115,687,568	- 29,409,477	
	Total net position		115,687,568	 29,409,477	 145,097,045
	·	\$		\$	\$

Statement of Changes in Fiduciary Net Position Fiduciary Funds Year Ended September 30, 2017

	Private Purpose Trust	Pension (and Other Employee Benefit) Trust		Total
A delikion o	 Trust	 Trust		Total
Additions: Contributions:				
Government employees	\$ 11,214,672 11,819,094	\$ -	\$	11,214,672 11,819,094
Private employees Employer contributions	11,019,094	3,412,047		3,412,047
Plan member contributions	294,094	3,410,992		3,705,086
Penalties and interest Other	 268,007	- -		268,007 -
	23,595,867	6,823,039		30,418,906
Allowance for doubtful accounts	 57,145	 		57,145
Total contributions	 23,653,012	6,823,039		30,476,051
Investment income:				
Net change in the fair value of investments	8,172,807	1,945,679		10,118,486
Interest and dividends	 2,557,088	 698,972		3,256,060
Total investment income	10,729,895	2,644,651		13,374,546
Less investment expense	 231,044	 197,642		428,686
Net investment income	 10,498,851	 2,447,009		12,945,860
Other	 251,199	 856,958		1,108,157
Total additions	 34,403,062	10,127,006		44,530,068
Deductions:				
Benefits	24,550,408	9,763,956		34,314,364
General and administrative	 1,425,976	 374,886		1,800,862
Total deductions	 25,976,384	 10,138,842		36,115,226
Change in net position held in trust for:	0.400.070			0.400.070
Social security benefits Pension benefits	8,426,678	- (11,836)		8,426,678 (11,836)
i ension benefits	 0.400.070	 		
_ , , , .	8,426,678	(11,836)		8,414,842
Transfer from primary government	 1,987,350	 -		1,987,350
Change in fiduciary net postion	10,414,028	(11,836)		10,402,192
Net position at beginning of year	 105,273,540	 29,421,313	_	134,694,853
Net position at end of year	\$ 115,687,568	\$ 29,409,477	\$	145,097,045

Combining Statement of Net Position Component Units September 30, 2017

	National Development Bank of Palau	Palau Community College	Palau National Communications Corporation	Palau International Coral Reef Center	Palau Visitors Authority	Palau Public Utilities Corporation	Palau District Housing Authority	Protected Areas Network Fund	Belau Submarine Cable Corporation	Total
<u>Assets</u>										
Current assets: Cash and cash equivalents Restricted time certificates of deposit	\$ 11,818,431 456,143	\$ 289,723 -	\$ 503,649	\$1,174,030 -	\$ 463,371 -	\$ 12,389,404 -	\$ 2,389,073	\$ 3,741,519 -	\$ 124,731 -	\$ 32,893,931 456,143
Investments Receivables, net Inventories Due from primary government	1,140,668 154,826	1,868,081 296,716 19,990	1,706,140 290,165	253,484 17,553	11,496 - 2,343	3,128,490 8,361,202 544,975	3,259,896 132,016 - -	- - 135,058	- - -	3,259,896 8,240,375 9,120,462 702,366
Due from grantor agency Prepaid expenses and other	20,061	-	- 2,070	- 7,002	- 175,267	191,000 213,114	-	3,618	-	191,000 421,132
Total current assets	13,590,129	2,474,510	2,502,024	1,452,069	652,477	24,828,185	5,780,985	3,880,195	124,731	55,285,305
Noncurrent assets:										
Investments Receivables Capital assets:	18,186,038	-	1,128,147 -	359,841 -	-	304,128	2,223,934	-	-	1,487,988 20,714,100
Nondepreciable capital assets Capital assets, net of accumulated depreciation Indefeasible right of use	675,502	1,230,540	4,751,962 16,142,731	200,000 1,669,947	76,864	21,511,564 43,314,665	25,153	9,081	9,808,969 - 4,007,600	36,272,495 63,144,483 4,007,600
Foreclosed real estate Other noncurrent assets	347,199 -	-	54,300	-	-	-	-	-	-	347,199 54,300
Restricted assets: Cash and cash equivalents Investments	50,249 -	1,773,316 4,929,037	3,817,433	-	-	-	-	-	-	5,640,998 4,929,037
Total noncurrent assets	19,258,988	7,932,893	25,894,573	2,229,788	76,864	65,130,357	2,249,087	9,081	13,816,569	136,598,200
Total assets	32,849,117	10,407,403	28,396,597	3,681,857	729,341	89,958,542	8,030,072	3,889,276	13,941,300	191,883,505
Deferred Outflows of Resources										
Deferred outflows from pensions	337,651	1,939,367	1,291,628	551,926	148,126	3,400,221	60,897			7,729,816
	\$ 33,186,768	\$12,346,770	\$ 29,688,225	\$4,233,783	\$ 877,467	\$ 93,358,763	\$8,090,969	\$ 3,889,276	\$13,941,300	\$ 199,613,321
<u>Liabilities</u>										
Current liabilities: Current portion of long-term debt Accounts payable Contract payable	\$ 670,775 139,873	\$ - 146,816	\$ 1,397,625 205,834	\$ - 49,905	\$ - 49,335	\$ 833,601 5,550,302	\$ - -	\$ - 115,328	\$ -	\$ 2,902,001 6,257,393
Onleact payable Due to primary government Due to fiduciary funds Accrued payroll and others	140,853 363,117	502,609	317,192	- - 59,696	24,410 - 35,340	807,210	33,421	8.909		165,263 363,117 1,764,377
Unearned revenues Other liabilities	123,844 72,061	747,400	4,208 681,144			682,883 1,043,594		147,761 97,750		1,706,096 1,894,549
Total current liabilities	1,510,523	1,396,825	2,606,003	109,601	109,085	8,917,590	33,421	369,748		15,052,796
Noncurrent liabilities: Long-term debt, net of current portion Net pension liability Due to primary government Due to fiduciary funds	2,968,253 1,837,001 5,541,230 2,656,358	11,982,658 - -	18,830,846 7,980,506 - -	2,078,159 - -	847,946 - -	5,688,108 16,006,220 5,699,703	360,301 5,000,000	- - -	13,816,173	27,487,207 41,092,791 30,057,106 2,656,358
Total noncurrent liabilities	13,002,842	11,982,658	26,811,352	2,078,159	847,946	27,394,031	5,360,301		13,816,173	101,293,462
Total liabilities	14,513,365	13,379,483	29,417,355	2,187,760	957,031	36,311,621	5,393,722	369,748	13,816,173	116,346,258
Deferred Inflows of Resources										
Deferred inflows from pensions	216,044	1,771,874	1,243,624	317,200	186,741	1,816,083	51,064			5,602,630
Net Position										
Net position: Net investment in capital assets Restricted:	675,502	1,230,540	620,940	1,869,947	76,864	54,580,817	10,112	9,081	396	59,074,199
Endowment Debt service Other purposes Unrestricted	12,340,586 5,441,271	4,681,110 - 1,764,952 <u>(10,481,189)</u>	3,817,433 - (5,411,127)	92,477 (233,601)	- - - (343,169)	- - - - 650,242	2,428,218 207,853	3,510,447	- - - 124,731	4,681,110 16,158,019 13,237,365 (15,486,260)
Total net position	18,457,359	(2,804,587)	(972,754)	1,728,823	(266,305)	55,231,059	2,646,183	3,519,528	125,127	77,664,433
	\$ 33,186,768	\$12,346,770	\$ 29,688,225	\$4,233,783	\$ 877,467	\$ 93,358,763	\$8,090,969	\$ 3,889,276	\$13,941,300	\$ 199,613,321

Combining Statement of Revenues, Expenses, and Changes in Net Position Component Units Year Ended September 30, 2017

	National Development Bank of Palau	Palau Community College	Palau National Communications Corporation	Palau International Coral Reef Center	Palau Visitors Authority	Palau Public Utilities Corporation	Palau District Housing Authority	Protected Areas Network Fund	Belau Submarine Cable Corporation	Total
Operating revenues: Charges for services Grants and contributions Other	\$ 1,708,727 - (162,481)	\$ 759,940 4,357,301 279,406	\$ 14,888,048 - 122,030	\$ 586,263 576,306 17,245	\$ - - 55,265	\$ 22,791,610 - 1,155,445	\$ 93,606 - 12,563	\$ - - -	\$ - - -	\$40,828,194 4,933,607 1,479,473
Total operating revenues	1,546,246	5,396,647	15,010,078	1,179,814	55,265	23,947,055	106,169			47,241,274
Operating expenses: Cost of services Depreciation Administration costs	40,667 897,952	5,124,023 323,957 1,947,646	6,190,370 2,294,473 1,508,999	293,084 1,473,325	23,416 1,114,017	20,292,787 4,430,915 1,965,953	- 4,329 307,098	1,512,221 3,509 308,501	- - 179,872	33,119,401 7,414,350 9,703,363
Total operating expenses	938,619	7,395,626	9,993,842	1,766,409	1,137,433	26,689,655	311,427	1,824,231	179,872	50,237,114
Operating income (loss)	607,627	(1,998,979)	5,016,236	(586,595)	(1,082,168)	(2,742,600)	(205,258)	(1,824,231)	(179,872)	(2,995,840)
Nonoperating revenues (expenses): Contributions from primary government Net change in the fair value of investments Interest income Grant revenues Interest expense Other, net	- 12,191 23,700 (428,467) (247,186)	2,548,515 188,490 - - - -	123,524 - - (978,964) (17,897)	400,000 27,956 - - - -	1,426,000 - - - - - -	- 2,818 42,000 (375,269) (192,586)	70,000 259,896 5,429 - (105,918) 365	1,964,360 435,362 3,610 239 -	- - 26 - -	6,408,875 1,035,228 24,074 65,939 (1,888,618) (457,304)
Total nonoperating revenues (expenses), net	(639,762)	2,737,005	(873,337)	427,956	1,426,000	(523,037)	229,772	2,403,571	26	5,188,194
Capital contributions						10,449,520				10,449,520
Change in net position	(32,135)	738,026	4,142,899	(158,639)	343,832	7,183,883	24,514	579,340	(179,846)	12,641,874
Net position at beginning of year, as previously reported Prior period adjustment (Note 16)	18,489,494	(1,798,594) (1,744,019)	(5,115,653)	1,887,462	(610,137)	47,100,648 946,528	2,621,669	2,940,188	304,973	65,820,050 (797,491)
Net position at beginning of year, as restated	18,489,494	(3,542,613)	(5,115,653)	1,887,462	(610,137)	48,047,176	2,621,669	2,940,188	304,973	65,022,559
Net position at end of year	\$ 18,457,359 \$ 18,457,359	\$(2,804,587) \$(2,804,587)	\$ (972,754) \$ (972,754)	\$1,728,823 \$1,728,823	\$ (266,305) \$ (266,305)	\$ 55,231,059 \$ 55,231,059	\$ 2,646,183 \$ 2,646,183	\$ 3,519,528 \$ 3,519,528	\$ 125,127 \$ 125,127	\$77,664,433 \$77,664,433

Notes to Financial Statements September 30, 2017

(1) Summary of Significant Accounting Policies

The Republic of Palau (the "Republic") was constituted on January 1, 1981, under the provisions of the Constitution of the Republic of Palau (the "Constitution") as approved by the people of Palau. The Constitution provides for the separation of powers of the executive, legislative, and judicial branches of the government. The Republic assumes responsibility for general government, public safety, health, education, and economic development.

The accompanying basic financial statements of the Republic have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Republic's accounting policies are described below.

A. Reporting Entity

The Government of the Republic is a constitutional government comprised of three branches: the Legislative Branch (Olbiil Era Kelulau (OEK)); the Executive Branch; and the Judicial Branch. The Legislative Branch consists of two houses which sit for four-year terms. The House of Delegates has 16 members, one from each state. The Senate has 13 members selected in a nationwide election. The Executive Branch consists of the President as the chief executive officer, the Vice-President, and the Council of Chiefs. The President is assisted by an 8 member Cabinet. The Judicial Branch is made up of the Supreme Court, the Land Court, and the Court of Common Pleas.

For financial reporting purposes, the Republic has included all funds, organizations, agencies, boards, commissions and institutions. The Republic has also considered all potential component units for which it is financially accountable as well as other entities for which the nature and significance of their relationship with the Republic are such that exclusion would cause the Republic's basic financial statements to be misleading or incomplete. The criteria to be considered in determining financial accountability include whether the Republic, as the primary government, has appointed a voting majority of an organization's governing body and either has the ability to impose its will on that organization or there is potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Republic. Financial accountability also exists if an organization is determined to be fiscally dependent on the primary government, although the primary government does not appoint a voting majority of the organization's governing board.

Each component unit of the Republic has a September 30 year-end except for the Palau National Communications Corporation, which has a December 31 year-end.

Component units are entities that are legally separate organizations for which the Republic's elected officials are financially accountable or other organizations for which the nature and significance of their relationship with the Republic are such that exclusion would cause the Republic's basic financial statements to be misleading or incomplete. The Republic is financially accountable because it appoints the members of the governing authorities of each of the component units and because it is able to impose its will on these organizations or because the organizations provide specific financial benefits or impose specific financial burdens on the Republic.

Notes to Financial Statements September 30, 2017

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

The financial statements of the component units have been included in the financial reporting entity as discretely presented component units in accordance with GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. The component units' column of the basic financial statements includes the financial data of the following discretely presented component units:

- National Development Bank of Palau (NDBP): NDBP was formed on February 24, 1982, under the provisions of RPPL No. 1-27, as amended by RPPL No. 3-4, RPPL No. 4-48, RPPL No. 5-37 and RPPL No. 6-18. The law created a wholly-owned government corporation managed by a Board of Directors appointed by the President of the Republic with the advice and consent of the OEK. The purpose of NDBP is to be the central financial institution responsible for initiating and promoting economic development within the Republic. The Republic guarantees principal and interest payments to the Republic of Palau Social Security Retirement Fund, the Mega International Commercial Bank (formerly the International Commercial Bank of China), and the European Investment Bank in the event of default by NDBP. The Republic has the ability to impose its will on NDBP.
- Palau Community College (PCC): PCC is a non-profit corporation established by RPPL No. 4-2, and inaugurated on June 3, 1993. Four voting members are appointed by the President of the Republic with the advice and consent of the Senate of the OEK. One voting member shall be a member of the Republic of Palau Board of Education as designated by the Republic Board of Education. Two non-voting members are appointed by the Board of Trustees to serve in an advisory capacity to the Board. The Board shall grant voting membership to one member from the RMI, one member from the FSM as designated by those governments. The Board shall grant voting membership to a student representative. The purpose of PCC, as defined by RPPL No. 4-2, is to be the institution of higher education for the Republic of Palau and to provide postsecondary educational opportunities to the people of the Republic of Palau, Federated States of Micronesia, Republic of the Marshall Islands, as well as students from other countries. The Republic provides financial support to PCC through legislative appropriations.
- Palau National Communications Corporation (PNCC): PNCC was created on August 23, 1982, under the provisions of RPPL No. 1-40. The law created a wholly-owned government corporation managed by a Board of Directors appointed by the President of the Republic, with the advice and consent of the Senate of the OEK. The primary purpose of PNCC is to establish and operate communication services as a communication common carrier within the Republic. The Republic guarantees principal and interest payments to the Rural Utilities Service in the event of default by PNCC on Rural Electrification and Telephone Revolving Fund loans. The Republic has the ability to impose its will on PNCC.

Notes to Financial Statements September 30, 2017

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

- Palau International Coral Reef Center (PICRC): PICRC was created on November 20, 1998 by RPPL No. 5-17. The law created a wholly-owned government non-profit corporation managed by a Board of Directors appointed by the President with the advice and consent of the Senate of the OEK. PICRC is to carry out marine research and educate the public about the ecological, economic and cultural importance of coral reefs and their associated marine habitats. The Republic provides financial support to PICRC through legislative appropriations.
- Palau Visitors Authority (PVA): PVA was formed on November 23, 1982, under the
 provisions of RPPL No. 1-49 for the purpose of implementing tourism programs,
 including marketing and related responsibilities. The law created a wholly-owned
 public corporation managed by a Board of Directors appointed by the President of
 the Republic with the advice and consent of the OEK. PVA is subject to annual
 appropriations by the OEK. The Republic provides financial support to PVA through
 legislative appropriations.
- Palau Public Utilities Corporation (PPUC): PPUC was created by RPPL No. 4-13 on July 6, 1994. The law created a wholly-owned government corporation managed by a Board of Directors appointed by the President with the advice and consent of the Senate of the OEK. The purpose of PPUC is to establish and operate electrical utility services within the Republic. The Republic guarantees principal and interest payments to the Mega International Commercial Bank, and the National Development Bank of Palau in the event of default by PPUC. The Republic has the ability to impose its will on PPUC.
- Palau District Housing Authority (PDHA): PDHA was created by an act of the Congress of Micronesia in 1973, the "Territory Community Housing Act". PDHA is charged with the administration of the low-cost housing loan program in the Republic of Palau and is administered by a five-member Board of Directors appointed by the President of the Republic with the advice and consent of the Senate of the OEK. PDHA is authorized to finance and construct homes as needed. The Republic provides financial support to PDHA through legislative appropriations.
- Protected Areas Network Fund (PAN Fund): PAN Fund was formed on May 2, 2008, under the provisions of RPPL No. 7-42 for the purpose of administering and managing all funds received for the financial sustainability of the Protected Areas Network in Palau and for other related purposes. Portions of RPPL 7-42 were revised by RPPL 8-9 and RPPL 8-18. The law created a registered non-profit corporation under the Republic corporate registry managed by a Board of Directors, consisting of seven voting members and the Republic's Minister of Finance and Minister of Resources and Development, appointed in accordance with PAN Fund's Articles of Incorporation and approved by no less than two thirds of the Senate of the OEK. The Republic provides financial support to the PAN Fund through legislative appropriations.
- Belau Submarine Cable Corporation (BSCC): BSCC was created on September 15, 2015, under the provisions of Republic of Palau Public Law (RPPL) 9-47. The law created a wholly-owned government corporation governed by a Board of Directors appointed by the President of the Republic, with the advice and consent of the Senate of the OEK. The primary purpose of BSCC is to procure, own and manage a fiber optic cable on behalf of the Republic. The Republic has the ability to impose its will on BSCC

Notes to Financial Statements September 30, 2017

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

In addition, the fiduciary component units are subject to legislative and executive controls. These component units, while meeting the definition of a component unit and while legally separate, are presented in the fund financial statements of the Republic. They have been omitted from the government-wide financial statements as their resources are not available to fund operations of the Republic. The fiduciary component units are as follows:

- The Republic of Palau Social Security Retirement Fund (the Fund), a Fiduciary Fund Type Private Purpose Trust Fund, was created under Republic of Palau Public Law (RPPL) No. 2-29, passed into law on May 28, 1987, and revised by RPPL No. 3-64, passed into law on December 20, 1991, and began operations on October 1, 1987. The Fund is administered under the authority of five trustees appointed by the President with the advice and consent of the Senate of the OEK. The Fund provides retirement, disability, and death benefits to qualified individuals and their survivors. Further, the Fund was appointed responsibility under 41 PNC, Section 723, for the administration and operation of the Palau Healthcare Fund Program.
- The Republic of Palau Civil Service Pension Trust Fund (the Pension Fund), a Fiduciary Fund Type Pension (and Other Employee Benefit) Trust Fund, was created under RPPL No. 2-26, which was passed into law April 3, 1987, and began operations October 1, 1987. RPPL No. 2-26 was revised by RPPL No. 3-21, RPPL No. 4-40, RPPL No. 4-49, RPPL No. 5-30, RPPL No. 6-37 and RPPL No. 7-56. The Pension Fund is administered under the authority of a seven member Board of Trustees appointed by the President with the advice and consent of the Senate of the OEK.

Complete financial statements for each of the individual component units may be obtained at the respective component units' administrative offices or obtaining them directly from the Office of the Public Auditor:

P.O. Box 850 Koror, Palau 96940 Website: www.palauopa.org

B. Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities report financial information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been eliminated from these statements except for other charges between the primary government and the discretely presented component units. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Notes to Financial Statements September 30, 2017

(1) Summary of Significant Accounting Policies, Continued

B. Government-Wide Financial Statements, Continued

Primary government activities are defined as either governmental or business-type activities. Governmental activities, which normally are supported by taxes, intergovernmental revenues and other non-exchange revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties for goods or services. As such, business-type activities account for operations similar to a for-profit business. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. Discretely presented component unit activities are presented with their business-type focus.

The Statement of Net Position presents the reporting entity's non-fiduciary assets and deferred outflows of resources, and liabilities and deferred inflows of resources with the difference reported as net position. Net position is reported in three categories:

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets.
- Restricted net position consists of resources in which the Republic is legally or contractually obligated to spend resources in accordance with restrictions either externally imposed by creditors, grantors, contributors, and the like, or imposed by law.
- Unrestricted net position consists of net position, which does not meet the
 definition of the two preceding categories. Unrestricted net position often is
 designated, (for example, internally restricted) to indicate that management does
 not consider such to be available for general operations. Unrestricted net position
 often has restrictions that are imposed by management, but can be removed or
 modified.

The government-wide Statement of Net Position reports \$227,454,519 of restricted net position, of which \$7,075,477 is restricted by enabling legislation.

The Statement of Activities demonstrates the degree to which the direct expenses of given functions or segments are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are, instead, reported as general revenue.

Notes to Financial Statements September 30, 2017

(1) Summary of Significant Accounting Policies, Continued

C. Fund Financial Statements

The fund financial statements present a balance sheet and a statement of revenues, expenditures, and changes in fund balances for its major and aggregated non-major funds. Separate financial statements are provided for governmental funds and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements pursuant to GASB reporting standards, with nonmajor governmental funds being combined into a single column.

The Republic reports its financial position and results of operations in funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. Transactions between funds within a fund type, if any, have not been eliminated.

D. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements - the government-wide financial statements are reported using the economic resources management focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as program revenue include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. General revenue is derived from taxation, investment income and other fees that are not allocated to specific programs.

Governmental Fund Financial Statements - the governmental fund financial statements account for the general governmental activities of the Republic and are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual; generally when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Republic considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Significant revenues susceptible to accrual include income and gross revenue taxes, federal grants, federal reimbursements and other reimbursements for use of materials and services. Miscellaneous revenues from other financing sources are recognized when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures generally are recorded in the period in which the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Notes to Financial Statements September 30, 2017

(1) Summary of Significant Accounting Policies, Continued

D. <u>Measurement Focus and Basis of Accounting, Continued</u>

Fiduciary funds and discretely presented component units financial statements - the fiduciary funds and discretely presented component units financial statements are reported using the economic measurement focus and the accrual basis of accounting, similar to government-wide financial statements, as described above.

Discretely presented component units distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a component unit's principal ongoing operations. All other revenues are reported as nonoperating. Operating expenses includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fund Accounting:

GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments, as amended by GASB Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments: Omnibus, sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses for either fund category or the governmental and enterprise combined) for the determination of major funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The nonmajor funds are combined in a column in the fund financial statements and detailed in the combining statements. The Republic reports the following major funds:

- General Fund This fund is the primary operating fund of the Republic. It is used to account for all governmental transactions, except those required to be accounted for in another fund.
- Grants Fund a Special Revenue Fund that accounts for grants received from the United States government and other donor countries.
- Compact Section 211(f) Fund a Permanent Fund that accounts for funds provided pursuant to the Compact of Free Association, Section 211(f). Under the terms and conditions of Section 211(f) of the Compact and subsidiary agreements, the Republic may expend an agreed minimum annual distribution from accrued interest of the Fund. This amount has been determined to be \$5,000,000 annually for the first fifteen years of the Compact. The objective for the Fund is to allow annual distributions from accrued interest of \$15,000,000 annually after the fifteenth year of the Compact.

The nonmajor governmental funds are comprised of special revenue funds, which account for financial resources obtained from specific revenue sources and used for restricted purposes.

In addition, the Republic reports the following fiduciary funds:

- Private Purpose Trust Fund this fund accounts for resources held in trust by the Republic of Palau Social Security Retirement Fund under which principal and income benefit certain individuals.
- Pension (and Other Employee Benefit) Trust Fund this fund accounts for resources held in trust by the Republic of Palau Civil Service Pension Trust Fund for members and beneficiaries of the Republic's pension plan.

Notes to Financial Statements September 30, 2017

(1) Summary of Significant Accounting Policies, Continued

E. Cash and Cash Equivalents and Time Certificates of Deposit

The Republic pools cash resources of its various funds in order to facilitate the management of cash. Unless otherwise required by law, interest income received on pooled cash accrues to the General Fund. Cash and cash equivalents applicable to a particular fund are readily identifiable. Cash and cash equivalents include cash on hand, cash held in demand accounts as well as time certificates of deposit with a maturity date within three months of the date acquired by the Republic. Time certificates of deposit with original maturity dates greater than three months are separately classified.

F. Investments

Investments and related investment earnings of the primary government and the discretely presented component units 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.

The Republic categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In certain instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy is based on the lowest level of input that is significant to the fair measurement. Investments not categorized under the fair value hierarchy are shown at either Net Asset Value (NAV) or amortized cost.

G. Receivables

In general, tax revenue is recognized on the government-wide financial statements, when assessed or levied on the governmental fund financial statements to the extent that it is both measurable and available. Receivables are stated net of estimated allowances for uncollectible accounts. Reimbursements due to the Republic for expenditures on federally funded reimbursement and grant programs are reported as "receivables from federal agencies" on the governmental fund balance sheet.

Receivables of the primary government and the discretely presented component units are primarily due from businesses and individuals residing in the Republic. The Republic establishes an allowance for doubtful accounts receivable based on the credit risk of specific customers, historical trends and other information.

H. <u>Inventories</u>

Inventories of the discretely presented component units comprise diesel fuel, parts and supplies and are generally valued at the lower-of-cost (FIFO) or market.

I. Prepaid Items

Certain payments made to vendors or persons for services reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Notes to Financial Statements September 30, 2017

(1) Summary of Significant Accounting Policies, Continued

J. Other Assets

The Republic holds approximately 11% of the shares of the United Micronesia Development Association, Inc. (UMDA) in the amount of \$1,191,965. This equity interest does not meet the definition of an investment as the asset is held primarily for economic development and is presented as other assets in the accompanying financial statements.

K. Interfund Receivables and Payables

During the course of its operations, the Republic records transactions between individual funds for goods provided or services rendered. Receivables and payables resulting from transactions between funds are classified as "due from other funds" or "due to other funds" on the governmental fund balance sheet. Receivables and payables resulting from transactions between component units and the primary government are classified as "due to/from primary government" or "due to/from component units" on the governmental fund balance sheet and the statement of net position. Interfund receivables and payables have been eliminated from the statement of net position.

L. Restricted Assets

Certain assets of the primary government are classified as restricted assets because their use is completely restricted through loans agreements, trust arrangements or enabling legislation.

Certain assets of the discretely presented component units are classified as restricted assets because their uses are restricted for economic development, capital projects, endowment funds and loan revolving programs.

M. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure (e.g. roads, bridges, ramps and other similar items), are reported in the governmental activity column of the government-wide financial statements. Such assets, whether purchased or constructed, are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at fair market value at the date of donation. Land and non-depreciable land improvements are capitalized, regardless of cost. Singular pieces of machinery and equipment, other than vehicles, that equal or exceed \$50,000 are capitalized. Buildings and infrastructure projects with a cost that equals or exceeds \$100,000 are capitalized. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend asset lives are not capitalized. Vehicles have been grouped together regardless of cost and depreciated on a composite basis.

Management has elected to present only assets acquired subsequent to 1980, except for buildings. Accordingly, fixed assets records consist of additions commencing in fiscal year 1980. The Republic has elected to prospectively report general infrastructure assets in the government-wide financial statements and have retroactively reported all major general infrastructure assets at September 30, 2017.

Notes to Financial Statements September 30, 2017

(1) Summary of Significant Accounting Policies, Continued

M. Capital Assets, Continued

Capital assets of the primary government and the component units are depreciated using the straight-line method with a full year's depreciation charged in the year of acquisition and disposal, regardless of date. Estimated useful lives are as follows:

Estimated Useful Life

Buildings and other improvements
Infrastructure
Vehicles
Machinery and equipment

15 - 50 years
10 - 20 years
5 years
4 - 20 years

N. 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 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.

O. <u>Interfund/Intrafund Transactions</u>

As a general rule, the effect of interfund activity has been eliminated in the government-wide financial statements. Exceptions to this rule are: 1) activities between funds reported as governmental activities and funds reported as business-type activities and 2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct costs and program revenues for the functions concerned.

P. Unearned Revenues

In the government-wide financial statements, unearned revenues are recognized when cash, receivables or other assets are recorded prior to being earned. In the governmental fund financial statements, unearned revenues represent monies received or revenues accrued which have not been earned or do not meet the "available" criterion for revenue recognition under the modified accrual basis of accounting. The unearned revenue in the governmental fund types has primarily resulted as federal funds are received in advance of eligible expenditures.

O. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Annual leave accumulates at the rate of 4 hours biweekly, if less than 3 years of service, 6 hours biweekly, if between 3 and 10 years of service, and 8 hours biweekly if over 10 years of service, limited to 45 working days.

Notes to Financial Statements September 30, 2017

(1) Summary of Significant Accounting Policies, Continued

R. Pensions

Pensions are required to be recognized and disclosed using the accrual basis of accounting. The Republic recognizes a net pension liability for the pension plan in which it participates, which represents the Republic's proportional share of excess total pension liability over the pension plan assets - actuarially calculated - of a cost-sharing multipleemployer defined benefit plan, measured as of the fiscal year-end. 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 expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. 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.

S. <u>Deferred Inflows of Resources</u>

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element 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.

T. Fund Equity

Fund balance classifications are based on the extent to which the Republic is bound to honor constraints on the specific purposes for which amounts in those funds can be spent and are reported under the following fund balance classifications:

- Non-spendable includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed.
- Unassigned includes negative fund balances in other governmental funds.

Notes to Financial Statements September 30, 2017

(1) Summary of Significant Accounting Policies, Continued

T. Fund Equity, Continued

The Republic has a general policy to first use restricted resources for expenditures incurred for which both restricted and unrestricted (committed, assigned, and unassigned) resources are available. When expenditures are incurred for which only unrestricted resources are available, the general policy of the Republic is to use committed resources first, followed by assigned, and then unassigned. The use of restricted/committed resources may be deferred based on a review of the specific transaction.

A formal minimum fund balance policy has not been adopted.

U. Risk Financing

The Republic 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. It is the policy of the primary government not to purchase commercial insurance for the risks of loss to which it is exposed. Instead, Republic management believes it is more economical to manage its risks internally. In the event of claim settlements and judgments, the Republic reports all of its risk management activities in its General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. No material losses have occurred as a result of these policies in any of the past three fiscal years.

V. New Accounting Standards

During fiscal year 2017, the Republic implemented the following pronouncements:

- GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68, which aligns the reporting requirements for pensions and pension plans not covered in GASB Statements No. 67 and No. 68 with the reporting requirements in Statement No. 68.
- GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, which replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, which addresses financial reporting requirements for governments whose employees are provided with postemployment benefits other than pensions (other postemployment benefits or OPEB).
- GASB Statement No. 77, *Tax Abatement Disclosures*, which requires governments that enter into tax abatement agreements to disclose certain information about the agreements.
- GASB Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans, which addresses a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions.

Notes to Financial Statements September 30, 2017

(1) Summary of Significant Accounting Policies, Continued

V. <u>New Accounting Standards, Continued</u>

- GASB Statement No. 80, Blending Requirements for Certain Component Units an amendment of GASB Statement No. 14, which improves financial reporting by clarifying the financial statement presentation requirements for certain component units.
- GASB Statement No. 82, Pension Issues an amendment of GASB Statements No. 67, No. 68, and No. 73, which addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

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

In June 2015, GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, and provides guidance on reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The provisions in Statement No. 75 are effective for fiscal years beginning after June 15, 2017. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*, which improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The provisions in Statement No. 81 are effective for fiscal years beginning after December 15, 2016. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In November 2016, GASB issued Statement No. 83, Certain Asset Retirement Obligations, which addresses accounting and financial reporting for certain asset retirement obligations (AROs) associated with the retirement of a tangible capital asset. The provisions in Statement No. 83 are effective for fiscal years beginning after June 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments. The provisions in Statement No. 84 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

Notes to Financial Statements September 30, 2017

(1) Summary of Significant Accounting Policies, Continued

V. <u>New Accounting Standards, Continued</u>

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*, which addresses practice issues that have been identified during implementation and application of certain GASB Statements including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits. The provisions in Statement No. 85 are effective for fiscal years beginning after June 15, 2017. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In May 2017, GASB issued Statement No. 86, Certain Debt Extinguishment Issues, which improves consistency in accounting and financial reporting for in-substance defeasance of debt. The provisions in Statement No. 86 are effective for fiscal years beginning after June 15, 2017. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in Statement No. 87 are effective for fiscal years beginning after December 15, 2019. Management has yet to determine whether the implementation of this statement will have a material effect on the financial statements.

W. Encumbrances

The Republic utilizes encumbrance accounting to identify fund obligations. Encumbrances represent commitments related to unperformed contracts for goods. At September 30, 2017, the Republic has significant encumbrances summarized as follows:

<u>General</u>	<u>Grants</u>	Compact <u>Section</u> <u>211(f)</u>	Other <u>Governmental</u>	<u>Total</u>
1,811,793	\$ 4,361,365	\$ -	\$ 1,326,072	\$ 7,499,230

X. Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and deferred outflows of resources, liabilities and deferred inflows of resources, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

Y. <u>Total Columns</u>

Total columns are presented primarily to facilitate financial analysis. The Management's Discussion and Analysis includes certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a full comparative presentation. Accordingly, such information should be read in conjunction with the Republic's financial statements for the year ended September 30, 2016 from which summarized information was derived.

Notes to Financial Statements September 30, 2017

(2) Deposits and Investments

The deposit and investment policies of the Republic are governed by 40 PNCA Section 405, *Investment of Unobligated Balances*, in conjunction with various trust agreements. Under 40 PNCA Section 405, cash in excess of immediate needs shall at all times remain invested in accordance with the National Government Investment Plan, at the direction of the President; excess cash includes, but is not limited to, unobligated balances of appropriations and revenues collected in excess of appropriations.

The following investment policy governs investments of the Compact Section 211(f) Trust Fund (the Fund):

- (i) Time Horizon: Investment guidelines are based upon an investment horizon of greater than twenty years, so that interim fluctuations should be viewed with appropriate perspective. Strategic asset allocation is based on this long-term perspective.
- (ii) Risk Tolerance: Risk is evaluated by:
 - Over a market cycle, risk associated with any Investment Managers portfolio, as measured by the variability of quarterly returns (standard deviation) must not exceed that of the Investment Manager's respective performance benchmark, without a commensurate increases in return;
 - Over a market cycle, risk associated with the total Fund, as measured by the variability of quarterly returns (standard deviation) must not exceed that of the blend of indices representing that strategic asset allocation of the Fund, without a commensurate increase in return; and
 - During market cycles the risk measures, as indicated herein, will be reviewed periodically by the Fund's Management Committee (Committee).
- (iii) Performance Expectations: The investment objective is a long-term nominal rate of return on assets that is at least equal to 6.0%. This target rate of return for the Fund was derived from earnings assumptions employed in the renewed terms of the COFA agreed upon by and between the Republic and the U.S. Government in September 2010. The rate was based upon modeling that employed the assumption that future real returns will approximate the long-run rates of return experienced for various asset class.

The investment objective of the Fund is to strive for positive real rates of return (note: the U.S. Consumer Price Index will be used when determining the real rate of returns).

(iv) Asset Allocation Constraints: The Committee believes that the Fund's risk and liquidity posture are, in large part, a function of asset class mix. The Committee has reviewed the long-term performance characteristics of various asset classes, focusing on balancing the risks and rewards inherent in the marketplace. The following is a strategic asset allocation for the Fund:

Notes to Financial Statements September 30, 2017

(2) Deposits and Investments, Continued

Asset class	Lower limit	Strategic Allocation	Upper limit
U.S. Equities	28%	38%	48%
Large Cap Value		8%	
Large Cap Core		8%	
Large Cap Growth		8%	
Small/Mid Cap Core		14%	
Non-U.S. Equities	15%	25%	35%
Developed		18%	
Emerging		7%	
Fixed Income	9%	19%	29%
U.S. Core		13%	
U.S. High Yield		3%	
Global		3%	
Alternatives	8%	18%	28%
Commodities		3%	
Master Limited Partnership		3%	
Real Estate		6%	
Private Equity		6%	

The percentage allocation to each broad asset class may vary as much as plus or minus 10% of target. The Fund's asset allocation will be reviewed for compliance by the Committee after the end of each fiscal quarter.

When necessary and/or available, cash inflows/outflows will be deployed in a manner consistent with the strategic asset allocation of the Fund. When cash flows are insufficient to bring the Fund within the strategic allocation ranges, the Committee shall determine the appropriate course of action to be taken. The Investment Managers will then be instructed to execute such action required to bring the strategic allocation within the pre-specified ranges.

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Republic'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 Republic does not have a deposit policy for custodial credit risk.

As of September 30, 2017, the carrying amount of the primary government's total cash and cash equivalents was \$39,262,270 and the corresponding bank balances were \$40,127,389. Of the bank balances, \$40,116,225 is maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2017, bank deposits in the amount of \$500,000 were FDIC insured. The remaining bank deposits of \$11,164 are maintained in financial institutions not subject to depository insurance. The Republic does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

As of September 30, 2017, the carrying amount of the fiduciary fund's total cash and cash equivalents and time certificates of deposit was \$1,660,592 and the corresponding bank balances were \$1,821,823, which are maintained in financial institutions subject to FDIC insurance. As of September 30, 2017, bank deposits in the amount of \$500,000 were FDIC insured. The Republic does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

Notes to Financial Statements September 30, 2017

(2) Deposits and Investments, Continued

A. <u>Deposits, Continued</u>

As of September 30, 2017, the carrying amount in the aggregate of the discretely presented component units' total cash and cash equivalents and time certificates of deposit was \$38,991,072 and the corresponding bank balances were \$35,658,039, which are maintained in financial institutions subject to FDIC insurance or held and administered by investment managers subject to Securities Investor Protection Corporation (SIPC) insurance. As of September 30, 2017, bank deposits in the amount of \$5,077,838 were FDIC or SIPC insured. The component units do not require collateralization of their cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

B. Investments

Primary Government

As of September 30, 2017, investments of the primary government are as follows:

General Fund: Fixed income	\$ 767,771
Equities	3,367,827
Money market funds	143,599
	4,279,197
Compact Section 211(f) Trust Fund:	
Fixed income	43,489,664
Equities	142,906,500
Real estate and tangibles	15,121,943
Alternatives	11,791,721
Money market funds	<u>6,168,120</u>
	219,477,948
Nonmajor Governmental Funds:	
Fixed income	718,368
Equities	3,024,823
Money market funds	110,342
•	3,853,533
	\$ <u>227,610,678</u>

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, the Republic will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Republic's investments are held and administered by trustees in accordance with various trustee agreements. Based on negotiated trust and custody contracts, all of these investments were held in the Republic's name by the Republic's custodial financial institutions at September 30, 2017.

Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments. The Republic does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Notes to Financial Statements September 30, 2017

(2) Deposits and Investments, Continued

B. Investments, Continued

Primary Government, 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. As of September 30, 2017, there were no investments in any one issuer that exceeded 5% of total investments.

As of September 30, 2017, investments in debt securities for the General Fund were as follows:

		<u>Investment Maturities (In Years)</u>								
Investment Type	<u>Market</u> <u>Value</u>	<u>Less than</u> <u>1 year</u>	<u>1 - 5</u> <u>years</u>	<u>6 - 10</u> <u>years</u>	More than 10 years	S&P Rating				
Treasury Securities	\$374,423	\$19,930	\$15,005	\$278,684	\$60,804	AAA				
Federal Agencies	29,958	29,958	-	-	-	AA+				
Corporate Bonds	86,054	10,001	-	51,324	24,729	Α				
Corporate Bonds	10,073	-	10,073	-	-	AA-				
Corporate Bonds	52,228	-	31,726	20,502	-	Α-				
Corporate Bonds	52,273	-	31,809	20,464	-	BBB+				
Corporate Bonds	132,111	-	10,357	121,754	-	BBB				
Corporate Bonds	20,758	-	-	20,758	-	BBB-				
Corporate Bonds	9,893	_		9,893	_	BB+				
	<u>\$767,771</u>	<u>\$59,889</u>	<u>\$98,970</u>	<u>\$523,379</u>	<u>\$85,533</u>					

As of September 30, 2017, investments in debt securities for the nonmajor governmental funds were as follows:

		_				
Investment Type	<u>Market</u> <u>Value</u>	Less than 1 year	<u>1 - 5</u> <u>years</u>	<u>6 - 10</u> <u>years</u>	More than 10 years	S& P Rating
Treasury Securities	\$325,021	\$14,947	\$15,005	\$239,410	\$55,659	AAA
Federal Agencies	29,957	29,957	-	-	-	AA+
Corporate Bonds	86,054	10,001	-	51,324	24,729	Α
Corporate Bonds	10,073	-	10,073	-	-	AA-
Corporate Bonds	52,228	-	31,726	20,502	-	A-
Corporate Bonds	52,273	-	31,809	20,464	-	BBB+
Corporate Bonds	132,111	-	10,357	121,754	-	BBB
Corporate Bonds	20,758	-	-	20,758	-	BBB-
Corporate Bonds	9,893			9,893	<u>-</u>	BB+
	<u>\$718,368</u>	<u>\$54,905</u>	\$98,970	<u>\$484,105</u>	<u>\$80,388</u>	

Notes to Financial Statements September 30, 2017

(2) Deposits and Investments, Continued

B. <u>Investments, Continued</u>

Primary Government, Continued

As of September 30, 2017, investments in debt securities for the Compact Section 211(f) Trust Fund were as follows:

		Investment Maturities (In Years)					
		Less than			More than	S&P	
Investment Type	Fair Value	1 year	<u> 1 - 5 years</u>	6 - 10 years	10 years	<u>Ratings</u>	
		•	•		•	_	
Treasury Securities	\$ 8,927,498	\$ 392,753	\$ 1,927,717	\$ 5,647,187	\$ 959,841	AA+	
Municipal Bonds	365,293	-	278,243	87,050	-	AAA	
Municipal Bonds	557,120	-	463,635	-	93,485	AA+	
Municipal Bonds	416,639	-	416,639	-	-	AA	
Municipal Bonds	125,341	-	125,341	-	-	A+	
Federal Agencies	7,058,477	2,462,813	4,071,664	125,965	398,035	AA+	
Asset-backed Security	175,691	-	-	-	175,691	AA+	
Asset-backed Security	3,107,877	-	16,902	1,046,186	2,044,789	Not Rated	
Corporate Bonds	944,051	-	406,854	236,475	300,722	AAA	
Corporate Bonds	174,668	-	-	174,668	-	AA+	
Corporate Bonds	617,673	100,033	-	260,398	257,242	AA	
Corporate Bonds	1,236,785	145,009	503,147	336,706	251,923	AA-	
Corporate Bonds	1,313,288	165,541	755,693	336,625	55,429	A+	
Corporate Bonds	1,302,212	60,020	362,189	674,958	205,045	Α	
Corporate Bonds	2,078,042	· -	1,055,123	587,438	435,481	A-	
Corporate Bonds	1,091,279	80,031	484,395	526,853	· -	BBB+	
Corporate Bonds	420,850	· -	· -	95,823	325,027	BBB	
Corporate Bonds	469,230	94,275	291,861	83,094	· -	BBB-	
Corporate Bonds	1,213,359	· -	701,222	512,137	-	BB+	
Corporate Bonds	551,610	-	135,416	416,194	-	BB	
Corporate Bonds	1,704,784	-	740,559	869,875	94,350	BB-	
Corporate Bonds	1,183,437	-	769,468	413,969	, -	B+	
Corporate Bonds	1,079,909	-	756,759	323,150	-	В	
Corporate Bonds	96,525	-	, -	96,525	-	B-	
Corporate Bonds	400,641	-	177,398	223,243	_	None	
Corporate Bonds	584,863	-	310,677	274,186	-	Not Rated	
International	6,292,523	6,292,523	· -	-	-	Not Rated	
	\$ <u>43,489,665</u>	\$ <u>9,792,998</u>	\$ <u>14,750,902</u>	\$ <u>13,348,705</u>	\$ <u>5,597,060</u>		

Investments of the primary government have the following recurring fair value measurements as of September 30, 2017:

General Fund:

		Fair Value Measurements Using							
	<u>Total</u>	Level 1	Level 2	Level 3					
Investments by fair value level:									
Fixed income:									
U.S. Treasury securities	\$ 374,423	\$ -	\$374,423	\$ -					
U.S. Government Agencies	29,958	-	29,958	-					
Corporate bonds	<u>363,390</u>	<u>-</u>	<u>363,390</u>						
	767,771	-	767,771	-					
Equity securities:									
U.S. equities	<u>3,367,827</u>	<u>3,367,827</u>							
Total investments by fair value level	4,135,598	\$ <u>3,367,827</u>	\$ <u>767,771</u>	\$ <u> </u>					
Investments measured at amortized cost:									
Cash management account	<u> 143,599</u>								
	\$ <u>4,279,197</u>								

Notes to Financial Statements September 30, 2017

(2) Deposits and Investments, Continued

B. <u>Investments, Continued</u>

Primary Government, Continued

Nonmajor Governmental Funds:

		Fair Value Measurements Using						
	<u>Total</u>		Level 1		Level 2	Level 3		
Investments by fair value level:								
Fixed income:								
U.S. Treasury securities	\$	325,021	\$	-	\$ 325,021	\$	-	
U.S. Government Agencies		29,957		-	29,957		-	
Corporate bonds	_	363,390		<u> </u>	<u>363,390</u>			
		718,368		-	718,368		-	
Equity securities:								
U.S. equities	<u>.</u>	<u>3,024,823</u>	3,02	<u> 24,823</u>				
Total investments by fair value level		3,743,191	\$ <u>3,02</u>	<u> 24,823</u>	\$ <u>718,368</u>	\$		
Investments measured at amortized cost:								
Cash management account	_	110,342						
-	\$ [<u>3,853,533</u>						

Compact Section 211(f) Trust Fund:

		Fair Value Measurements Using					
	<u>Total</u>	<u>Level 1</u>	Level 2	Level 3			
Investments by fair value level:							
Fixed income:							
U.S. Treasury obligations	\$ 8,927,498	\$ -	\$ 8,927,498	\$ -			
U.S. Government Agencies	7,058,477	-	7,058,477	-			
Asset-backed Securities	3,283,568	-	3,283,568	-			
Municipal obligations	1,464,393	-	1,464,393	-			
International Equity	6,292,523	6,292,523	-	-			
Corporate notes	16,463,205		<u>16,463,205</u>				
	43,489,664	6,292,523	37,197,141	-			
Equity securities:							
U.S. equities	84,852,313	84,852,313	-	-			
Non-US Equities	58,054,187	58,054,187	-	-			
Real Estate and tangibles	15,121,943		<u> </u>	<u>15,121,943</u>			
Total investments at fair value	201,518,107	\$ <u>149,199,023</u>	\$ <u>37,197,141</u>	\$ <u>15,121,943</u>			
Investments measured at NAV:							
Alternatives	11,791,721						
Investments measured at amortized cost:							
Cash management account	6,168,120						
5	\$ 219,477,948						

Notes to Financial Statements September 30, 2017

(2) Deposits and Investments, Continued

B. <u>Investments, Continued</u>

Fiduciary Funds

Republic of Palau Social Security Retirement Fund:

As of September 30, 2017, investments of the Republic of Palau Social Security Retirement Fund are as follows:

Equities	\$ 6,876,946
Fixed income	31,350,589
Mutual funds	71,744,786
Money market funds	439,154
	\$ 110,411,475

The deposit and investment policies of the Republic of Palau Social Security Retirement Fund are as follows:

(1) Cash

Investments in this category must adhere to the guidelines in Rule 2a-7 under the U.S. Securities and Exchange Commission (SEC) Investment Company Act of 1940.

(2) Fixed Income

- a. Bonds, notes, and pass-through securities issued or guaranteed by the U.S. Government, its agencies or instrumentalities;
- b. U.S. corporate bonds and nonconvertible preferred stocks;
- c. Secured debt instruments with credit ratings of AAA excluding "interest only" and "principal only" derivatives securities;
- d. Debt issued by foreign entities; and
- e. The exposure of the portfolio to any one company, other than securities of the U.S. government, shall not exceed 5% of the market value of the portfolio under management by the investment manager.

(3) U.S. Equities

- a. Common stock and convertible securities of U.S. listed Corporations provided they are listed on the New York Stock Exchange (NYSE), American Stock Exchange (AMEX), or National Association of Securities Dealers Automated Quotation (NASDAQ);
- b. American Depository Receipts (ADRs) that are listed on the NYSE, AMEX, or NASDAQ provided the total investment in these securities does not exceed 10% of the total assets managed by the Fund's investment manager at the time of purchase and such investments are in industries and areas of the market that the Fund's investment manager already has proven expertise;
- c. Equity portfolios shall be diversified among issuers and industry classifications. The market value of the equity holdings in a single corporation should not exceed 5%, nor 5% of the corporation's total market capitalization; and
- d. An investment manager's firm aggregate equity position should not exceed 5% of the corporation's total market capitalization.

Notes to Financial Statements September 30, 2017

(2) Deposits and Investments, Continued

B. <u>Investments</u>, Continued

Fiduciary Funds, Continued

Republic of Palau Social Security Retirement Fund, Continued

(4) International Equities

- Equity securities of Corporations provided they are listed on the stock exchange of countries included in the Morgan Stanley Capital International (MSCI) All Country World excluding US Index;
- b. ADRs, European Depository Receipts (EDRs) and Global Depository Receipts (GDRs) relating to any of the above are allowable; and
- c. Portfolios shall be diversified among issuers, industry classifications and countries. The market value of the equity holdings in a single corporation should not exceed 5% of the market value of the portfolio under management by the Fund's investment manager.

As of September 30, 2017, investments in debt securities for the Republic of Palau Social Security Retirement Fund were as follows:

		-	Investme	nt Maturities (In Years)		
Investment Type	Fair Value	Less Than 1	<u>1 - 5</u>	<u>6 - 10</u>	More Than 10	Ratings <u>Moody's</u>	<u>S&P</u>
U.S. Treasury notes U.S. Treasury bond Other U.S. government	\$5,868,658 2,447,625	\$125,470 -	\$5,438,958 -	\$304,230 228,865	\$ - 2,218,760	Aaa Aaa	AA+ AA+
obligations Other U.S. government	366,180	-	366,180	-	-	Aaa	AAA
obligations Other U.S. government	269,254	-	-	153,618	115,636	Aaa	Unrated
obligations Other U.S. government	144,200	-	26,500	-	117,700	Aa2	Unrated
obligations Other U.S. government	200,494	-	200,494	-	-	Aa2	A+
obligations Other U.S. government	103,603	-	103,603	-	-	Aa1	AA
obligations Other U.S. government	230,628	-	230,628	-	-	A2	A+
obligations	7,600,124	972,280	4,479,482	34,718	2,113,644	Aaa	AA+
Other U.S. government obligations State and local government Corporate bonds	2,131,557 981,570 706,291 294,042 385,327 209,106 687,977 757,710 201,418 437,462 184,649 130,773 104,190 328,011 417,293 100,509 310,935 748,914 159,264 457,811 730,122 217,399 99,573	105,035	1,043,505 303,855 706,291 	243,579 426,237 - 385,327 104,757 - - - 203,106 254,920 109,915 643,879 159,264 125,077 217,399 99,533	844,473 251,478 294,042 	Aaa Aaa Aaa Aa3 Aa3 Aa3 Aa2 Aa2 Aa2 Aa1 A3 A3 A3 A3 A3 A1 A1 A1 A1 Baa3	AAA AA+ Unrated AA+ A+ AA- AA- Unrated A- BBB+ Unrated A+ AAA AA- AA- BBB+ Unrated A- BBB+ Unrated A- A- BBB+ Unrated A- BBB+ Unrated A- BBB+ Unrated A- BBB+ Unrated A- BBB+ Unrated A- BBB+ BBB+ Unrated A- BBB+ BBB+ BBB+ BBB+ BBB+ BBB+ BBB+
Corporate bonds	128,123 121,058 259,835 1,103,628 902,145 425,782 201,310	75,029	128,123 121,058 - - 827,116 130,186	296,903 104,826	259,835 806,725 - 190,770 _201,310	Baa2 Baa2 Baa1 Baa1 Baa1 Baa1 Unrated	BBB+ BBB A A- BBB+ BBB AA-
	\$ <u>31,350,589</u>	\$ <u>1,568,765</u>	\$ <u>17,058,371</u>	\$ <u>4,297,463</u>	\$ <u>8,425,990</u>		

Notes to Financial Statements September 30, 2017

(2) Deposits and Investments, Continued

B. <u>Investments, Continued</u>

Fiduciary Funds, Continued

Republic of Palau Social Security Retirement Fund, Continued:

The Republic of Palau Social Security Retirement Fund has the following fair value measurements as of September 30, 2017:

Fair Malus Managers and Hair a

		Fair Value Measurement Using					
Investments by fair value level:	<u>Total</u>	Level 1		Level 2	Le	<u>vel 3</u>	
Debt securities: U.S. Treasury securities State and local government Other U.S. Government obligations Corporate bonds Equity securities: Common stock	\$ 8,316,283 7,600,124 1,314,359 14,119,823 6,876,946	\$ 8,316,283 - - - - - - 6,876,946		7,600,124 1,314,359 4,119,823	\$	- - - -	
Total investments by fair value level	38,227,535	\$ <u>15,193,229</u>	\$ <u>2</u>	<u>3,034,306</u>	\$ _		
Investments measured at NAV: Mutual funds	71,744,786						
Investments measured at amortized cost: Money market funds	439,154						
	\$ 110,411,475						

Republic of Palau Civil Service Pension Trust Fund:

As of September 30, 2017, investments of the Republic of Palau Civil Service Pension Trust Fund are as follows:

Equities	\$ 14,605,793
Fixed income	9,439,647
Mutual Funds	2,764,959
Money market funds	498,861
·	\$ 27,309,260

The deposit and investment policies of the Republic of Palau Civil Service Pension Trust Fund are as follows:

- 1. Any pertinent restrictions existing under the laws of the Republic with respect to the Fund, that may exist now or in the future, will be the governing restriction.
- 2. U.S. and non-U.S. equities, American Depository Receipts, convertible bonds, preferred stocks, fixed income securities, mutual funds and short-term securities are permissible investments.
- 3. No individual security or any issuer, other than that of the United States Government, shall constitute more than 10% (at cost) of any investment manager's portfolio.
- 4. Holdings of any issuer shall constitute no more than 5% of the outstanding securities of such issuer.
- 5. Investments in a registered mutual fund managed by the investment manager are subject to the prior approval of the Board of Trustees.

Notes to Financial Statements September 30, 2017

(2) Deposits and Investments, Continued

B. <u>Investments</u>, Continued

Fiduciary Funds, Continued

Republic of Palau Civil Service Pension Trust Fund, Continued:

- 6. The following securities and transactions are not authorized without prior written Board of Trustees approval: letter stock and other unregistered securities; non-negotiable securities; commodities or other commodity contracts; options; futures; short sales; and, margin transactions.
- 7. An investment manager's portfolio shall not be excessively over weighted in any one industry (as compared to respective benchmark index) without prior approval by timely reporting and advice to the Board of Trustees.

Investments may be made in the following investment types:

Fixed Income:

- (A) All fixed income securities held in the portfolio shall have a Standard & Poor's credit quality rating of no less "BBB", or an equivalent credit quality rating from Moody's (Baa) or Fitch (BBB). U.S. Treasury and U.S. Government agencies, which are unrated securities, are qualified for inclusion in the portfolio and will be considered to be of the highest rating.
- (B) No more than 20% of the market value of the portfolio shall be rated less than single "A" quality, unless the investment manager has specific prior written authorization from the Board of Trustees.
- (C) Total portfolio quality (capitalization weighted) shall maintain a credit quality rating of no less than "A".
- (D) It is the policy of the Board to place assets in Local Certificates of Deposit (Local CDs) issued by local banking institutions, with the express purpose of making funds available to the local community in the form of loans. While these Local CDs are held, they will be included in the "strategic asset allocation" as fixed income investments. However, these Local CDs and the local banking institutions must meet the following criteria on an ongoing basis:
 - a) Local CDs must offer a competitive return relative to alternative issuers.
 - b) The local banking institutions must provide annual audited financial statements for Board of Trustee review. The Board of Trustees is charged with monitoring the financial health of the local banking institutions. Should concerns arise with respect to the financial condition of the local banking institutions, the Board of Trustees shall take appropriate action.
 - c) The local banking institution shall promptly inform the Board of Trustees, in writing, of any significant or material matters pertaining to the institution, including, but not limited to: ownership; organizational structure; financial condition; and, any material proceedings affecting the firm.
 - d) Provide collateral, acceptable to the Board, to secure the Local CDs.

Notes to Financial Statements September 30, 2017

(2) Deposits and Investments, Continued

B. <u>Investments, Continued</u>

Fiduciary Funds, Continued

Republic of Palau Civil Service Pension Trust Fund, Continued:

Equities:

- (A) Consistent with the desire to maintain broad diversification, allocations to any economic or industry sector should not be excessive.
- (B) Equity holdings shall be restricted to readily marketable securities of corporations that are traded on the major exchanges and over the counter.
- (C) The investment managers shall have the discretion to invest a portion of the assets in cash reserves when they deem appropriate. However, as per the IPS, they will be evaluated against their performance benchmarks and peers on the performance of the total funds under their direct management.
- (D) Common stock and preferred stock of any institution or entity created or existing under the laws of the United States or any other country are permissible investments.

Cash/Cash Equivalents:

- (A) Cash equivalent reserves shall consist of cash instruments having a credit quality rating of Standard & Poor's A-1, Moody's P-1, or their equivalent. U.S. Treasury and Agency securities, Banker Acceptances, Certificate of Deposit, and Collateralized Repurchase Agreements are also acceptable investment vehicles. Custodial Sweep Accounts must be, in the judgment of the Investment Managers, of credit quality equal or superior to the standards described above.
- (B) In the case of Certificates of Deposit, except as discussed under Fixed Income with respect to the Local CDs, they must be issued by FDIC insured institutions. Deposits in institutions with less than \$10 million in assets may not be made in excess of \$100,000 (or prevailing FDIC insurance limit), unless the Deposit is fully collateralized by U.S. Treasury Securities.
- (C) No single issue shall have a maturity of greater than two years.
- (D) Custodial Sweep Account portfolios must have an average maturity of less than one year.

As of September 30, 2017, investments in debt securities for the Republic of Palau Civil Service Pension Trust Fund were as follows:

			Investment l	Maturities (In	Years)	
Investment Type	Fair Value	Less Than 1	<u>1 - 5</u>	<u>6 - 10</u>	More Than 10	Moody's <u>Rating</u>
Mortgage and asset						
backed securities	\$ 3,352,143	\$ 1,266,306	\$ 2,085,837	\$ -	\$ -	Aaa
Mortgage and asset						
backed securities	1,229,564	-	48,731	930,110	250,723	Not rated
Government bonds	2,097,837	-	-	-	2,097,837	Aaa
Corporate bonds	185,344	-	185,344	-	· · · -	Aa1
Corporate bonds	943,055	75,209	377,025	490,82	_	A1
Corporate bonds	694,223	· -	525,433	168,790) -	A2
Corporate bonds	937,481		387,000	550,48	<u> </u>	A3
	\$ 9,439,647	\$ 1.341.515	\$ 3.609.370	\$ 2,140,202	\$ 2.348.560	

Notes to Financial Statements September 30, 2017

(2) Deposits and Investments, Continued

B. <u>Investments, Continued</u>

Fiduciary Funds, Continued

Republic of Palau Civil Service Pension Trust Fund, Continued:

The Republic of Palau Civil Service Pension Trust Fund has the following fair value measurements as of September 30, 2017:

		Fair Va	lue Measureme	nts Using
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	Level 3
Investments by fair value level:				
Debt securities U.S. Treasury Bonds	\$ 2,097,837	\$ 2,097,837	\$ -	d _
Federal National Mortgage Association	870,886	\$ 2,097,037 -	⁹ 870,886	\$ - -
Federal Home Loan Mortgage Corporation	1,628,215	-	1,628,215	-
Federal Farm Credit Banks Funding Corporation	2,082,606	-	2,082,606	-
Corporate bonds	2,760,103		<u>2,760,103</u>	
	9,439,647	2,097,837	7,341,810	
English and the second second				
Equity securities: Real Estate Investment Trust	2,320,026	2,320,026	_	_
Other - U.S. equities	5,015,821	5,015,821	_	_
Other - Non- U.S. equities	7,269,946	7,269,946		
	14,605,793	14,605,793	_	_
Total investments by fair value level	24,045,440	\$ <u>16,703,630</u>	\$ <u>7,341,810</u>	\$ <u> </u>
Investments measured at NAV:				
Mutual funds	2,764,959			
Investments measured at amortized cost:				
Money market funds	<u>498,861</u>			
	\$ 27,309,260			
Honey market funds				

Discretely Presented Component Units

As of September 30, 2017, investments of the discretely presented component units are as follows:

Palau Community College (PCC):

Fixed income Domestic equities Cash management account Mutual funds Non-U.S. equities	\$ 1,324,319 1,555,808 433,926 198,981 1,416,003
Their old equilies	\$ <u>4,929,037</u>

Notes to Financial Statements September 30, 2017

(2) Deposits and Investments, Continued

B. <u>Investments, Continued</u>

Discretely Presented Component Units, Continued

Palau Community College (PCC), Continued:

As of September 30, 2017, maturities of investments in fixed income securities for PCC are as follows:

			Investment Maturities (In Years)								Rati	ngs		
			Less							Standard				
Investment Type	F	air Value		Than 1		1 - 5	6	- 10	More	e than 10	M	loody		& Poor's
							· ·							
US Treasury securities	\$	73,525	\$	-	\$	73,525	\$	-	\$	-		AAA	Ν	lo rating
US Treasury securities		83,975		-		83,975		-		-		AAA	N	lo rating
US Treasury securities		48,627		-		48,627		-		-		AAA	N	lo rating
Government securities		97,781		-		97,781		-		-		AAA	N	lo rating
Government securities		85,370		-		85,370		-		-		AAA		AA+
Mutual Funds		139,422		139,422		-		-		-		AAA		AA+
US Treasury securities		47,998		-		-	4	17,998		-		AA3		BBB+
US Treasury securities		37,020		-		-	3	37,020		-	No ra	ating	- 1	No rating
US Treasury securities		60,631		-		-	6	0,631		-		AAĀ		No rating
US Treasury securities		49,237		-		-	4	19,237		-		AAA	- 1	No rating
Corporate bonds		37,287		-		-	3	37,287		-		AAA		No rating
Corporate bonds		35,914		-		-	3	35,914		-	Е	BAA1		BAA1
Corporate bonds		35,500		-		-	3	35,500		-		A2		Α
Corporate bonds		35,584		-		-	3	35,584		-	В	BAA1		BAA1
Corporate bonds		35,653		-		-	3	35,653		-		BA3		BB+
Corporate bonds		36,555		-		-	3	36,555		-	В	BAA3		BBB
Corporate bonds		36,780		-		-	3	36,780		-		A3		A-
Corporate bonds		36,106		-		-	3	36,106		-	Е	BAA1		BBB
Corporate bonds		35,459		-		-	3	35,459		-		А3		Α
Corporate bonds		34,671		-		-	3	34,671		-		А3		BBB
Corporate bonds		36,591		-		-	3	36,591		-		А3		Α-
Corporate bonds		36,352		-		-	3	36,352		-		A2		Α
US Treasury securities		72,114		-		-		· -	7	72,114		AAA	- 1	No rating
US Treasury securities		23,667		-		-		-	2	23,667		AAA	- 1	No rating
Corporate bonds		36,641		-		-		-	3	36,641		A1		AA-
Corporate bonds	_	35,859			-				_3	35 <u>,859</u>		А3		Α
	\$ <u>1</u>	,324,319	\$ _	139,422	\$	389,278	\$ <u>62</u>	27,338	\$ <u>16</u>	8,281				

PCC has the following fair value measurements as of September 30, 2017:

		Fair Value Measurements Using						
Towartments by fair value levels	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	Level 3				
Investments by fair value level: Debt securities U.S. Treasury securities Government securities Corporate bonds	\$ 496,794 183,151 504,951 1,184,896	\$ 496,794 	\$ - 183,151 504,951 688,102	\$ - - - -				
Equity securities:								
Common stock	3,405,737	3,405,737						
Total investments by fair value level	\$ <u>4,590,633</u>	\$ <u>3,902,531</u>	\$ <u>688,102</u>	\$				
Investments measured at the NAV: Mutual funds	\$ <u>205,608</u>							
Investments measured at amortized cost Cash management account	\$ <u>132,796</u>							

Notes to Financial Statements September 30, 2017

(2) Deposits and Investments, Continued

B. Investments, Continued

Discretely Presented Component Units, Continued

Palau National Communications Corporation (PNCC):

	Actual <u>Allocation</u>	Allocation <u>Per Policy</u>	
Cash management account Fixed income Domestic equities Exchange-traded funds Non-U.S. equities	2% 36% 42% 1% 19%	1% 36% 43% 1% 19%	\$ 16,994 411,425 477,195 9,609 212,924
			\$ <u>1,128,147</u>

As of September 30, 2017, maturities of investments in fixed income securities for PNCC are as follows:

		I	nvestment ma	Credit	Rating		
		Less t	than		More than		Standard
Investment type	Fair Value	1	<u>1-5</u>	6-10	10	<u>Moody</u>	<u>& Poor</u>
Corporate bonds	\$ 12,315	\$ -	\$ -	\$ 12,315	\$ -	BAA1	BBB+
Corporate bonds	12,322	-	-	12,322	-	A2	Α
Corporate bonds	12,400	-	-	12,400	-	BAA1	BBB+
Corporate bonds	13,291	-	-	13,291	-	BAA2	BBB
Corporate bonds	12,424	-	-	12,424	-	BAA3	BBB
Corporate bonds	12,486	-	-	12,486	-	A1	AA-
Corporate bonds	12,932	-	-	-	12,932	A3	BBB+
Corporate bonds	12,319	-	-	12,319	· -	A3	A-
Corporate bonds	13,102	-	-	13,102	-	A3	Α
Corporate bonds	12,448	-	-	12,448	-	A3	BBB
Corporate bonds	13,195	-	-	13,195	-	A3	A-
Corporate bonds	12,122	-	-	12,122	-	A3	Α
Corporate bonds	25,490	-	12,392	-	13,098	BAA2	BBB
Corporate bonds	33,284	-	33,284	-	-	A2	Α
Federal agencies	29,261	-	29,261	-	-	AAA	AA+
U.S. Treasury	26,259	-	-	-	26,259	AAA	No rating
U.S. Treasury	8,411	-	-	-	8,411		
U.S. Treasury	24,893	-	24,893	-	-		
U.S. Treasury	16,851	-	-	16,851	-		
U.S. Treasury	29,024	-	29,024	-	-		
U.S. Treasury	16,788	-	16,788	-	-		
U.S. Treasury	12,866	-	-	12,866	-		
U.S. Treasury	20,724	-	-	-	20,724	AAA	No rating
U.S. Treasury	16,218			16,218		AAA	No rating
	\$411,425	<u>\$ -</u>	<u>\$145,642</u>	\$184,359	<u>\$81,424</u>		

As of September 30, 2017, PNCC maintained investments in short-term money market mutual funds of \$3,817,433 held by the Bank of New York Mellon, an FDIC insured financial institution. Although these mutual funds are not insured by the FDIC, the mutual fund portfolio consists of U.S. Treasury bills and obligations guaranteed by the U.S. Department of the Treasury as well as repurchase agreements which are fully collateralized by such obligations. This mutual fund has a weighted average maturity of 45 days and is rated AAAm by Standard and Poor's and AAA-mf by Moody's.

Notes to Financial Statements September 30, 2017

(2) Deposits and Investments, Continued

B. Investments, Continued

Discretely Presented Component Units, Continued

Palau National Communications Corporation (PNCC), Continued

	Fair Value Measurement Us					
Investments by fair value level:	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>		
Fixed income securities: Corporate bonds U.S. Treasury securities Federal agencies	\$ 176,847 172,033 62,545	\$ - 172,033 ———————————————————————————————————	\$ 176,847 - 62,545	\$ - - -		
	411,425	172,033	239,392	-		
Equity securities: U.S. equities Non-U.S. equities	477,195 212,924	477,195 212,924	<u>-</u>	<u>-</u>		
Total investments by fair value level	1,101,544	\$ <u>690,119</u>	\$ <u> </u>	\$ <u>-</u>		
Investments measured at NAV: Exchange-traded funds Investments measured at amortized cost: Cash management account	9,609 16 <i>.</i> 994					
	\$ 1,128,147					
U.S. equities Non-U.S. equities Total investments by fair value level Investments measured at NAV: Exchange-traded funds	477,195 212,924 1,101,544 9,609 16,994	477,195 212,924	- <u>-</u>			

Palau International Coral Reef Center:

Cash management account Exchange-traded and closed-end funds	\$ 7,735 <u>352,106</u>
	\$ 359,841

All fixed income securities represent investments, U.S. government securities with a credit rating of AAA based on Moody's credit quality rating and mature within one to five years.

(3) Receivables

Primary Government

Receivables as of September 30, 2017, for the primary government's individual major funds, and nonmajor governmental funds and fiduciary funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Grants</u>	Compact Section 211(f)	Nonmajor Governmental <u>Funds</u>	Fiduciary <u>Funds</u>	<u>Total</u>
Taxes General Federal agencies Accrued interest Other	\$ 5,364,994 2,979,124 - 7,245	\$ - 1,007,944 2,598,643 - -	\$ - - - -	\$ - 3,286,279 - 7,235 -	\$ - 7,119,617 - 291,042 318,130	\$ 5,364,994 14,392,964 2,598,643 305,522 318,130
	8,351,363	3,606,587	-	3,293,514	7,728,789	22,980,253
for uncollectibles	(<u>1,352,369</u>)			(3,286,279)	(2,827,404)	(7,466,052)
Net receivables	\$ <u>6,998,994</u>	\$ <u>3,606,587</u>	\$ <u> </u>	\$ <u>7,235</u>	\$ <u>4,901,385</u>	\$ <u>15,514,624</u>

Notes to Financial Statements September 30, 2017

(3) Receivables, Continued

Discretely Presented Component Units

Receivables as of September 30, 2017, for the discretely presented component units', including applicable allowances for uncollectible accounts, are as follows:

	<u>National</u> <u>Development</u> <u>Bank of</u> <u>Palau</u>	Palau Community College	Palau National Communications Corporation	<u>Palau</u> <u>International</u> <u>Coral Reef</u> <u>Center</u>	<u>Palau</u> <u>Visitors</u> <u>Authority</u>	Palau Public <u>Utilities</u> Corporation	Palau District Housing Authority	<u>Total</u>
General Federal agencies	\$ - -	\$2,825,212 1,101,350	\$2,539,748	\$ - 160,550	\$ - -	\$4,488,351 191,000	\$ 157 -	\$ 9,853,468 1,452,900
Loans	20,027,532	-	-	-	-	-	2,428,218	22,455,750
Accrued interest	116,096	-	-	-	-	-	9,589	125,685
Other	74,433	253,458	<u>38,593</u>	107,665	<u>15,578</u>	26,918	5,980	522,625
	20,218,061	4,180,020	2,578,341	268,215	15,578	4,706,269	2,443,944	34,410,428
Less allowance for uncollectible	(891,355)	(2,311,939)	(872,201)	(14,731)	(4,082)	(1,082,652)	(87,994)	(5,264,953)
	\$19,326,706	\$1,868,081	\$1,706,140	\$253,484	\$11,496	\$3,623,617	\$2,355,950	\$29,145,475

National Development Bank of Palau (NDBP):

NDBP's loan portfolio is comprised of economic development loans under various loan programs, including housing, business, and energy efficiency subsidy loan programs. All loans are at fixed rates with interest rates primarily ranging from 6% per annum for microfinance, pre-development, and agriculture loans to 10% per annum for housing and business loans.

Palau District Housing Authority (PDHA):

PDHA's loan portfolio is comprised of home rehabilitation loans and other low-cost housing loans. All loans are at fixed rates with interest rates of 3% to 4.5% per annum over terms ranging from five to thirty years.

(4) Interfund Receivables and Pavables

Primary Government

Receivables and payables between funds reflected as due to/from other funds in the governmental funds balance sheet at September 30, 2017, are summarized as follows:

Receivable Fund	Payable Fund	Amount
General General Grants Nonmajor governmental funds	Grants Nonmajor governmental funds General General	\$ 2,055,761 1,672 1,168,014 7,712,603
		\$ 10.938.050

These balances result from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made, and are scheduled to be collected in the subsequent year.

Notes to Financial Statements September 30, 2017

(4) Interfund Receivables and Payables, Continued

Primary Government, Continued

Receivables and payables between funds reflected as due to/from primary government at September 30, 2017, are summarized as follows:

	<u>Due From</u>	Due To
General Fund: National Development Bank of Palau Palau District Housing Authority	\$ 5,682,083 5,000,000	\$ - -
Palau Public Utilities Corporation Belau Submarine Cable Corporation Protected Areas Network Fund Palau Community College Palau Visitors Authority	5,699,703 13,816,173 - - 24,410	544,975 - 135,058 19,990
Republic of Palau Social Security Retirement Fund: National Development Bank of Palau	30,222,369 3,019,475	<u>702,366</u>
	\$ <u>33,241,844</u>	\$ <u>702,366</u>

The amount recorded as due from component units by the General Fund of \$15,906,343 represents loans due from the National Development Bank of Palau (NDBP), Palau District Housing Authority (PDHA), Palau Public Utilities Corporation (PPUC), and Belau Submarine Cable Corporation summarized as follows:

NDBP: Initial amount of \$4,000,000 for the two-fold purpose of: (1) financing a loan to the Palau National Communications Corporation (PNCC) for the acquisition of underwater fiber-optic cable for \$3,000,000; and (2) financing additional NDBP lending activities. The loan is uncollateralized and is due and payable on May 17, 2022, with interest fixed at 2% per annum, payable in monthly installments. Principal payments commence thirty-six months after the advance of proceeds over the remaining period of the loan term; however, any principal payments received from PNCC within the first thirty-six months will be paid by NDBP to the Republic.

NDBP: Initial amount of \$5,000,000 for the purpose of financing development of agriculture and aquaculture projects in the Republic. The loan is uncollateralized and is due and payable on March 31, 2036, with interest at six month LIBOR plus 1% per annum, payable in monthly installments. Principal payments commence thirty-six months after the advance of proceeds over the remaining period of the loan term.

PDHA: Initial amount of \$5,000,000 for the purpose of financing housing development in the Republic. The loan is uncollateralized and is due and payable on March 31, 2036, with interest at six months LIBOR plus 1% per annum, payable in monthly installments. Principal payments commence thirty-six months after the advance of proceeds over the remaining period of the loan term. As of September 30, 2017, the Republic paid PDHA \$2,500,000 of the \$5,000,000.

PPUC: Initial amount of \$26,900,000 for twenty years with grace period and bears interest equal to the sum of LIBOR plus 0.60% and a maturity premium of 0.10% to finance sanitation projects in the Koror and Airai areas. The loan is uncollateralized with principal to be repaid semi-annually beginning April 1, 2018 at 2.5% of the total principal amount outstanding on each payment date.

Notes to Financial Statements September 30, 2017

(4) Interfund Receivables and Payables, Continued

Primary Government, Continued

PPUC: Initial amount of SDR 1,258,000 for twenty years with grace period and bears interest at 1% per annum during the period prior to the first principal payment date and 1.5% per annum thereafter. Principal is to be repaid semi-annually beginning April 1, 2018 in installments of \$26,208.

BSCC: Loan payable under the Ordinary Operations Loan Agreement, with a 20-year term after the grace period ends on June 1, 2021 when the first principal repayment becomes due, interest at LIBOR plus 0.50% per annum and payable every June 1 and December 1. Principal is to be repaid at 2.5% of the total principal amount outstanding on each payment date.

BSCC: Loan payable under the Ordinary Operations Loan Agreement, with a 20-year term after the grace period ends on June 1, 2021 when the first principal repayment of \$213,250 becomes due, interest at two percent (2%) per annum and payable every June 1 and December 1.

The amount recorded as due from component units by the Republic of Palau Social Security Retirement Fund (the Fund) due from NDBP of \$3,019,475 represents a loan agreement entered into in the initial amount of \$3,000,000 with a subsequent \$2,000,000 line of credit to be made available with terms and conditions to be agreed to by the parties at that time. On August 7, 2008, the Fund entered into a new agreement to restructure the existing loan with NDBP with the loan ceiling increasing to \$6,000,000. Principal and interest are payable in equal semi-annual installments of \$554,392 through December 31, 2025, with interest at a variable annual rate equal to the Fund's Fixed Income Fund Return Rate as reported monthly by the Fund's investment consultant, plus 0.5%; provided, that the interest rate to be charged and paid by NDBP shall not be less than 4.5% per annum nor more than 7.5% per annum after addition of the 0.5% to the prime rate. The loan is collateralized by the full faith and credit of the Republic.

Annual debt service requirements to maturity for principal and interest are as follows:

Year ending			
September 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 551,488	\$ 704,853	\$ 1,256,341
2019	1,130,148	742,168	1,872,316
2020	1,287,014	710,426	1,997,440
2021	1,665,681	678,229	2,343,910
22	2,035,147	863,291	2,898,438
2023 - 2027	8,127,790	2,678,379	10,806,169
2028 - 2032	6,740,861	1,784,719	8,525,580
2033 - 2037	6,992,358	874,116	7,866,474
2038 - 2042	2,607,912	158,181	2,766,093
Thereafter	106,100		<u>106,100</u>
	\$ <u>31,244,499</u>	\$ <u>9,194,362</u>	\$ <u>40,438,861</u>

The amount recorded as due to component units of the primary government of \$253,098 does not equal the corresponding due from primary government of the discretely presented component units of \$1,244,595 due to the recording of due from primary government by the Palau Public Utilities Corporation (PPUC) of \$669,904 for utility services of the water and wastewater operations of the Republic prior to its transfer to PPUC and timing differences recorded by Palau Community College and Palau Visitors Authority of \$99,250 and \$222,343, respectively.

Notes to Financial Statements September 30, 2017

(4) Interfund Receivables and Payables, Continued

Discretely Presented Component Units

Receivables and payables between funds reflected as due to/from primary government at September 30, 2017, are summarized as follows:

	Due Fror	n <u>Due To</u>
National Development Bank of Palau Belau Submarine Cable Corporation	\$ -	\$ 5,682,083 13,816,173
Republic of Palau Social Security Retirement Fund	-	3,019,475
Palau District Housing Authority Palau Public Utilities Corporation	- 544,97	5,000,000 5 682,883
Protected Areas Network Fund Palau Community College	135,05 19,99	
Palau Visitors Authority	2,34 \$ 702,36	

(5) Capital Assets

Capital asset activities for the year ended September 30, 2017, are as follows:

Primary Government

	Balance at October <u>1, 2016</u>	<u>Additions</u>	Deletions and <u>Transfers</u>	Balance at September 30, 2017
Depreciable capital assets: Building and other improvements Machinery and equipment Vehicles Infrastructure	\$146,625,076 26,175,361 7,929,914 229,287,073	\$ 492,174 3,621,325 1,220,709	\$22,910,567 (366,277) (904,503) 1,790,771	\$170,027,817 29,430,409 8,246,120 231,077,844
Total capital assets being depreciated	410,017,424	5,334,208	23,430,558	438,782,190
Accumulated Depreciation: Building and other improvements Machinery and equipment Vehicles Infrastructure Total accumulated depreciation Total depreciable capital assets, net	(82,129,101) (22,890,940) (6,316,827) (189,435,488) (300,772,356) 109,245,068	(8,584,416) (1,898,846) (858,410) (16,657,856) (27,999,528) (22,665,320)	366,277 904,503 	(90,713,517) (24,423,509) (6,270,734) (206,093,344) (327,501,104) 111,281,086
Non-depreciable capital assets:				
Land Construction in progress	3,899,403 29,654,393 33,553,796	- <u>4,100,227</u> 4,100,227	(<u>24,701,338)</u> (<u>24,701,338)</u>	3,899,403 9,053,282 12,952,685
Total non-depreciable capital assets		<u> </u>		· · · · · · · · · · · · · · · · · · ·
Capital assets, net	\$ <u>142,798,864</u>	\$(<u>18,565,093</u>)	\$ <u> </u>	\$ <u>124,233,771</u>

Depreciation expense was charged to functions/programs of the primary government's governmental activities as follows:

General government Education	\$	756,227 396,401
Health and welfare		930,401
Public safety		557,975
Cultural affairs and recreation		209,908
Transportation and commerce	2	4,361,827
Unallocated		<u>787,173</u>
Total depreciation expense	\$ <u>2</u>	7,999,528

Notes to Financial Statements September 30, 2017

(5) Capital Assets, Continued

Fiduciary Funds

Depreciable capital assets:	Estimated Useful <u>Lives</u>	Balance at October <u>1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	Balance at September 30, 2016
Office equipment and furniture Building and improvements Vehicles	4 - 13 yrs 30 yrs 5 yrs	\$ 531,956 199,177 <u>138,344</u>	\$ 25,532 868 	\$ - - <u>-</u>	\$ 557,488 200,045 <u>138,344</u>
Less accumulated depreciation		869,477 (<u>745,661</u>)	26,400 (<u>36,973</u>)		895,877 (<u>782,634</u>)
		\$ <u>123,816</u>	\$ (<u>10,573</u>)		\$ <u>113,243</u>
Discretely Presented Compon	ent Units				
	Estimated Useful <u>Lives</u>	Balance October <u>1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, 2017
Depreciable capital assets:					
Buildings	3 - 30 yrs	\$ 21,330,647	\$ 453,998	\$ -	\$ 21,784,645
Utility plant	2 - 30 yrs	170,231,820	3,069,350	(3,842,244)	169,458,926
Machinery and equipment	2 - 20 yrs	3,619,098	358,472	(189,011)	3,788,559
Infrastructure	2 - 15 yrs	3,625,667		(207,621)	3,418,046
		198,807,232	3,881,820	(4,238,876)	198,450,176
Less accumulated depreciation		(<u>131,821,944</u>)	(<u>7,550,802</u>)	4,067,053	(<u>135,305,693</u>)
Total depreciable capital assets, net		66,985,288	(3,668,982)	(171,823)	63,144,483
Nondepreciable capital assets:					
Construction in progress		6,667,347	31,059,673	(1,454,525)	36,272,495
		\$ <u>73,652,635</u>	\$ <u>27,390,691</u>	\$ (<u>1,626,348</u>)	\$ <u>99,416,978</u>

(6) Indefeasible Right of Use (IRU) Agreement

The Belau Submarine Cable Corporation (BSCC) and a third party IRU provider entered into an agreement in February 2016 for the acquisition of the exclusive right to use the optical wavelength channels in the IRU provider's fiber between the Guam Cable Landing Station and the West Subsystem near the coast of Palau (the "Branching Unit"), as required for BSCC's use of capacity in such optical wavelength channels to transmit telecommunication traffic (the "Purchased Waves"); as well as the exclusive right to connect the submarine fiber optic cable spur to the Branching Unit and to connect to the optical add-drop multiplexer inside the Branching Unit. The agreement is effective for 25 years starting on the date BSSC issues its notice of acceptance to the IRU provider of the first activated Purchase Wave's conformity to all applicable requirements (the "IRU RFS date"). Total purchase price of \$6,666,534 is due and payable in installments through the IRU RFS date, of which \$885,400 is due in 2017 and \$2,658,934 is due on or before the IRU RFS date. As of September 30, 2017, \$4,007,600 of the purchase price has been paid. Since the IRU RFS date has not yet commenced, no amortization of the IRU has been recognized for the year ended September 30, 2017.

Notes to Financial Statements September 30, 2017

(7) Note Payable

Primary Government

On June 28, 2002, the Republic's Washington Embassy entered into a loan agreement with a bank in the amount of \$160,000 for the purpose of funding overdraft facilities. Although the loan was due on May 20, 2004, including interest at 7% per annum, \$198,142 remains outstanding at September 30, 2017. No change occurred in the loan payable during the year ended September 30, 2017. This loan is in noncompliance with local requirements since only the President of the Republic is authorized to enter into debt agreements.

(8) Long-Term Obligations

Primary Government

As of September 30, 2017, the primary government had the following long-term debt outstanding:

Mega International Commercial Bank (MICB):

Loan payable to MICB, formerly the International Commercial Bank of China, in the amount of \$20,000,000, interest at 3.5% per annum, principal payable in semi-annual installments of \$571,429 plus interest, due June 21, 2020. This loan was used for construction of a new national capital in Melekeok State and is uncollateralized.

\$ 3,428,559

Loan payable to the MICB in the amount of \$8,000,000, interest at 3.5% per annum, principal payable in semi-annual installments of \$228,570 plus interest, due October 28, 2024. This loan was used to fund the Palau International Airport Repaying Project and is uncollateralized.

3,428,600

Loan payable to the MICB in the amount of \$5,000,000, interest based on six month LIBOR plus 1% per annum, principal payable in semi-annual installments of \$285,714 plus interest, due March 31, 2036. This loan was used to finance the development of agriculture and aquaculture projects through National Development Bank of Palau and is uncollateralized.

5,000,000

Loan payable to the MICB in the amount of \$5,000,000, interest based on six month LIBOR plus 1% per annum, principal payable in semi-annual installments of \$285,714 plus interest, due March 31, 2036. This loan was used to finance the development of housing through Palau District Housing Authority and is uncollateralized.

5,000,000

Asian Development Bank (ADB):

Loan Number 2691 PAL - Water Sector Improvement Loan (\$12,600,000), interest at the ADB's pool-based variable lending rate system for U.S. dollar loans (1.09% at September 30, 2017), a front-end fee of 1%, and a commitment charge of 0.15% per annum on the amount of the loan unwithdrawn from the Loan Account. Semi-annual loan payments commenced May 1, 2014 with graduated increases of 5% through November 1, 2025.

10,294,726

Notes to Financial Statements September 30, 2017

(8) Long-Term Obligations, Continued

Primary Government, Continued

Loan Number 2692 PAL (SF) - Water Sector Improvement Loan (SDR 2,230,000), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. Semi-annual loan payments commence on May 1, 2019 in an amount of SDR 69,688, at which time the service charge increases to 1.5% per annum.

3,472,734

Loan Number 3060 PAL – Koror-Airai Sanitation Loan (\$26,900,000), interest at the ADB's pool-based variable lending rate system for U.S. dollar loans (1.2889% at September 30, 2017). Semi-annual loan payments commence on April 1, 2018 in an amount of 2.5% of the total principal amount of the loan payable.

4,990,986

Loan Number 3061 PAL (SF) – Koror-Airai Sanitation Loan (SDR 1,258,000), interest at 1% per annum on the amount of the loan withdrawn from the Loan Account. Semi-annual loan payments commence on April 1, 2021 in an amount of SDR 26,208, at which time the interest increases to 1.5% per annum.

1,018,470

Loan Number 3346 PAL – North Pacific Regional Connectivity Investment Loan (SDR 1,258,000), interest at the ADB's pool-based variable lending rate system for U.S. dollar loans (1.4681% at September 30, 2017). Semi-annual loan payments commence on June 1, 2021 in an amount of 2.5% of the total principal amount of the loan payable.

8,991,306

Loan Number 3347 PAL (SF) – North Pacific Regional Connectivity Investment Loan (SDR 6,032,000), interest at 2% per annum. Semi-annual loan payments commence on June 1, 2021 in an amount of SDR 150,800.

4,698,560

\$ <u>50,323,941</u>

Annual debt service requirements to maturity for principal and interest are as follows:

Year Ending September 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 2,340,782	\$ 992,348	\$ 3,333,130
2019	3,123,978	995,300	4,119,278
2020	3,608,421	954,785	4,563,206
2021	2,928,510	858,082	3,786,592
2022	3,401,637	1,017,400	4,419,037
2023-2027	15,132,669	3,723,916	18,856,585
2028-2032	8,824,768	2,192,097	11,016,865
2033-2037	7,710,707	1,011,119	8,721,826
2038-2042	2,434,527	193,209	2,627,736
2043-2045	<u>817,942</u>	4,775	<u>822,717</u>
	\$ <u>50,323,941</u>	\$ <u>11,943,031</u>	\$ <u>62,266,972</u>

Notes to Financial Statements September 30, 2017

(8) Long-Term Obligations, Continued

Primary Government, Continued

As provided for in the Compact of Free Association, the Republic was awarded \$3,000,000, which it had agreed to repay in financial year 2005. On May 8, 2008, the U.S. Congress approved the forgiveness of the debt. The terms and conditions require the Republic to establish a trust fund wherein the Republic agrees to utilize the earnings of the trust fund solely for maintenance and upkeep of the Compact Road. The Republic has not established a trust fund as of September 30, 2017 and therefore has restricted assets of \$3,853,504 in the other governmental funds (Compact Section 211(b) Energy Fund) to fund this repayment in the event the terms and conditions of the forgiveness of the debt are not met. This debt of \$3,000,000 is presented as a long-term liability at the government-wide level until the terms and conditions are met (see Note 9).

Changes in long-term liabilities of the primary government for the year ended September 30, 2017, are as follows:

·	Balance October 1, 2016	<u>Additions</u>	Reductions	Balance September <u>30, 2017</u>	Due Within <u>One Year</u>
Loans payable:				•	
MICB loans ADB loans	\$ 18,457,157 22,094,436	\$ - <u>12,113,130</u>	\$ (1,599,998) <u>(740,784)</u>	\$ 16,857,159 33,466,782	\$ 1,599,998 <u>740,784</u>
Other:	40,551,593	12,113,130	(2,340,782)	50,323,941	2,340,782
Compensated absences Net pension liability Due to U.S. Government	4,310,098 137,096,288 3,000,000	11,121,692 20,727,211	(10,955,556) - 	4,476,234 157,823,499 3,000,000	2,242,963 -
	\$ <u>184,957,979</u>	\$ <u>43,962,033</u>	\$(<u>13,296,338</u>)	\$ <u>215,623,674</u>	\$ <u>4,583,745</u>

Discretely Presented Component Units

National Development Bank of Palau (NDBP):

Loan payable to the Mega International Commercial Bank (MICB) in the amount of \$5,000,000, due July 1, 2024 with interest at 3.5% per annum, principal payable in semi-annual installments of \$142,858 plus interest. This loan was used to fund various loan programs of NDBP and is guaranteed by the Republic.

\$ 1,999,982

Loan payable to the European Investment Bank (EIB) up to the amount of 5,000,000 Euro, due September 10, 2021 with interest at 3.379% - 5.175% per annum, principal and interest payable in semi-annual installments of \$234,750. Of the original amount, 3,260,573 Euro was drawn down in two tranches (\$1,391,285 and \$3,016,465, respectively). The loan is guaranteed by the Republic. On December 12, 2011, EIB cancelled the remaining balance of NDBP's credit line of 1,739,427 Euro.

<u>1,639,046</u>

\$ 3,639,028

Notes to Financial Statements September 30, 2017

(8) Long-Term Obligations, Continued

Discretely Presented Component Units, Continued

National Development Bank of Palau (NDBP), Continued:

Annual debt service requirements to maturity for principal and interest are as follows:

Year ending September 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018 2019 2020 2021 2022	\$ 670,147 688,367 706,587 716,809 857,118	\$ 137,560 110,541 82,716 54,084 44,997	\$ 807,707 798,908 789,303 770,893 902,115
	\$ <u>3,639,028</u>	\$ <u>429,898</u>	\$ <u>4,068,926</u>

Palau National Communications Corporation (PNCC):

Loan payable to the Rural Utilities Services (RUS) up to the amount of \$39,143,000, due October 2029 with interest at 4.59% per annum, principal and interest payable in monthly installments of \$192,181, including interest. The loan is guaranteed by the Republic, is collateralized by substantially all PNCC assets and a pledge of PNCC revenues.

\$ 20,228,471

Annual debt service requirements to maturity for principal and interest are as follows:

Year Ending December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018 2019 2020 2021 2022 2023 - 2027 2028 - 2029	\$ 1,397,625 1,463,143 1,531,732 1,603,537 1,678,708 9,650,377 2,903,349	\$ 915,262 843,029 774,440 702,635 627,464 1,880,480 150,171	\$ 2,312,887 2,306,172 2,306,172 2,306,172 2,306,172 11,530,857 3,053,520
	\$ 20,228,471	\$ <u>5,893,481</u>	\$ <u>26,121,952</u>

Extended Service Level of Agreement (ESLA) with Chunghwa Telecom Co. Ltd.

In December 2009, PNCC recorded and capitalized the costs of the build-up of the earth station and related equipment and improvements for PNCC's mobile and satellite network services, in exchange for a non-interest bearing note with Chunghwa Telecom Co. Ltd (CHT), a contractor from Taiwan, Republic of China, totaling \$3,067,830, payable monthly in ninety (90) installments of \$34,087 including interest, starting in January 2010 through July 2017. The liability recorded in the financial statements reflects future payments discounted at an imputed interest rate of 4.90%, which was the assumed long-term borrowing rate in December 2009. At December 31, 2016, the future note payments to CHT with a present value of note was \$275,228 with discount amortization of \$3,849 in 2017. Pursuant to the repayment terms stated in the ESLA, in addition to non-interest bearing note disclosed in the preceding paragraph, PNCC is required to pay a monthly bandwidth fee of \$14,000, net of a \$1,000 courtesy discount, throughout the term of the note agreement maturing July 2017.

Notes to Financial Statements September 30, 2017

(8) Long-Term Obligations, Continued

Discretely Presented Component Units, Continued

Palau National Communications Corporation (PNCC), Continued:

New billing and customer care information technology system

In August 2012, PNCC entered into a note agreement with the National Information Solutions Cooperative (NISC) for the acquisition of a new billing and customer care information technology system, and for the improvement of the communication system between the PNCC sales sites and its main office. In 2012, the capitalized costs of the new information system approximates \$1,180,000 with an outstanding note payable balance with NISC amounting to \$764,298 as of December 31, 2012. The note was non-interest bearing, payable in fifty-eight (58) monthly installments of \$10,482 from January 2013 through March 2013, and thereafter at \$13,325 monthly from April 2013 through October 2017. The liability recorded in the financial statements reflects future payments discounted at an imputed interest rate of 4.59%, which was the assumed long-term borrowing rate of PNCC from the Federal Government at December 31, 2013. At December 31, 2017, the future note payments to NISC with a present value of note was \$17,910 with discount amortization of \$2,685 in 2017. These are subsequently paid in January 2018.

Palau Public Utilities Corporation (PPUC):

Loan payable to MICB in the amount of \$7,000,000, due December 11, 2026 with interest at 3.5% per annum, principal payable in semi-annual installments of \$200,000 plus interest. This loan was used to finance the purchase of portable generators, crankshaft assembly and other necessary equipment to facilitate the overhaul of aging generators and is guaranteed by the Republic.

\$ 3,800,000

Loan payable to the National Development Bank of Palau in the amount of \$3,000,000, due April 21, 2025 with interest at 7.5% per annum, principal payable in monthly installments of \$27,810 plus interest. This loan was used to finance the purchase of two generator sets. The loan is collateralized by the generator sets inclusive of auxiliary equipment and is guaranteed by the Republic.

2,062,034

On March 28, 2014, PPUC entered into two loans with the Republic to finance sanitation projects in the Koror and Airai areas. The first loan is for \$26,900,000 for twenty years with grace period and bears interest equal to the sum of LIBOR plus 0.60% and a maturity premium of 0.10%. Principal is to be repaid semi-annually beginning April 1, 2018 at 2.5% of the total principal amount outstanding on each payment date. The second loan is for SDR 1,258,000 for twenty years with grace period and bears interest at 1% per annum during the period prior to the first principal payment date and 1.5% per annum thereafter. Principal is to be repaid semi-annually beginning April 1, 2021 in installments of \$37,040. The loans are guaranteed by the Republic.

6,159,378

Notes to Financial Statements September 30, 2017

(8) Long-Term Obligations, Continued

Discretely Presented Component Units, Continued

Palau Public Utilities Corporation (PPUC), Continued:

On November 4, 2016, PPUC entered into a non-interest bearing loan with the Koror State Government for \$300,000 to finance the acquisition of sewer pumps and parts for the State of Koror. The loan is to be repaid in monthly installments of \$10,000 beginning December 15, 2016.

200,000

\$ 12,221,412

Annual debt service requirements to maturity for principal and interest are as follows:

Year Ending September 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018 2019 2020 2021 2022 2023 - 2027 2028 - 2032 2033 - 2037 2038	\$ 833,601 936,195 871,361 925,434 980,484 4,431,805 1,652,414 1,460,228 129,890	\$ 391,385 360,911 330,074 297,102 267,322 770,895 285,958 212,366 16,837	\$ 1,224,986 1,297,106 1,201,435 1,222,536 1,247,806 5,202,700 1,938,372 1,672,594 146,727
	\$ 12,221,412	\$ <u>2,932,850</u>	\$ 15,154,262

Palau District Housing Authority (PDHA):

On April 8, 2016, the Republic entered into a \$5,000,000 loan agreement with Mega International Commercial Bank Co., Ltd, to finance housing to be administered by PDHA. The loan is to be repaid in thirty-five (35) consecutive equal semi-annual installments of \$142,857 beginning on April 12, 2019 at the rate equal to six (6) months LIBOR plus one (1%) per annum. As of September 30, 2016, PDHA received \$2,500,000 of the \$5,000,000. During the year ended September 30, 2017, the Authority received the remaining \$2,500,000 of the loan.

Belau Submarine Cable Corporation (BSCC):

In March 2016, BSCC and ADB entered into an agreement to establish a submarine cable connection from Palau to the international cable hub. The Republic executed a subsidiary loan agreement with BSCC to re-lend the amounts disbursed by ADB to the Republic under the same terms and conditions of the loan agreements (see Note 4).

Notes to Financial Statements September 30, 2017

(8) Long-Term Obligations, Continued

Belau Submarine Cable Corporation (BSCC), Continued:

Changes in long-term liabilities of the discretely presented component units for the year ended September 30, 2017, are as follows:

	Balance October			Balance September	Due Within
	<u>1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>30, 2017</u>	One Year
Loans payable:					
NDBP	\$ 4,294,451	\$ -	\$ (655,423)	\$ 3,639,028	\$ 670,775
PNCC	22,019,373	-	(1,790,902)	20,228,471	1,397,625
PPUC	8,344,194	4,449,152	(571,934)	12,221,412	833,601
PDHA	2,500,000	-	(2,500,000)	-	-
Other liabilities:					
Contracts payable	945,200	-	(945,200)	-	-
Net pension liability	36,069,816	5,022,975	-	41,092,791	=
Due to primary government	15,906,343	8,754,389	(138,066)	24,522,666	165,263
Due to fiduciary funds	3,318,617		(299,142)	<u>3,019,475</u>	363,117
	\$ 93,397,994	\$ 18,226,516	\$ <u>(6,900,667</u>)	\$ 104,723,843	\$ 3,430,381

(9) Restricted Assets

Primary Government

Restricted cash and cash equivalents of the primary government are as follows:

Deposit account established in accordance with RPPL 10-02, Section 2, to fund surveillance, enforcement and training for surveillance and enforcement of the laws related to the Palau National Marine Sanctuary. The funds may not be disbursed without legislative appropriation.	\$ 675,241
Deposit accounts established for the purpose of accounting of funds held by the Republic in a custodial capacity relating to court-ordered settlements.	622,862
	\$ <u>1,298,103</u>
Restricted investments of the primary government are as follows:	
Investments held in a trust fund for the purpose of accumulating resources to fund future government operations.	\$ 219,477,948
Investments held in a trust fund for the purpose of funding a liability to the United States government.	3,853,504

\$ 223,331,452

Notes to Financial Statements September 30, 2017

(9) Restricted Assets, Continued

Discretely Presented Component Units

Restricted cash and cash equivalents and time certificates of deposit of the discretely presented component units are as follows:

National Development Bank of Palau:

Time certificate of deposit collateralizing loan payable to a bank. \$ 456,143

Deposit account established in accordance with RPPL 4-48, Section 126, as amended by RPPL 5-37, for the purposes of a reserve account representing 10% of the total amount of all loan guarantees on commercial bank loans.

50,249

Palau Community College:

Deposit accounts established for library fund and endowment fund. 1,773,316

Palau National Communications Corporation:

Account established in accordance with Rural Utilities Service loan agreement for the purposes of a reserve account.

3,817,433

\$ 6,097,141

Restricted investments of the discretely presented component units are as follows:

Palau Community College:

Investments held for endowment purposes.

\$ 4,929,037

(10) Other Liabilities

Pursuant to a subsidiary agreement to the Compact of Free Association, entitled "Agreement Concerning Special Programs Related to the Entry into Force of the Compact of Free Association Between the Government of the United States and the Government of the Republic of Palau", Article 5, the Republic is to pay the United States Government, by September 30, 2005, a total of \$3,000,000. This amount represents the mutually agreed net economic cost of the United States providing all \$28,000,000 of Compact Section 211(b) funds in a lump sum at inception of the Compact, rather than payments of \$2,000,000 annually for fourteen years. During the fiscal year ended September 30, 2017, the Republic made no payments under this agreement.

Notes to Financial Statements September 30, 2017

(11) Pension Plan

A. General Information About the Pension Plan:

Plan Description: The Republic contributes to the Republic of Palau Civil Service Pension Trust Fund (the Plan), a cost-sharing multiple-employer defined benefit plan providing retirement, security and other benefits to employees, their spouses and dependents of the Republic, State Governments and component units, 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.

Plan Membership: As of September 30, 2015, the date of the most recent valuation, plan membership consisted of the following:

Inactive members currently receiving benefits	1,507
Inactive members entitled to benefits but not yet receiving them	1,151
Active members	<u>3,120</u>
	5,778

Benefits Provided: 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 Plan 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 of Trustees. 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 of Trustees. In December 2008, RPPL 7-56 eliminated early retirement and thirty year mandatory service provisions. 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. December 31, 2013, no employee shall be entitled to pension benefits until reaching the age of sixty.

Notes to Financial Statements September 30, 2017

(11) Pension Plan, Continued

A. General Information About the Pension Plan, Continued:

In accordance with the directives of RPPL 5-7, the Board of Trustees 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.

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>	If the Spouse or Beneficiary is:
1.00 0.95	21 or more years older than the member 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 employee's 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 next 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.

Notes to Financial Statements September 30, 2017

(11) Pension Plan, Continued

A. General Information About the Pension Plan, 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 benefit 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.

Contributions and Funding Policy: 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 fifteen years membership service may elect to receive a refund of all of 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.

Notes to Financial Statements September 30, 2017

(11) Pension Plan, Continued

A. General Information About the Pension Plan, Continued:

The Republic's contributions to the Plan for the years ended September 30, 2017, 2016 and 2015 were \$2,107,926, \$2,016,822 and \$1,858,478, respectively, which were equal to the required contributions for the respective years then ended.

Actuarial Assumptions: Actuarially determined contribution rates are calculated as of September 30, 2015, for the same measurement date, using the following actuarial assumptions:

Valuation Date: September 30, 2016

Actuarial Cost Method: Entry age normal

Expected Rate of Return: 7.5%, net of investment expenses

Expenses: \$300,000 each year.

Inflation: 3.0%

Salary Increases: 3.0% per year

Mortality: RP-2000 combined mortality table set forward by

4 years for all members except disability recipients, where the table is set forward ten

years.

Termination of Employment: 5% per year prior to age 35; none after 35

Retirement age: 100% at age 60

Disability: <u>Age</u> <u>Disability</u>

2Š 0.21% 30 0.18% 0.25% 35 40 0.35% 45 0.50% 50 0.76% 55 1.43% 60 2.12%

Form of payment: Single: Straight life annuity; Married: 100% joint

and survivor

Duty vs Non-duty related

disability: 100% duty related

Pre-retirement Beneficiary

Benefit Members: Present value of accrued benefit earned by the

member. 80% of the workers are assumed to be married and males are assumed to be 3 years

older than their spouses.

Notes to Financial Statements September 30, 2017

(11) Pension Plan, Continued

A. General Information About the Pension Plan, Continued:

Pre-retirement Beneficiary

Benefit Former Members: Present value of accrued benefit earned by the

member. 80% of the workers are assumed to be married and males are assumed to be 3 years

older than their spouses.

Post-retirement Survivor's Benefit: 100% of the benefit the retiree was receiving

prior to death. 80% of active workers are assumed to be married when they retire. Males are assumed to be 3 years older than their

spouses.

Investment Rate of Return

The long-term expected rate of return on the Bank's investments of 7.5% was determined using log-normal distribution analysis, creating a best-estimate range for each asset class.

As of September 30, 2015, the arithmetic real rates of return for each major investment class are as follows:

<u>Asset Class</u>	Target Allocation	Expected Rate of Return
Cash Equity Governmental fixed income Corporate fixed income	3% 61% 31% 5%	4.55% 6.35% 7.75% 4.00%
	<u>100%</u>	

Discount Rate: The discount rate used to measure the total pension liability was 2.98%. The discount rate was determined using the current assumed rate of return until the point where the plan fiduciary net position is negative. Using the current contribution rates, a negative position happens in 2019 for 2016. For years after 2019, a discount rate of 2.93% is used. This rate is based on the Bond Buyer General Obligation 20-year Municipal Bond Index for September 30, 2016.

The total pension liability is calculated using a discount rate of 2.98% that is a blend of the expected investment rate of return and a high quality bond index rate. There was no change in the discount rate since the previous year. The expected investment rate of return applies for as long as the plan assets (including future contributions) are projected to be sufficient to make the projected benefit payments. If plan assets are projected to be depleted at some point in the future, the rate of return of a high quality bond index is used for the period after the depletion date.

Notes to Financial Statements September 30, 2017

(11) Pension Plan, Continued

A. General Information About the Pension Plan, Continued:

Discount Rate Sensitivity Analysis: The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used in measuring the 2015 Net Pension Liability.

	1% Decrease in Discount Rate 1.98%	Current Discount Rate <u>2.98%</u>	1% Increase in Discount Rate 3.98%
Net Pension Liability	\$ <u>183,133,716</u>	\$ <u>157,823,499</u>	\$ <u>136,870,475</u>

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

Pension Liability: At September 30, 2017, the Republic reported a liability of \$157,823,499 for its proportionate share of the net pension liability. The Republic's proportion of the net pension liability was based on projection of the Republic's long-term share of contributions to the pension plan relative to the projected contributions of the Republic and the Republic's component units, actuarially determined. At September 30, 2017, the Republic's proportion was 63.27%.

Pension Expense: For the year ended September 30, 2017, the Republic recognized pension expense of \$7,304,023.

Deferred Outflows and Inflows of Resources: At September 30, 2017, the Republic reported total deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>		Deferred Inflows of <u>Resources</u>
Difference between expected and actual experience	\$ 24,188,092	\$	4,045,060
Net difference between projected and actual earnings on pension plan investments	1,355,292		306,789
Contributions subsequent to the measurement date	2,107,926		3,732,311
Changes in proportion and difference between Republic contributions and proportionate share of contributions	6,464,122	-	9,427,071
	\$ <u>34,115,432</u>	\$	<u> 17,511,231</u>

Notes to Financial Statements September 30, 2017

(11) Pension Plan, Continued

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

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at September 30, 2017 will be recognized in pension expense as follows:

Year Ended <u>September 30</u>	
2018	\$ 3,799,055
2019	\$ 1,695,875
2020	\$ 3,853,094
2021	\$ 2,680,402
2022	\$ 2,388,596
Thereafter	\$ 2,187,183

(12) Transfers In/Out

Operating Fund Transfers

Operating transfers in/out for each major fund and nonmajor governmental funds in the aggregate, for the year ended September 30, 2017, are as follows:

	<u>Transfer Out</u>	<u>Transfer In</u>
General Fund: Grants Fund Other Governmental Funds	\$ 969,725 -	\$ 25,800 522,032
Compact Section 211(f) Fund	<u>-</u> 969,725	5,000,000 5,547,832
Grants Fund: General Fund	<u>25,800</u>	969,725
Compact Section 211(f) Fund: General Fund	5,000,000	-
Other governmental funds: General Fund	522,032	
	\$ <u>6,517,557</u>	\$ <u>6,517,557</u>

Operating transfers out were provided for under appropriation by the OEK. Transfers are used to (1) move revenues from the fund that statute requires to collect them to the fund that statute requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Notes to Financial Statements September 30, 2017

(13) Fund Balances

Classifications of fund balances comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following table enumerates the fund balance classifications:

	<u>General</u>	<u>Grants</u>	Compact Section 211 (f)	Nonmajor Governmental <u>Funds</u>	<u>Totals</u>
Fund balances: Nonspendable:					
UMDA investment Loan receivable Prepayments	\$ 1,191,965 30,222,369 27,724	\$ - - 68,246	\$ - - -	\$ - -	\$ 1,191,965 30,222,369 95,970
Permanent fund principal	<u> </u>	<u>-</u> 68,246	219,477,948 219,477,948	-	219,477,948 250,988,252
Restricted: Compact Section 211(b) Energy			<u>-</u>	3,901,094 3,901,094	3,901,094 3,901,094
Committed: Environmental protection Hospital	-	-	-	342,224 2.064,267	342,224 2,064,267
Road maintenance Publication law access unit	- -	-	- -	2,004,207 2,297,511 56,511	2,004,207 2,297,511 56,511
Forfeited property Non-Communicable Diseases	-	-	-	160,579 1,303,329	160,579 1,303,329
Fisheries Protection Other	-	-	-	675,000 43,681	675,000 43,681
Other				6,943,102	6,943,102
Unassigned	<u>35,756,696</u>	64,129		(1,672)	35,819,153
	\$ <u>67,198,754</u>	\$ <u>132,375</u>	\$ <u>219,477,948</u>	\$ <u>10,842,524</u>	\$ <u>297,651,601</u>

(14) Commitments and Contingencies

A. Sick Leave

It is the policy of the Republic to record expenditures 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 estimated accumulated amount of unused sick leave at September 30, 2017, amounted to \$5,194,305.

B. Promissory Notes

During 1998, the Republic executed four noninterest bearing, nonnegotiable promissory notes in the amounts of \$3,002,693, \$152,000, \$54,100 and \$21,714, respectively, to various international organizations in lieu of its membership fees. The notes are payable on demand. As of September 30, 2017, demand had not occurred. The notes are to be held in the custody of a bank. The Republic has not recorded these notes as it believes the debt is essentially defeased by cash and deposits in the same amount with the organizations.

Notes to Financial Statements September 30, 2017

(14) Commitments and Contingencies, Continued

C. Federal Grants

Pursuant to the Compact of Free Association, substantially all federal grant activity provided by grantors other than the U.S. Department of the Interior is to phase out over the period of the Compact.

The Republic participates in a number of federally assisted grant programs funded by the United States Government. These programs are subject to financial and compliance audits to ascertain if Federal laws and guidelines have been followed. Cumulative questioned costs have been set forth in the Republic's Single Audit Report for the year ended September 30, 2017. The ultimate disposition of these questioned costs can be determined only by final action of the respective grantor agencies. Therefore, no provision for any liability that may result upon resolution of this matter has been made in the accompanying financial statements.

D. <u>Insurance Coverage</u>

The Republic does not maintain insurance coverage for a significant amount of fixed assets. In the event of a loss, the Republic may be self-insured to a material extent. The Republic has not expensed material losses from this practice over the past three years.

E. Unfunded Liability

An actuarial valuation of the Republic of Palau Social Security Retirement Fund has determined that the Fund has an actuarial deficiency of approximately \$176,995,000 as of October 1, 2015. Unless the existing deficiency is corrected, the Fund's cash flows may eventually become negative, which may cause the Fund to become depleted to the point that the Fund may not be able to meet its benefit obligations. The Fund has not developed a formal plan as of September 30, 2017 to correct this funding deficiency. No recognition is given in the accompanying financial statements to the present value of liabilities of prospective benefit payments or the present value of future contributions required from employees or employers.

F. Litigation

The Republic is party to standard litigation involving a government of its size. While litigation exists, management is of the opinion that resolution of such matters will not have a material impact on the accompanying financial statements.

G. <u>Debt Commitments</u>

Significant commitments of the primary government as of September 30, 2017, are as follows:

a) Guaranteed bank debt of the National Development Bank of Palau (NDBP) with letters of guarantee. At September 30, 2017, NDBP had guaranteed debt totaling \$3,639,024.

Notes to Financial Statements September 30, 2017

(14) Commitments and Contingencies, Continued

G. Debt Commitments, Continued

- b) Guaranteed a debt of NDBP in respect of a loan from the Republic of Palau Social Security Retirement Fund with a letter of guarantee. At September 30, 2017, NDBP had guaranteed debt associated with this loan totaling \$3,019,475.
- c) Guaranteed a debt of the Palau National Communications Corporation (PNCC) in respect to a loan from the United States Rural Utilities Service (RUS) with a letter of guarantee. At September 30, 2017, PNCC had guaranteed debt totaling \$20,228,471.
- d) Guaranteed bank debt of the Palau Public Utilities Corporation (PPUC) with a letter of guarantee. At September 30, 2017, PUC had guaranteed debt totaling \$3,800,000.
- e) Guaranteed a debt of PPUC in respect of a loan from NDBP with a letter of guarantee. At September 30, 2017, PUC had guaranteed debt associated with this loan totaling \$2,062,034.

H. Civil Service Pension Trust Fund

The Pension Fund's actuarial valuation has determined that the Fund has a net pension liability of \$249,453,959, which would cause the Fund's fiduciary net position to become negative in 2019.

I. Other

In the normal course of business, the Republic periodically engages in disputes with its vendors. Management of the Republic is of the opinion that resolution of such disputes existing as of September 30, 2017, will not have a material impact on the accompanying financial statements.

J. Asian Development Bank (ADB) Loans

On March 28, 2014, the Republic entered into two loan agreements (Loan Number 3060-PAL and Loan Number 3061-PAL (SF)) with the Asian Development Bank in the combined amount of approximately \$28,800,000 for the Koror-Airai Sanitation Project. The proceeds are to be on lent to the Palau Public Utilities Corporation under a separate Financing Agreement for the purpose of financing sanitation infrastructure improvements identified in the Koror-Airai Sanitation Master Plan. As of September 30, 2017, the Republic had drawn down \$6,009,456 against these loans. A substantial portion of the ADB loans are subject to currency exchange adjustments that can ultimately impact the carrying values of the debt.

On March 7, 2016, the Republic entered into two loans (Loan Number 3346-PAL and Loan Number 3347-PAL(SF)) with the Asian Development Bank in the combined amount of SDR 7,290,000. As of September 30, 2017, the Republic had drawn \$13,689,867 against these lines.

Notes to Financial Statements September 30, 2017

(15) Subsequent Events

During the year ended September 30, 2017, the Board of Directors of Protected Areas Network Fund (PAN Fund) approved to invest amounts from PAN Fund's Emergency Fund, Legal Reserve Fund and investment earnings drawn from MCT, aggregating to \$1,000,000. On October 10, 2017, PAN Fund transferred an initial investment of \$1,000,000 to the investment manager.

On October 25, 2017, PAN Fund disbursed the \$108,000 grant received from Oceans 5 to Palau National Marine Sanctuary. On December 8 2017, PAN Fund requested for a no-cost extension of the grant from Oceans 5. On January 3, 2018, Oceans 5 granted a no-cost extension until March 31, 2018.

On April 23, 2018, RPPL 10-23 was enacted to establish the Palau Energy Administration (PEA) as the sole regulatory authority in the area of energy production, purchase, and sales. Upon the promulgation of regulations by the PEA, Palau Public Utilities Corporation (PPUC) shall no longer have authority to issue regulations governing energy production and any proposed changes to electricity tariffs or rates by PPUC will be subject to the approval of the PEA.

Belau Submarine Cable Corporation commenced operations effective December 7, 2017.

(16) Restatement

The 2016 Palau Public Utilities Corporation financial statements have been restated to record grants received in 2017 that related to 2016. The effect on the 2016 financial statements is as follows:

	<u>As Previously</u> <u>Reported</u>	As Restated
Non-depreciable utility plant	\$ 2,909,003	\$ 3,855,531
Net investment in utility plant	\$ 42,469,857	\$ 43,416,385
Grants from the Japan Government	\$ -	\$ 946,528

The 2016 Palau Community College financial statements have been restated to reflect the correct balance of net pension liability, deferred outflows of resources related to pensions and deferred inflows of resources related to pensions:

	Previously <u>Reported</u>	Increase (<u>Decrease</u>)	As Restated
Current Assets	\$ 3,556,398	\$ <u>-</u>	\$ 3,556,398
Noncurrent assets	_7,108,597		<u>7,108,597</u>
Total assets	10,664,995	-	10,664,995
Deferred outflows of resources	<u>1,207,473</u>	<u>(260,357</u>)	<u>947,116</u>
	<u>11,872,468</u>	(260,357)	<u>11,612,111</u>
Current liabilities	(1,347,058)	-	(1,347,058)
Noncurrent liabilities	(53,134)	-	(53,134)
Net pension liability	(11,064,282)	(918,376)	(11,982,658)
Deferred inflows of resources	<u>(1,206,588</u>)	<u>(565,286</u>)	(1,771,874)
Net position	\$ <u>(1,798,594</u>)	\$ (<u>1,744,019</u>)	\$ <u>(3,542,613</u>)

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING AND PENSION INFORMATION

YEAR ENDED SEPTEMBER 30, 2017

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual General Fund (Fund 100100)

Year Ended September 30, 2017

Revenues: Local revenue \$ 58,633,775 \$ 58,891,275 \$ 62,691,721 \$ 3,800,446
Compact funding - Section 211(a) 6,000,000 6,000,000 6,000,000 - Compact funding - Section 215 inflation adjustment 5,147,000 5,147,000 5,147,000 - Net change in the fair value of investments - - - 50,239 50,239 Other - 252,740 284,913 32,173
Total revenues 69,780,775 70,291,015 74,173,873 3,882,858
Expenditures - budgetary basis: Office of the President Office of the Vice-President Office of the President Office of the Vice-President
Total expenditures <u>72,529,276</u> <u>73,039,516</u> <u>68,824,327</u> <u>4,215,189</u>
Excess (deficiency) of revenues over (under) expenditures (2,748,501) (2,748,501) 5,349,546 8,098,047 Other financing sources (uses): Loan proceeds 12,113,130 12,113,130 Operating transfers in 9,479,500 9,479,500 8,681,332 (798,168 Operating transfers out (7,758,068) (7,758,068) (75,916,036) (68,157,968) Total other financing sources (uses), net 1,721,432 1,721,432 (55,121,574) (56,843,006)
(1,027,069) (1,027,069) (49,772,028) (48,744,959
Other changes: Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes but in the year the supplies are received for financial reporting purposes 1,027,069 1,027,069 1,080,279 53,210
Net change in fund balance \$ - \$ (48,691,749) \$(48,691,749)

^{*} Operating transfers out include \$68,034,242 of transfers to the Nonlapsing Fund due to previous year legislative appropriations from the General Fund 100100 to this Fund.

Notes to Required Supplementary Information - Budgetary Reporting September 30, 2017

(1) Budgetary Information

Budgets are adopted on a basis consistent with GAAP. The OEK enacts budgets for the General Fund. Before signing the Appropriations Act, the President of the Republic may veto or reduce any specific appropriation, subject to legislative override. If the veto or reduction is overridden, the President is constitutionally empowered to "impound" the subject funds. Impounding provides for recognition of the appropriation, but allows the President to withhold allotment of the funds for as long as deemed appropriate. Once passed and signed, the budget becomes the National Government's financial plan for the ensuing fiscal year.

Budgetary control is maintained at the departmental level. Budget revisions during the year, reflecting program changes, may be effected through OEK approval.

The Republic receives annual appropriations from the United States Congress to partially fund its operations. The OEK approves the allotment of these appropriations with budgetary control set at the departmental level. Supplemental appropriations are made during the fiscal year. Unless specifically required by the OEK, appropriations generally lapse as of the end of each fiscal year. Continuing appropriations are usually made only for allotments to the State governments, scholarship funding, and certain specific projects.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

(2) Reconciliation - GAAP and Budgetary Bases of Accounting

General Fund (Fund 100100): Budgetary basis	Net Change in <u>Fund Balance</u> \$ (<u>48,691,749</u>)	Encumbrances
GASB 54 Funds included within the General Fund PAN Fund (Fund 100110) Financial Institutions Commission Fund (Fund Scholarship Fund (Fund 100150) Non-Lapsing Fund (Fund 100200) Receivable Fund (Fund 100900) Compact Section 213 Fund (Fund 313000) Local CIP Fund (Fund 410100) Debt Service Fund (Fund 600000)	(24,138)	6,378 - 61,342 28,604 - 635,190 731,514 \$ 1,811,793

Schedule of the Proportionate Share of the Net Pension Liability Last Ten Fiscal Years * (Unaudited)

	2017	2016	2015
Pension Fund total net pension liability	\$ 249,453,960	\$ 215,546,175	\$ 204,281,232
The Republic's proportionate share of the net pension liability	\$ 157,823,499	\$ 137,096,288	\$ 129,957,796
The Republic's proportion of the net pension liability	63.27%	63.60%	63.62%
The Republic's covered employee payroll**	\$ 23,443,403	\$ 23,568,110	\$ 23,572,912
The Republic's proportionate share of the net pension liability as a percentage of its covered employee payroll	673.21%	581.70%	551.30%
Pension Fund fiduciary net position as a percentage of the total pension liability	10.55%	11.54%	14.01%

^{*}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.

Schedule of Pension Contributions Last Ten Fiscal Years * (Unaudited)

	2017	2016	2015
Statutorily required contribution	\$ 1,982,972	\$ 1,838,448	\$ 1,761,120
Contribution in relation to the contractually required contribution	2,016,822	1,858,478	1,785,089
Contribution excess	\$ (33,850)	\$ (20,030)	\$ (23,969)
The Republic's covered-employee payroll**	\$ 23,568,110	\$ 23,568,110	\$ 23,572,912
Contribution as a percentage of covered-employee payroll	8.56%	7.89%	7.57%

^{*}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.

OTHER SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2017

GENERAL FUND

September 30, 2017

The general fund is used to account for resources traditionally associated with government, which are not required legally or by sound financial management to be accounted for in another fund.

<u>PAN Fund</u> – This fund was established in 2016 to account for green fees that are collected for the Protected Areas Network Fund.

<u>Financial Institutions Commission</u> – This fund accounts for all fees paid to the Financial Institution Commission (FIC), not subject to the reprogramming authority of the President of the Republic, and shall be used exclusively for the administration of the statutory duties of the FIC.

<u>Scholarship Fund</u> - This fund accounts for expenditures and all financial transactions related to scholarship awards and student loans.

<u>Compact Section 211(c) Communications Fund</u> - This fund has been established to account for funds provided pursuant to the Compact of Free Association, Section 211(c).

<u>Compact Section 211(d) Maritime, Health and Scholarship Fund</u> - This fund has been established to account for funds provided pursuant to the Compact of Free Association, Section 211(d).

<u>Compact Section 211(e) Maritime Fund</u> - This fund has been established to account for funds provided pursuant to the Compact of Free Association, Section 211(e).

<u>Compact Section 213 Defense Fund</u> - This fund has been established to account for funds provided pursuant to the Compact of Free Association, Section 213.

<u>Compact Section 221(b) Special Block Grants Fund</u> - This fund has been established to account for funds provided pursuant to the Compact of Free Association Section 221(b).

<u>Local Capital Projects Fund</u> - To account for the expenditures and transfers of construction projects funded wholly by locally generated revenues or revenues derived from Compact of Free Association Section 211(a) funds or Section 215 inflation funds.

<u>DOI Capital Projects Fund</u> - To account for construction grants received from the Trust Territory of the Pacific Islands Government, prior to implementation of the Compact of Free Association.

<u>Compact Section 212(b) Capital Account Fund</u> - To account for construction activities funded by Compact Section 212(b) capital account funding and Compact Section 215 inflation funds.

<u>Debt Service Fund</u> - To account for annual repayment of long term debt and related interest.

GENERAL FUND

Combining Balance Sheet September 30, 2017

				100150		313000		321000
					_	Compact		Compact
		General		Scholarship		Section 213	Sec	tion 221 (b)
<u>ASSETS</u>								
Cash and cash equivalents	\$	37,964,167	\$	-	\$	_	\$	-
Investments		, , , <u>-</u>		-		4,279,197		-
Receivables, net:								
Taxes		5,364,994		-		-		-
General		1,626,755		-		-		-
Accrued interest		-		-		7,245		-
Due from component units		30,222,369		-		-		-
Due from other funds		22,287,896		36,300		-		-
Advances		506,241		(988)		-		-
Prepaid items		27,724		-		-		-
Other assets		1,191,965		-		-		-
Restricted assets:								
Cash and cash equivalents		1,298,103			_			-
Total assets	\$	100,490,214	\$	35,312	\$	4,286,442	\$	
LIABILITIES AND FUND BALANCES								
(DEFICIT)								
Liabilities:								
Note payable	\$	198,142	\$	-	\$	_	\$	_
Accounts payable		4,122,090		2,091		_		-
Due to State governments		569,081		, -		-		-
Due to component units		-		-		-		-
Due to other funds		39,794,861		-		-		-
Accrued payroll and others		1,778,251		2,818		-		-
Other liabilities and accruals		296,429		-		-		-
Unearned revenue		-		-		-		-
Income tax refunds		998,401				_		
Total liabilities	_	47,757,255		4,909	_			
Fund balances (deficit):								
Nonspendable		31,442,058		_		_		_
Unassigned		21,290,901		30,403		4,286,442		-
-								
Total fund balances (deficit)		52,732,959		30,403		4,286,442		
Total liabilities and fund balances	+	100 400 214	+	25.212	.	4 206 442	¢	
(deficit)	\$	100,490,214	\$	35,312	\$	4,286,442	\$	

GENERAL FUND

Combining Balance Sheet, Continued September 30, 2017

		410100	430100		600000		
		Local CIP	 DOI CIP		Debt Service	Elimination	Total
<u>ASSETS</u>							
Cash and cash equivalents Investments Receivables, net:	\$	-	\$ -	\$	-	\$ - -	\$ 37,964,167 4,279,197
Taxes General		-	-		-	-	5,364,994 1,626,755
Accrued interest		-	-		-	-	7,245
Due from component units Due from other funds		8,163,475	82,423		2,401,583	(30,914,244)	30,222,369 2,057,433
Advances Prepaid items		4,946 -	716 -		-	-	510,915 27,724
Other assets Restricted assets:		-	-		-	-	1,191,965
Cash and cash equivalents			 				1,298,103
Total assets	\$	8,168,421	\$ 83,139	\$	2,401,583	\$ (30,914,244)	\$ 84,550,867
<u>LIABILITIES AND FUND BALANCES</u> (DEFICIT)							
Liabilities:							
Note payable	\$	-	\$ -	\$	-	\$ -	\$ 198,142
Accounts payable Due to State governments		87,837	-		79	-	4,212,097 569,081
Due to state governments Due to component units		_	_		_	_	509,081
Due to other funds		-	-		-	(30,914,244)	8,880,617
Accrued payroll and others		-	-		235,824	-	2,016,893
Other liabilities and accruals		-	-		-	-	296,429
Unearned revenue		-	180,453		-	-	180,453
Income tax refunds	_		 	_			998,401
Total liabilities		87,837	 180,453		235,903	(30,914,244)	17,352,113
Fund balances (deficit):							
Nonspendable		-	-		-	-	31,442,058
Unassigned	_	8,080,584	 (97,314)	_	2,165,680		35,756,696
Total fund balances (deficit)		8,080,584	 (97,314)		2,165,680		67,198,754
Total liabilities and fund balances (deficit)	\$	8,168,421	\$ 83,139	\$	2,401,583	<u>\$ (30,914,244</u>)	\$ 84,550,867

GENERAL FUND

Combining Statement of Revenues, Expenditures By Function, and Changes in Fund Balance (Deficit) Year Ended September 30, 2017

		100150	313000	321000
	General	Scholarship	Compact Section 213	Compact Section 221 (b)
Taxes	\$ 48,849,712	\$ -	\$ -	\$ -
Compact funding Net change in the fair value of investments	11,147,000 50,239	_	502,864	2,000,000
Fees and charges	9,212,817	-	-	-
Licenses and permits	10,916,807	943,368	-	-
Other	470,152	29,450		
Total revenues	80,646,727	972,818	502,864	2,000,000
Expenditures:				
Current:	2.004.020			
Judicial Branch Legislative Branch	2,984,830 5,450,601	-	-	-
Office of the President	1,219,531	-	-	-
Office of the Vice-President	462,695	-	-	-
Ministry of Finance	3,711,920	-	-	-
Ministry of State Ministry of Community and Cultural	3,377,135	-	-	-
Affairs	1,353,647	_	_	_
Ministry of Education	8,740,646	-	-	-
Ministry of Public Infrastructure,	6.054.064			
Industry and Commerce Ministry of Justice	6,051,864 5,871,570	-	-	-
Ministry of Health	9,855,271	_	<u>-</u>	_
Ministry of Natural Resources,	3,000,272			
Environment and Tourism	1,453,858	-	-	-
Boards, Commissions, and Authorities State Block Grants	1,059,933	-	-	-
Independent Agencies	7,089,275 3,325,157	-	-	-
Other Agencies and Activities	4,657,597	-	23,535	-
Education assistance	3,438,000	3,046,208	-	-
Inauguration ceremony	194,128	-	-	-
Civil Service Pension Plan Court settlement	784,712 490,000	-	-	-
Health Care Fund Contributions	1,103,034	_	_	-
Social Security Fund Contributions	1,987,350	-	-	-
Capital projects	-	-	-	-
Debt service: Principal retirement	_	_	_	_
Interest	-	-	-	-
Total expenditures	74,662,754	3,046,208	23,535	
Excess (deficiency) of revenues over (under) expenditures	5,983,973	(2,073,390)	479,329	2,000,000
Other financing sources (uses):	12 112 120			
Loan proceeds	12,113,130 79,040,575	2,003,000	-	-
Operating transfers in Operating transfers out	(77,895,536)	2,003,000		(2,000,000)
Total other financing sources (uses), net	13,258,169	2,003,000	-	(2,000,000)
Net change in fund balances (deficit)	19,242,142	(70,390)	479,329	
Fund balances (deficit) at beginning of year	33,490,817	100,793	3,807,113	
Fund balances (deficit) at end of year	\$ 52,732,959	\$ 30,403	\$ 4,286,442	<u>\$</u>

GENERAL FUND

Combining Statement of Revenues, Expenditures By Function, and Changes in Fund Balance (Deficit), Continued Year Ended September 30, 2017

	410100	430100	600000		
	Local CIP	DOI CIP	Debt Service	Elimination	Total
Revenues:	#	.	.	.	¢ 40.040.712
Taxes Compact funding	\$ - -	\$ - -	\$ - -	\$ - -	\$ 48,849,712 13,147,000
Net change in the fair value of investments	(1,853)	-	-	-	551,250
Fees and charges Licenses and permits	-	-	-	-	9,212,817 11,860,175
Other	-	-	<u>-</u>	-	499,602
Total revenues	(1,853)				84,120,556
Expenditures:			·		
Current:					2 004 020
Judicial Branch Legislative Branch	-	-	-	_	2,984,830 5,450,601
Office of the President	_	_	_	-	1,219,531
Office of the Vice-President	-	-	-	-	462,695
Ministry of Finance	-	-	-	-	3,711,920
Ministry of State Ministry of Community and Cultural	-	-	-	-	3,377,135
Affairs	_	_	_	_	1,353,647
Ministry of Education	-	-	-	-	8,740,646
Ministry of Public Infrastructure,					6.054.064
Industry and Commerce Ministry of Justice	-	-	-	-	6,051,864 5,871,570
Ministry of Health	_	_	_	_	9,855,271
Ministry of Natural Resources,					-,,=-
Environment and Tourism	-	-	-	-	1,453,858
Boards, Commissions, and Authorities State Block Grants	-	-	-	-	1,059,933 7,089,275
Independent Agencies	-	-	-	-	3,325,157
Other Agencies and Activities	-	-	-	-	4,681,132
Education assistance	-	-	-	-	6,484,208
PPUC Water & Sewer Operations	-	-	-	-	194,128
Severe Drought Relief Health care fund contributions	-	-	-	-	784,712 490,000
Health Care Fund Contributions	_	_	_		1,103,034
Social Security Fund Contributions	-	-	-		1,987,350
Capital projects	566,705	-	=	-	566,705
Debt service: Principal retirement	_	_	2,340,782	_	2,340,782
Interest	-	- -	456,570	-	456,570
Total expenditures	566,705		2,797,352	-	81,096,554
Excess (deficiency) of revenues					
over (under) expenditures	(568,558)		(2,797,352)		3,024,002
Other financing sources (uses):					10 110 100
Loan proceeds	-	-	2.765.000	(70.025.011)	12,113,130
Operating transfers in Operating transfers out	665,068	-	2,765,000	(78,925,811) 78,925,811	5,547,832 (969,725)
Total other financing sources	-				(000/100)
(uses), net	665,068	-	2,765,000	-	16,691,237
Net change in fund balances (deficit)	96,510	_	(32,352)		19,715,239
of year	7,984,074	(97,314)	2,198,032	_	47,483,515
o. 1001	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	(37,314)			17,100,010
Fund balances (deficit) at end of year	\$ 8,080,584	\$ (97,314)	\$ 2,165,680	\$ -	\$ 67,198,754

GENERAL FUND

Combining Schedule of Expenditures By Object Year Ended September 30, 2017

		100150	313000	321000
	General	Scholarship	Compact Section 213	Compact Section 221 (b)
Expenditures:				
Salaries and wages	\$ 37,755,966	\$ 73,954	\$ -	\$ -
Professional and contractual services	718,379	380	-	
Repairs and maintenance	919,398	1,264	-	-
Rentals	924,426	20	-	-
Construction	225,486	-	-	-
Insurance	86,456	-	-	-
Advertising	74,735	3,990	-	-
Travel	1,480,099	8,710	-	-
Cleaning services	99,175	· -	-	-
Communications and postage	1,203,460	7,444	-	-
Supplies and materials	2,485,273	10,838	-	-
Medical drugs	234,315	•	-	-
Medical supplies	215,828	-	-	-
Petroleum products	790,499	730	-	-
Food stuffs	1,172,841	197	-	-
Books and library materials	78,083	_	-	-
Utilities	2,897,510	_	-	-
Machinery	1,604	_	-	-
Building	492,174	_	-	
Equipment	593,984	_	-	-
Vehicles	389,167	_	-	-
Furnitures and fixtures	75,273	_	_	
Computer software	11,749	_	_	
Training	36,513	_	_	_
Medical referrals	19,997	_	_	_
Donations	505,948	_	_	_
Payments of allotments/benefits	19,611,779	_	_	_
Freight	4,073	_	_	_
Representation and entertainment	24,715	_	_	_
Dues, fees and registration	580,474	100	_	_
Grants	-	1,159,969	_	_
Student loans	_	1,375,756	_	_
Scholarships	_	340,924	_	_
Fellowship award	_	55,182	_	
Compensation	903,760	6,750	_	_
Employee incentive awards	29,867	-	_	_
Bank service fee	8,704	_	_	_
Allowances	-	_	_	_
Investment management fees	_	_	23,535	_
Questioned costs	_	_	-	_
Bad debt	_	_	_	_
Principal retirement	_	_	_	-
Interest charges	_	_	_	-
Miscellaneous	11,044	-	-	- -
		+ 2016 205		
Total expenditures	\$ 74,662,754	\$ 3,046,208	\$ 23,535	\$ -

GENERAL FUND

Combining Schedule of Expenditures By Object, Continued Year Ended September 30, 2017

	4	10100	4	30100	600	000	
		Local CIP		DOI CIP		ebt vice	Total
Expenditures:							
Salaries and wages	\$	-	\$	-	\$	-	\$ 37,829,920
Professional and contractual services		-		-		-	718,759
Repairs and maintenance		-		-		-	920,662
Rentals		-		-		-	924,446
Construction		460,565		-		-	686,051
Insurance		-		-		-	86,456
Advertising		-		-		-	78,725
Travel		-		-		-	1,488,809
Cleaning services		-		-		-	99,175
Communications and postage		-		-		-	1,210,904
Supplies and materials		-		-		-	2,496,111
Medical drugs		-		-		-	234,315
Medical supplies		-		-		-	215,828
Petroleum products		-		-		-	791,229
Food stuffs		_		_		_	1,173,038
Books and library materials		-		_		_	78,083
Utilities		_		_		-	2,897,510
Machinery		_		_		_	1,604
Building		_					492,174
Equipment		3,198		_		_	597,182
Vehicles		102,942		_		_	492,109
Furnitures and fixtures		-		_		_	75,273
Computer software		_		_		_	11,749
Training		_		_		_	36,513
Medical referrals		_		_		_	19,997
Donations				_			505,948
Payments of allotments/benefits		_		_		_	19,611,779
		_		_		_	4,073
Freight Representation and entertainment		-		-		-	24,715
Representation and entertainment		-		-		-	580,574
Dues, fees and registration		-		-		-	
Grants Student Jeans		-		-		-	1,159,969
Student loans		-		-		-	1,375,756
Scholarships		-		-		-	340,924
Fellowship award		-					55,182
Board compensation		-		-		-	910,510
Employee incentive awards		-		-		-	29,867
Bank service fee		-		-		-	8,704
Allowances		-		-		-	-
Investment management fees		-		-		-	23,535
Questioned costs		-		-		-	-
Bad debt		-		-		-	-
Principal retirement		-		-		40,782	2,340,782
Interest charges		-		-	4	56,570	456,570
Miscellaneous				-			11,044
Total expenditures	\$	566,705	\$		\$ 2,7	97,352	\$ 81,096,554

GENERAL FUND

Schedule of Revenues Year Ended September 30, 2017 (With comparative totals for the year ended September 30, 2016)

Compact funding: \$ 6,000,000 \$ 6,000,000 Section 211(a) \$ 6,000,000 \$ 2,000,000 Section 215 inflation adjustment \$ 1,147,000 \$ 1,147,000 Total compact funding 13,147,000 \$ 1,147,000 Taxes: "Total compact funding" 11,933,714 10,024,616 Alcohal and wage 10,933,714 10,024,616 Alcohal and tobacco 9,925,465 10,345,106 Motol and tobacco 9,925,465 10,345,106 Alcohal and tobacco 9,925,465 10,345,106 Motel coupancy 4,808,767 5,618,786 Tosa,186 3,000,134 Penalties, interest and delinquencies 946,765 1,002,630 Fuel excise 730,759 867,163 Beverage container tax 463,096 501,728 Fish export 819,153 448,534 Vessel cabin and foreign water vessel 150,924 50,478,687 Licenses and permits 150,924 50,478,687 Licenses and permits 1,485,708 1,702,392 Foreign labor permits 1,485,708 1,702,392 Foreign		2017	2016
Section 211(a) \$ 6,000,000 \$ 6,000,000 Section 221(b) 2,000,000 2,000,000 Section 215 inflation adjustment 5,147,000 13,147,000 Total compact funding 13,147,000 13,147,000 Taxes: 3 14,909,895 Gross receipts 13,955,595 14,909,895 Salary and wage 10,933,714 10,024,467 Alcohol and tobacco 9,925,465 10,345,106 Hotel occupancy 4,808,767 5,618,786 Travelers head 2,702,771 3,173,450 General import 2,951,894 3,000,134 Penalties, interest and delinquencies 946,765 1,002,630 Fish export 819,153 448,534 Suesel cabin and foreign water vessel 150,924 150,924 Other 460,809 434,791 Total taxes 9,212,478 5,306,591 Fishing days fees 9,212,478 5,306,591 Foreign labor permits 1,485,708 1,702,392 Business licenses 273,980 373,300	Compact funding:		
Section 215 inflation adjustment 5,147,000 5,147,000 Total compact funding 13,147,000 13,147,000 Taxes: 3 1 Gross receipts 13,955,595 14,909,895 Salary and wage 10,933,714 10,024,467 Alcohol and tobacco 9,925,465 10,345,106 Hotel occupancy 4,808,767 5,618,786 Travelers head 2,702,771 3,173,450 General import 2,951,894 3,000,134 Penalties, interest and delinquencies 946,765 1,002,630 Fuel excise 730,759 867,163 Beverage container tax 463,096 501,728 Fish export 819,153 448,534 Vessel cabin and foreign water vessel 150,924 152,003 Other 460,809 434,791 Total taxes 48,849,712 50,478,687 Licenses and permits 1,485,708 1,702,392 Foreign labor permits 1,485,708 1,702,392 Foreign labor permits 1,485,708 3,730,00	Section 211(a)	\$ 6,000,000	\$ 6,000,000
Total compact funding 13,147,000 13,147,000 Taxes: Taxes: Taxes: Taxes: Taxes: Taxes: Taxes: Taxes: 10,933,714 10,024,467 Alcohol and tobacco 9,925,465 10,345,106 Alcohol and tobacco 4,808,767 5,618,786 Taxelers head 2,702,771 3,173,450 3,013,450 General import 2,951,894 3,001,34 Penalties, interest and delinquencies 946,765 1,002,630 Fuel excise 730,759 867,630 Beverage container tax 463,096 501,728 Fish export 819,153 448,534 Vessel cabin and foreign water vessel 150,924 152,003 Other 460,809 434,791 Total taxes 460,809 434,791 Total taxes 460,809 434,791 Total taxes 150,924 152,003 Other 70,712,888 1,702,392 878,868 1,702,392 373,300 Foreign investment permits 1,485,708 1,702,392 373,300 Foreign investment permits and fees 45,252 39,246 Other licenses and permits 354,010 367,427 Total licenses and permits	Section 221(b)	2,000,000	2,000,000
Taxes: 13,955,595 14,909,895 Gross receipts 10,933,714 10,024,467 Alcohol and tobacco 9,925,465 10,345,106 Hotel occupancy 4,808,767 5,618,786 Travelers head 2,702,771 3,173,450 General import 2,951,894 3,000,134 Penalties, interest and delinquencies 946,765 1,002,630 Fuel excise 730,759 867,163 Beverage container tax 463,096 501,728 Fish export 819,153 448,534 Vessel cabin and foreign water vessel 150,924 152,003 Other 460,809 434,791 Total taxes 48,849,712 50,478,687 Licenses and permits 9,212,478 5,306,591 Fishing days fees 9,212,478 5,306,591 Foreign labor permits 1,485,708 1,702,392 Business licenses 273,980 373,300 Foreign investment permits and fees 75,719 188,690 Foreign investment permits 354,132 403,252	Section 215 inflation adjustment	5,147,000	5,147,000
Taxes: 13,955,595 14,909,895 Gross receipts 10,933,714 10,024,467 Alcohal and tobacco 9,925,465 10,345,106 Hotel occupancy 4,808,767 5,618,786 Travelers head 2,702,771 3,173,450 General import 2,951,894 3,000,134 Penalties, interest and delinquencies 946,765 1,002,630 Fuel excise 730,759 867,163 Beverage container tax 463,096 501,728 Fish export 819,153 448,534 Vessel cabin and foreign water vessel 150,924 152,003 Other 460,809 434,791 Total taxes 48,849,712 50,478,687 Licenses and permits 1,485,708 1,702,392 Rishing days fees 9,212,478 5,306,591 Foreign labor permits 1,485,708 1,702,392 Business licenses 273,980 373,300 Foreign investment permits and fees 75,719 188,690 Foreign investment permits 354,132 403,252	Total compact funding	13,147,000	13,147,000
Salary and wage 10,933,714 10,024,467 Alcohol and tobacco 9,925,465 10,345,106 Hotel occupancy 4,808,767 5,618,786 Travelers head 2,702,771 3,173,450 General import 2,951,894 3,000,134 Penalties, interest and delinquencies 946,765 1,002,630 Fuel excise 730,759 867,163 Beverage container tax 463,096 501,728 Fish export 819,153 448,534 Vessel cabin and foreign water vessel 150,924 152,003 Other 460,809 434,791 Total taxes 48,849,712 50,478,687 Licenses and permits 1,485,708 1,702,392 Foreign labor permits 1,485,708 1,702,392 Business licenses 233,980 373,300 Foreign investment permits and fees 75,719 188,690 Corporate filling fees 45,252 39,246 Other licenses and permits 3,84,010 367,427 Total licenses and permits 3,84,101 <t< td=""><td></td><td></td><td></td></t<>			
Salary and wage 10,933,714 10,024,467 Alcohol and tobacco 9,925,465 10,345,106 Hotel occupancy 4,808,767 5,618,786 Travelers head 2,702,771 3,173,450 General import 2,951,894 3,000,134 Penalties, interest and delinquencies 946,765 1,002,630 Fuel excise 730,759 867,163 Beverage container tax 463,096 501,728 Fish export 819,153 448,534 Vessel cabin and foreign water vessel 150,924 152,003 Other 460,809 434,791 Total taxes 48,849,712 50,478,687 Licenses and permits 1,485,708 1,702,392 Foreign labor permits 1,485,708 1,702,392 Business licenses 233,980 373,300 Foreign investment permits and fees 75,719 188,690 Corporate filling fees 45,252 39,246 Other licenses and permits 3,84,010 367,427 Total licenses and permits 3,84,101 <t< td=""><td>Gross receipts</td><td>13,955,595</td><td>14,909,895</td></t<>	Gross receipts	13,955,595	14,909,895
Hotel occupancy 4,808,767 5,618,786 Travelers head 2,702,771 3,173,450 General import 2,951,894 3,000,134 Penalties, interest and delinquencies 946,765 1,002,630 Fuel excise 730,759 867,163 Beverage container tax 463,096 501,728 Fish export 819,153 448,534 Vessel cabin and foreign water vessel 150,924 152,003 Other 460,809 434,791 Total taxes 48,849,712 50,478,687 Licenses and permits 1 5,0478,687 Licenses and permits 9,212,478 5,306,591 Foreign labor permits 1,485,708 1,702,392 Business licenses 273,980 373,300 Foreign investment permits and fees 45,528 309,656 Fishing rights fees 75,719 188,690 Corporate filling fees 45,252 39,246 Other licenses and permits 11,852,675 8,287,302 Fees 3,910,720 4,622,600	Salary and wage	10,933,714	10,024,467
Travelers head 2,702,771 3,173,450 General import 2,951,894 3,000,134 Penalties, interest and delinquencies 946,765 1,002,630 Fuel excise 730,759 867,163 Beverage container tax 463,096 501,728 Fish export 819,153 448,534 Vessel cabin and foreign water vessel 150,924 152,003 Other 460,809 434,791 Total taxes 48,849,712 50,478,687 Licenses and permits 48,849,712 50,478,687 Licenses and permits 9,212,478 5,306,591 Foreign labor permits 1,485,708 1,702,392 Business licenses 9,212,478 5,306,591 Foreign labor permits and fees 40,5252 30,965 Foreign labor permits and fees 40,5252 30,965 Foreign labor permits and fees 40,5252 30,965 Foreign labor permits and fees 40,5252 39,246 Other licenses and permits and fees 354,010 367,422 Total licenses and permits and f	Alcohol and tobacco	9,925,465	
General import 2,951,894 3,000,134 Penalties, interest and delinquencies 946,765 1,002,630 Fuel excise 730,759 867,163 Beverage container tax 463,096 501,728 Fish export 819,153 448,534 Vessel cabin and foreign water vessel 150,924 152,003 Other 460,809 434,791 Total taxes 48,849,712 50,478,687 Licenses and permits 1,485,708 1,702,392 Fishing days fees 9,212,478 5,306,591 Foreign labor permits 1,485,708 1,702,392 Business licenses 273,980 373,300 Foreign labor permits and fees 405,528 309,656 Fishing rights fees 75,719 188,690 Corporate filing fees 45,252 39,246 Other licenses and permits 354,010 367,427 Total licenses and permits 3,910,720 4,622,600 Airport fees and charges: 3,910,720 4,622,600 Airport fees and rentals 3,478,866	Hotel occupancy		
Penalties, interest and delinquencies 946,765 1,002,630 Fuel excise 730,759 867,163 Beverage container tax 463,096 501,728 Fish export 819,153 448,534 Vessel cabin and foreign water vessel 150,924 152,003 Other 460,809 434,791 Total taxes 48,849,712 50,478,687 Licenses and permits: 9,212,478 5,306,591 Foreign labor permits 1,485,708 1,702,392 Business licenses 273,980 373,300 Foreign investment permits and fees 405,528 309,656 Fishing rights fees 75,719 188,690 Corporate filing fees 45,252 39,246 Other licenses and permits 354,010 367,422 Total licenses and permits 3,910,720 4,622,600 Airport fees 3,910,720 4,622,600 Airport fees and rentals 3,478,866 3,381,915 Postal service 354,132 403,827 Ship registry 632,878 627,33			
Fuel excise 730,759 867,163 Beverage container tax 463,096 501,728 Fish export 819,153 448,534 Vessel cabin and foreign water vessel 150,924 152,003 Other 460,809 434,791 Total taxes 48,849,712 50,478,687 Licenses and permits: *** *** Fishing days fees 9,212,478 5,306,591 Foreign labor permits 1,485,708 1,702,392 Business licenses 273,980 373,300 Foreign investment permits and fees 405,528 309,656 Fishing rights fees 75,719 188,690 Corporate filling fees 45,252 39,246 Other licenses and permits 354,010 367,427 Total licenses and permits 3,910,720 4,622,600 Airport fees 3,478,866 3,381,915 Postal service 354,132 403,827 Ship registry 632,878 627,330 Court fines and fees 198,562 165,150 <td< td=""><td></td><td></td><td></td></td<>			
Beverage container tax 463,096 501,728 Fish export 819,153 448,534 Vessel cabin and foreign water vessel 150,924 152,003 Other 460,809 434,791 Total taxes 48,849,712 50,478,687 Licenses and permits: *** Fishing days fees 9,212,478 5,306,591 Foreign labor permits 1,485,708 1,702,392 Business licenses 273,980 373,300 Foreign investment permits and fees 405,528 309,656 Fishing rights fees 75,719 188,690 Corporate filling fees 45,252 39,246 Other licenses and permits 354,010 367,427 Total licenses and permits 11,852,675 8,287,302 Fees and charges: 3910,720 4,622,600 Airport fees and rentals 3,478,866 3,381,915 Postal service 354,132 403,827 Ship registry 632,878 627,330 Court fines and fees 198,562 165,150 <t< td=""><td></td><td></td><td></td></t<>			
Fish export 819,153 448,534 Vessel cabin and foreign water vessel 150,924 152,003 Other 460,809 434,791 Total taxes 48,849,712 50,478,687 Licenses and permits: *** Fishing days fees 9,212,478 5,306,591 Foreign labor permits 1,485,708 1,702,392 Business licenses 273,980 373,300 Foreign investment permits and fees 405,528 309,656 Fishing rights fees 75,719 188,690 Corporate filing fees 45,252 39,246 Other licenses and permits 354,010 367,427 Total licenses and permits 11,852,675 8,287,302 Fees and charges: 3,910,720 4,622,600 Green fees 3,910,720 4,622,600 Airport fees and rentals 3,478,866 3,381,915 Postal service 354,132 403,827 Ship registry 632,878 627,330 Court fines and fees 138,904 162,733 Bankin			
Vessel cabin and foreign water vessel 150,924 460,809 434,791 152,003 480,809 434,791 Total taxes 48,849,712 50,478,687 Licenses and permits: **** **** Fishing days fees 9,212,478 5,306,591 Foreign labor permits 1,485,708 1,702,392 Business licenses 273,980 373,300 Foreign investment permits and fees 405,528 309,656 Fishing rights fees 75,719 188,690 Corporate filling fees 354,010 367,427 Total licenses and permits 31,852,675 8,287,302 Fees and charges: 3910,720 4,622,600 Green fees 3,910,720 4,622,600 Airport fees and rentals 3,478,866 3,381,915 Postal service 334,132 403,827 Ship registry 632,878 627,330 Court fines and fees 198,562 165,150 Palau passport fees 138,904 162,733 Banking fees 144,830 152,550 Seaport fees			
Other 460,809 434,791 Total taxes 48,849,712 50,478,687 Licenses and permits **** Fishing days fees 9,212,478 5,306,591 Foreign labor permits 1,485,708 1,702,392 Business licenses 273,980 373,300 Foreign investment permits and fees 405,528 309,656 Fishing rights fees 75,719 188,690 Corporate filling fees 45,252 39,246 Other licenses and permits 354,010 367,427 Total licenses and permits 3,910,720 4,622,600 Airport fees and charges: 3,910,720 4,622,600 Airport fees and rentals 3,478,866 3,381,915 Postal service 354,132 403,827 Ship registry 632,878 627,333 Court fines and fees 198,562 165,150 Palau passport fees 138,904 162,733 Banking fees 144,830 152,550 Seaport fees 23,534 24,821 Water utility charg			
Total taxes 48,849,712 50,478,687 Licenses and permits: 5,306,591 Fishing days fees 9,212,478 5,306,591 Foreign labor permits 1,485,708 1,702,392 Business licenses 273,980 373,300 Foreign investment permits and fees 405,528 309,656 Fishing rights fees 75,719 188,690 Corporate filing fees 45,252 39,246 Other licenses and permits 354,010 367,427 Total licenses and permits 354,010 367,427 Total licenses and permits 3,910,720 4,622,600 Airport fees and rentals 3,478,866 3,381,915 Postal service 354,132 403,827 Ship registry 632,878 627,332 Ship registry 632,878 627,332 Palau passport fees 198,562 155,150 Palau passport fees 138,904 162,733 Banking fees 144,830 152,550 Seaport fees 23,534 24,821 Water util			
Licenses and permits: Fishing days fees 9,212,478 5,306,591 Foreign labor permits 1,485,708 1,702,392 Business licenses 273,980 373,300 Foreign investment permits and fees 405,528 309,656 Fishing rights fees 75,719 188,690 Corporate filing fees 45,252 39,246 Other licenses and permits 354,010 367,427 Total licenses and permits 11,852,675 8,287,302 Fees and charges: 3910,720 4,622,600 Green fees 3,910,720 4,622,600 Airport fees and rentals 3,478,866 3,381,915 Postal service 354,132 403,827 Ship registry 632,878 627,330 Court fines and fees 198,562 165,150 Palau passport fees 138,904 162,733 Banking fees 144,830 152,550 Seaport fees 23,534 24,821 Water utility charges 100 20 Other 337,791 1,028,924			
Fishing days fees 9,212,478 5,306,591 Foreign labor permits 1,485,708 1,702,392 Business licenses 273,980 373,300 Foreign investment permits and fees 405,528 309,656 Fishing rights fees 75,719 188,690 Corporate filing fees 45,252 39,246 Other licenses and permits 354,010 367,427 Total licenses and permits 11,852,675 8,287,302 Fees and charges: 8,287,302 Green fees 3,910,720 4,622,600 Airport fees and rentals 3,478,866 3,381,915 Postal service 354,132 403,827 Ship registry 632,878 627,330 Court fines and fees 198,562 165,150 Palau passport fees 138,904 162,733 Banking fees 144,830 152,550 Seaport fees 23,534 24,821 Water utility charges 100 20 Other 337,791 1,028,924 Total fees and charges		48,849,712	<u>50,478,687</u>
Foreign labor permits 1,485,708 1,702,392 Business licenses 273,980 373,300 Foreign investment permits and fees 405,528 309,656 Fishing rights fees 75,719 188,690 Corporate filing fees 45,252 39,246 Other licenses and permits 354,010 367,427 Total licenses and permits 11,852,675 8,287,302 Fees and charges: 8,287,302 Green fees 3,910,720 4,622,600 Airport fees and rentals 3,478,866 3,381,915 Postal service 354,132 403,827 Ship registry 632,878 627,330 Court fines and fees 198,562 165,150 Palau passport fees 138,904 162,733 Banking fees 144,830 152,550 Seaport fees 23,534 24,821 Water utility charges 100 20 Other 337,791 1,028,924 Total fees and charges 9,220,317 10,569,870 Net change in the fair value			
Business licenses 273,980 373,300 Foreign investment permits and fees 405,528 309,656 Fishing rights fees 75,719 188,690 Corporate filing fees 45,252 39,246 Other licenses and permits 354,010 367,427 Total licenses and permits 11,852,675 8,287,302 Fees and charges: 3910,720 4,622,600 Airport fees and rentals 3,478,866 3,381,915 Postal service 354,132 403,827 Ship registry 632,878 627,330 Court fines and fees 198,562 165,150 Palau passport fees 138,904 162,733 Banking fees 144,830 152,550 Seaport fees 23,534 24,821 Water utility charges 100 20 Other 337,791 1,028,924 Total fees and charges 9,220,317 10,569,870 Net change in the fair value of investments 551,250 503,760 Other: 132,820 127,425			
Foreign investment permits and fees 405,528 309,656 Fishing rights fees 75,719 188,690 Corporate filing fees 45,252 39,246 Other licenses and permits 354,010 367,427 Total licenses and permits 11,852,675 8,287,302 Fees and charges: 3910,720 4,622,600 Airport fees and rentals 3,478,866 3,381,915 Postal service 354,132 403,827 Ship registry 632,878 627,330 Court fines and fees 198,562 165,150 Palau passport fees 138,904 162,733 Banking fees 144,830 152,550 Seaport fees 23,534 24,821 Water utility charges 100 20 Other 337,791 1,028,924 Total fees and charges 9,220,317 10,569,870 Net change in the fair value of investments 551,250 503,760 Other: 132,820 127,425 Other 366,782 266,470 Total	· · · · · · · · · · · · · · · · · · ·		
Fishing rights fees 75,719 188,690 Corporate filing fees 45,252 39,246 Other licenses and permits 354,010 367,427 Total licenses and permits 11,852,675 8,287,302 Fees and charges: 8,287,302 Green fees 3,910,720 4,622,600 Airport fees and rentals 3,478,866 3,381,915 Postal service 354,132 403,827 Ship registry 632,878 627,330 Court fines and fees 198,562 165,150 Palau passport fees 138,904 162,733 Banking fees 144,830 152,550 Seaport fees 23,534 24,821 Water utility charges 100 20 Other 337,791 1,028,924 Total fees and charges 9,220,317 10,569,870 Net change in the fair value of investments 551,250 503,760 Other: 132,820 127,425 Other 366,782 266,470 Total other 499,602 <t< td=""><td></td><td></td><td></td></t<>			
Corporate filing fees 45,252 39,246 Other licenses and permits 354,010 367,427 Total licenses and permits 11,852,675 8,287,302 Fees and charges: 3,910,720 4,622,600 Airport fees and rentals 3,478,866 3,381,915 Postal service 354,132 403,827 Ship registry 632,878 627,330 Court fines and fees 198,562 165,150 Palau passport fees 138,904 162,733 Banking fees 144,830 152,550 Seaport fees 23,534 24,821 Water utility charges 100 20 Other 337,791 1,028,924 Total fees and charges 9,220,317 10,569,870 Net change in the fair value of investments 551,250 503,760 Other: 132,820 127,425 Other 366,782 266,470 Total other 499,602 393,895	·		
Other licenses and permits 354,010 367,427 Total licenses and permits 11,852,675 8,287,302 Fees and charges: 3,910,720 4,622,600 Airport fees and rentals 3,478,866 3,381,915 Postal service 354,132 403,827 Ship registry 632,878 627,330 Court fines and fees 198,562 165,150 Palau passport fees 138,904 162,733 Banking fees 144,830 152,550 Seaport fees 23,534 24,821 Water utility charges 100 20 Other 337,791 1,028,924 Total fees and charges 9,220,317 10,569,870 Net change in the fair value of investments 551,250 503,760 Other: 132,820 127,425 Other 366,782 266,470 Total other 499,602 393,895			
Total licenses and permits 11,852,675 8,287,302 Fees and charges: 3,910,720 4,622,600 Airport fees and rentals 3,478,866 3,381,915 Postal service 354,132 403,827 Ship registry 632,878 627,330 Court fines and fees 198,562 165,150 Palau passport fees 138,904 162,733 Banking fees 144,830 152,550 Seaport fees 23,534 24,821 Water utility charges 100 20 Other 337,791 1,028,924 Total fees and charges 9,220,317 10,569,870 Other: 132,820 127,425 Other: 132,820 127,425 Other 366,782 266,470 Total other 499,602 393,895	•		
Fees and charges: Green fees 3,910,720 4,622,600 Airport fees and rentals 3,478,866 3,381,915 Postal service 354,132 403,827 Ship registry 632,878 627,330 Court fines and fees 198,562 165,150 Palau passport fees 138,904 162,733 Banking fees 144,830 152,550 Seaport fees 23,534 24,821 Water utility charges 100 20 Other 337,791 1,028,924 Total fees and charges 9,220,317 10,569,870 Other: 551,250 503,760 Other: 132,820 127,425 Other 366,782 266,470 Total other 499,602 393,895	•		
Green fees 3,910,720 4,622,600 Airport fees and rentals 3,478,866 3,381,915 Postal service 354,132 403,827 Ship registry 632,878 627,330 Court fines and fees 198,562 165,150 Palau passport fees 138,904 162,733 Banking fees 144,830 152,550 Seaport fees 23,534 24,821 Water utility charges 100 20 Other 337,791 1,028,924 Total fees and charges 9,220,317 10,569,870 Net change in the fair value of investments 551,250 503,760 Other: 132,820 127,425 Other 366,782 266,470 Total other 499,602 393,895	·	11,852,675	8,287,302
Airport fees and rentals 3,478,866 3,381,915 Postal service 354,132 403,827 Ship registry 632,878 627,330 Court fines and fees 198,562 165,150 Palau passport fees 138,904 162,733 Banking fees 144,830 152,550 Seaport fees 23,534 24,821 Water utility charges 100 20 Other 337,791 1,028,924 Total fees and charges 9,220,317 10,569,870 Net change in the fair value of investments 551,250 503,760 Other: 132,820 127,425 Other 366,782 266,470 Total other 499,602 393,895			
Postal service 354,132 403,827 Ship registry 632,878 627,330 Court fines and fees 198,562 165,150 Palau passport fees 138,904 162,733 Banking fees 144,830 152,550 Seaport fees 23,534 24,821 Water utility charges 100 20 Other 337,791 1,028,924 Total fees and charges 9,220,317 10,569,870 Net change in the fair value of investments 551,250 503,760 Other: 132,820 127,425 Other 366,782 266,470 Total other 499,602 393,895			
Ship registry 632,878 627,330 Court fines and fees 198,562 165,150 Palau passport fees 138,904 162,733 Banking fees 144,830 152,550 Seaport fees 23,534 24,821 Water utility charges 100 20 Other 337,791 1,028,924 Total fees and charges 9,220,317 10,569,870 Net change in the fair value of investments 551,250 503,760 Other: 132,820 127,425 Other 366,782 266,470 Total other 499,602 393,895			
Court fines and fees 198,562 165,150 Palau passport fees 138,904 162,733 Banking fees 144,830 152,550 Seaport fees 23,534 24,821 Water utility charges 100 20 Other 337,791 1,028,924 Total fees and charges 9,220,317 10,569,870 Net change in the fair value of investments 551,250 503,760 Other: 132,820 127,425 Other 366,782 266,470 Total other 499,602 393,895			
Palau passport fees 138,904 162,733 Banking fees 144,830 152,550 Seaport fees 23,534 24,821 Water utility charges 100 20 Other 337,791 1,028,924 Total fees and charges 9,220,317 10,569,870 Net change in the fair value of investments 551,250 503,760 Other: 132,820 127,425 Other 366,782 266,470 Total other 499,602 393,895			
Banking fees 144,830 152,550 Seaport fees 23,534 24,821 Water utility charges 100 20 Other 337,791 1,028,924 Total fees and charges 9,220,317 10,569,870 Net change in the fair value of investments 551,250 503,760 Other: 132,820 127,425 Other 366,782 266,470 Total other 499,602 393,895			
Seaport fees 23,534 24,821 Water utility charges 100 20 Other 337,791 1,028,924 Total fees and charges 9,220,317 10,569,870 Net change in the fair value of investments 551,250 503,760 Other: 132,820 127,425 Other 366,782 266,470 Total other 499,602 393,895	·		
Water utility charges 100 20 Other 337,791 1,028,924 Total fees and charges 9,220,317 10,569,870 Net change in the fair value of investments 551,250 503,760 Other: 132,820 127,425 Other 366,782 266,470 Total other 499,602 393,895			
Other 337,791 1,028,924 Total fees and charges 9,220,317 10,569,870 Net change in the fair value of investments 551,250 503,760 Other: 132,820 127,425 Other 366,782 266,470 Total other 499,602 393,895			
Total fees and charges 9,220,317 10,569,870 Net change in the fair value of investments 551,250 503,760 Other: 132,820 127,425 Other 366,782 266,470 Total other 499,602 393,895			
Net change in the fair value of investments 551,250 503,760 Other: 132,820 127,425 Other 366,782 266,470 Total other 499,602 393,895			
Other: 132,820 127,425 Indirect cost recoveries 366,782 266,470 Total other 499,602 393,895	Total fees and charges	9,220,317	10,569,870
Indirect cost recoveries 132,820 127,425 Other 366,782 266,470 Total other 499,602 393,895	Net change in the fair value of investments	<u>551,250</u>	503,760
Other 366,782 266,470 Total other 499,602 393,895	Other:		
Total other 499,602 393,895	Indirect cost recoveries	132,820	127,425
Total other 499,602 393,895	Other	366,782	266,470
	Total other	499,602	393,895
			

Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - General Fund (Fund 100100)

	Budgeted			
	Original	Final	Actual	Variance
Revenues:				
Local revenue	\$ 58,633,775	\$ 58,891,275	\$ 62,691,721	\$ 3,800,446
Compact funding - Section 211(a) Compact funding - Section 215 inflation adjustment	6,000,000 5,147,000	6,000,000 5,147,000	6,000,000 5,147,000	-
Net change in the fair value of investments	-	-	50,239	50,239
Other		252,740	284,913	32,173
Total revenues	69,780,775	70,291,015	74,173,873	3,882,858
Expenditures - budgetary basis:				
Office of the President:				
President's Office	886,561	919,061	845,884	73,177
Official Expenses Indirect Cost Recoveries	30,000 560	30,000 126,812	29,807 126,252	193 560
Administrative Overhead	159	42,462	35,877	6,585
Grants Coordinator Office	76,000	76,000	75,915	85
Council of Chiefs	151,000	151,000	143,712	7,288
Presidential Stipend	12,500	12,500	12,115	385
Total Office of the President	1,156,780	1,357,835	1,269,562	88,273
Office of the Vice-President:	204.054	204.054	206.161	0.600
Vice-President's Office National Emergency Management Office	304,851 179,000	304,851 179,000	296,161 174,098	8,690 4,902
5 , 5				
Total Office of the Vice-President	483,851	483,851	470,259	13,592
Ministry of Finance: Office of the Minister	58,000	58,000	57,836	164
Administrative Overhead	4,206	43,075	31,492	11,583
Information System Support Service	241,000	241,000	234,219	6,781
Bureau of National Treasury	868,035	928,035	922,091	5,944
Bureau of Budget and Planning	642,171	642,171	624,166	18,005
Bureau of Public Service System Workmen's Compensation	245,500 45,000	245,500 45,000	244,279 43,039	1,221 1,961
Bureau of Revenue and Taxation	640,000	640,000	622,364	17,636
Bureau of Customs	1,063,755	1,013,755	969,416	44,339
Total Ministry of Finance	3,807,667	3,856,536	3,748,902	107,634
Ministry of State:				
Office of the Minister	58,000	58,000	56,182	1,818
Consulate Office in Guam Consulate Office in Saipan	107,000 50,000	107,000 50,000	105,557 41,868	1,443 8,132
Embassy in Washington D.C.	331,296	301,296	296,795	4,501
Embassy in Tokyo, Japan	436,763	436,763	434,017	2,746
Embassy in Taipei, Taiwan	162,000	162,000	155,940	6,060
Embassy in Manila, Philippines	151,000	151,000	149,089	1,911
United Nations Representative Office Office of the Public Defender	317,000	347,000	345,613	1,387
Bureau of Trade and Foreign Affairs	363,000 467,557	363,000 467,557	359,399 414,672	3,601 52,885
Bureau of Domestic Affairs	319,732	319,732	278,060	41,672
Passport Office	153,000	153,000	145,238	7,762
International Organizations Obligations	250,000	250,000	250,000	-
Southwest Islands Field Trips	272,000	272,000	232,025	39,975
ROP Embassy for European Union/Climate Change	185,000	185,000	163,113	21,887
Total Ministry of State	3,623,348	3,623,348	3,427,568	195,780
Ministry of Community and Cultural Affairs:	F0 000	F0 000	F7 700	201
Office of the Minister Bureau of National Archives	58,000 138,000	58,000 138,000	57,709 138,000	291
Bureau of Youth, Sports and Recreation	342,036	342,036	310,472	31,564
Bureau of Aging and Gender	299,940	299,940	296,441	3,499
Sports Facilities Maintenance and Utilities	94,000	94,000	90,851	3,149
Bureau of Arts and Culture	200,243	200,243	190,687	9,556
Olchotel Belau Fair Palau Severely Disabled Assistance Fund	20,000 298,000	20,000 298,000	- 292,338	20,000 5,662
Total Ministry of Community and Cultural Affairs	1,450,219	1,450,219	1,376,498	73,721
rocal Philistry of Community and Cultural Arians	1,430,219	1,430,219	1,3/0,498	/3,/21

Schedule of Revenues, Expenditures, and Changes in Fund Balance, Continued Budget and Actual - General Fund (Fund 100100)

	Budgeted			
	Original	Final	Actual	Variance
Ministry of Education: Office of the Minister School Books, Supplies and Instructional Equipment Bureau of Curriculum and Instruction Bureau of School Administration Food Services Program 2017 Pacific Educational Conference Total Ministry of Education	58,000	58,000	57,709	291
	638,000	638,000	457,752	180,248
	508,000	508,000	507,955	45
	7,008,116	7,008,116	6,907,231	100,885
	846,000	846,000	825,471	20,529
	50,000	50,000	49,921	79
	9,108,116	9,108,116	8,806,039	302,077
Ministry of Public Infrastructure, Industry and Commerce: Office of the Minister FAA, UNDP, & Other Match Bureau of Commercial Development Palau Small Business Development (UOG) Bureau of Aviation Bureau of Lands and Survey Bureau of Public Works National Capitol Electricity/Maintenance Capital Improvement Office Operations	58,000	58,000	57,709	291
	499,932	439,932	178,090	261,842
	330,050	315,050	301,492	13,558
	45,000	45,000	45,000	-
	1,876,897	1,956,897	1,938,241	18,656
	902,821	887,821	850,894	36,927
	1,541,890	1,541,890	1,518,564	23,326
	1,694,110	1,694,110	1,454,854	239,256
	155,000	155,000	148,850	6,150
Total Ministry of Public Infrastructure, Industry and Commerce Ministry of Justice: Office of the Attorney General Bureau of Immigration & Labor Bureau of Public Safety Bureau of Maritime Security & FWP National Drug Task Force Total Ministry of Justice	7,103,700 635,924 938,167 3,483,340 959,028 150,000 6,166,459	7,093,700 635,924 938,167 3,483,340 959,028 150,000 6,166,459	542,733 818,204 3,257,460 932,076 129,207 5,679,680	93,191 119,963 225,880 26,952 20,793
Ministry of Health: Office of the Minister NCCP Admin Cost Bureau of Public Health Health Administration Manila Medical Referral Hawaii Medical Referral Taipei Medical Referral Medical Supplies and Drugs Hemodialysis Hyperbaric Chamber Bureau of Clinical Service Bureau of Nursing	58,000	58,000	54,395	3,605
	1,000	46,316	46,316	-
	1,366,000	1,366,000	1,130,133	235,867
	3,374,833	3,374,833	3,217,580	157,253
	510,765	510,765	507,822	2,943
	125,000	125,000	124,211	789
	153,494	153,494	142,740	10,754
	397,526	397,526	299,728	97,798
	617,904	617,904	310,130	307,774
	100,000	100,000	59,719	40,281
	1,994,164	1,994,164	1,823,801	170,363
	2,414,000	2,414,000	2,336,016	77,984
Total Ministry of Health Ministry of Natural Resources, Environment and Tourism: Office of the Minister Bureau of Marine Resources Bureau of Agriculture Bureau of Tourism Total Ministry of Natural Resources, Environment and Tourism Total Executive Branch	58,000	58,000	57,709	291
	650,000	650,000	563,188	86,812
	637,271	637,271	628,341	8,930
	210,068	210,068	207,752	2,316
	1,555,339	1,555,339	1,456,990	98,349
	45,568,165	45,853,405	42,781,783	3,071,622
. III. Except of Francis	.5,550,105	.5,555,105	,, 01,, 00	5,5,1,022

Schedule of Revenues, Expenditures, and Changes in Fund Balance, Continued Budget and Actual - General Fund (Fund 100100)

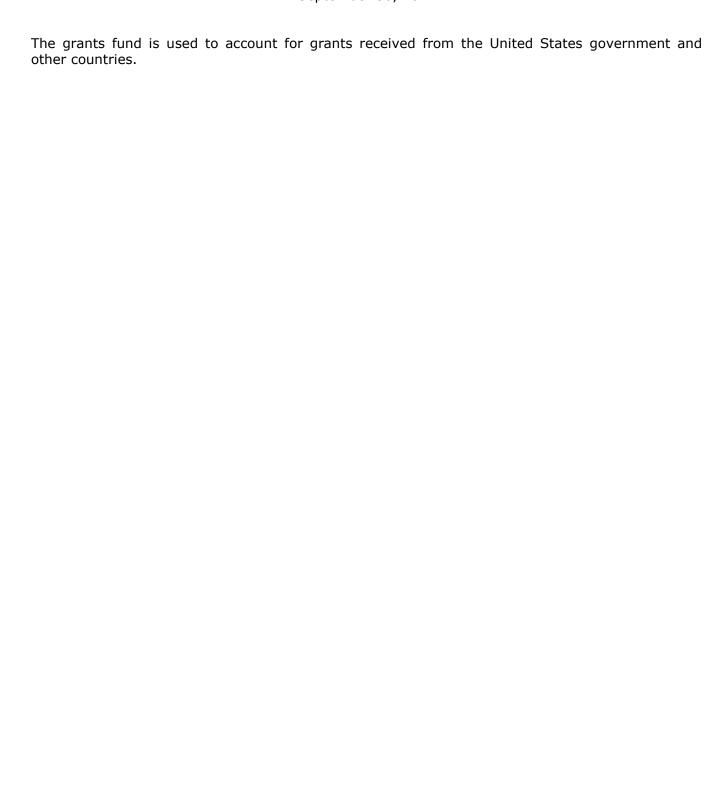
rear Ended Septem	Dei 30, 2017			
	Budgeted .			
	Original	Final	Actual	Variance
Judicial Branch:				
Judiciary	3,124,000	3,146,500	2,984,830	161,670
Total Judicial Branch	3,124,000	3,146,500	2,984,830	161,670
Olbiil Era Kelulau:				
Senate	2,273,175	2,273,175	2,135,161	138,014
Senate Legal Counsel Office	209,500	209,500	188,787	20,713
House of Delegates	2,812,398 209,500	2,797,398	2,666,000	131,398 13,316
House Legal Counsel Office Joint Staff	277,899	209,500 292,899	196,184 289,229	3,670
Association of Pacific Island Legislatures	15,253	15,253	11,186	4,067
Inter-Parliamentary Union	15,000	15,000	12,020	2,980
Palau Japan Parliamentary Friendship	35,000	35,000	-	35,000
Electricity for Koror Olbiil Era Kelulau Building	30,000	30,000	29,218	782
Total Legislative Branch	5,877,725	5,877,725	5,527,785	349,940
Boards, Commissions and Authorities:				
Foreign Investment Board	218,232	197,232	104,056	93,176
Palau Election Commission	258,000	288,000	282,124	5,876
COFA Board of Trustees	25,000	25,000	24,413	587 34 960
Palau Code Commission Palau Public Lands Authority	65,000 122,000	59,000 110,000	24,140 84,219	34,860 25,781
Parole Board	31,169	31,169	14,361	16,808
Palau Housing Authority	70,000	70,000	70,000	-
Ethics Commission	51,000	51,000	24,726	26,274
Financial Institutions Commission	37,000	37,000	35,612	1,388
Financial Investigations Unit	193,274	175,274	162,174	13,100
Language Commission Ngardmau Free Trade Zone Authority	62,902 25,000	57,402 25,000	47,992 25,000	9,410
Mechesil Bealu	23,000	35,000	35,000	- -
Total Boards, Commissions and Authorities	1,158,577	1,161,077	933,817	227,260
State Block Grants	7,089,275	7,089,275	7,089,275	
Independent Agencies:				
Office of the Public Auditor	732,000	732,000	553,404	178,596
Office of the Special Prosecutor	306,650	306,650	290,641	16,009
Palau Environmental Quality Protection Board	453,000	453,000	452,313	687
National Postal Service	483,812	483,812	477,897	5,915
Palau Visitors Authority National Aviation Administration	1,426,000 186,000	1,426,000 186,000	1,426,000 155,131	30,869
Total Independent Agencies	3,587,462	3,587,462	3,355,386	232,076
Other Agencies and Activities: Palau National Museum	260,325	260,325	227,326	32,999
Micronesian Legal Services	125,000	125,000	125,000	52,999
Palau Community Action Agency	354,000	354,000	354,000	-
Head Start Program	113,000	113,000	113,000	-
Palau Red Cross	10,000	10,000	10,000	-
WIA Grant Contribution	94,000	94,000	93,007	993
Civic Action Team Share PNOC and Sports Organizations	250,000 177,000	250,000 177,000	250,000 177,000	-
Palau International Coral Reef Center	450,000	450,000	450,000	-
Youth Congress	5,000	5,000	5,000	_
Palau Little League/T Ball	5,000	5,000	5,000	-
Junior Statesmen of America	10,000	10,000	10,000	-
Peace Corps Contribution	75,600	75,600	7,400	68,200
Total Other Agencies and Activities	1,928,925	1,928,925	1,826,733	102,192

Schedule of Revenues, Expenditures, and Changes in Fund Balance, Continued Budget and Actual - General Fund (Fund 100100)

	Budgeted	Amounts		
	Original	Final	Actual	Variance
Education Assistance: Palau Community College Operations PCC Board of Trustees PCC CRE COM Board of Regents PCC Endowment Fund Aid to Non-Public Schools	2,338,000 38,000 35,000 25,000 60,000 902,000	2,338,000 38,000 35,000 25,000 60,000 902,000	2,338,000 38,000 35,000 25,000 - 902,000	- - - 60,000
Total Education Assistance	3,398,000	3,398,000	3,338,000	60,000
Other Appropriations: Settlement of Max, et al. Settlement of Ibul Bruce Ngchesar State Civil Service Pension Plan Inauguration ceremony Other Total Other Appropriations	80,000 350,000 60,000 301,000 - 6,147 797,147	80,000 350,000 60,000 301,000 200,000 6,147 997,147	80,000 350,000 60,000 301,000 195,718 	- - - - - 4,282 6,147 10,429
Total expenditures	72,529,276	73,039,516	68,824,327	4,215,189
Excess (deficiency) of revenues over (under) expenditures	(2,748,501)	(2,748,501)	5,349,546	8,098,047
Other financing sources (uses): Loan proceeds Operating transfers in: Compact Section 211(f) Trust Fund PAN Fund Compact Direct Economic Assistance Fund Non-Communicable Diseases Fund Other Country Grants Fund Other Non U.S. Federal Grants Fund U.S. Federal Grants Operator License Fund	5,000,000 1,979,500 2,000,000 500,000 - - - -	5,000,000 1,979,500 2,000,000 500,000 - - - -	12,113,130 5,000,000 1,133,500 2,000,000 500,000 - 2,605 23,195 22,032	12,113,130 - (846,000) - - - 2,605 23,195
Total other financing sources	9,479,500	9,479,500	20,794,462	11,314,962
Operating transfers out: National Scholarship Fund Debt Service Fund Nonlapsing Fund Other Country Grants Fund Local CIP Fund Other Non U.S. Grants Fund U.S. Federal Grants Fund	(2,003,000) (2,765,000) (2,825,000) - (165,068)	(2,003,000) (2,765,000) (2,825,000) - (165,068)	(2,003,000) (1,919,000) (70,859,242) (501,475) (165,068) (21,240) (447,011)	846,000 (68,034,242) (501,475) - (21,240) (447,011)
Total other financing uses	(7,758,068)	(7,758,068)	(75,916,036)	(68,157,968)
Total other financing sources (uses), net	1,721,432 (1,027,069)	1,721,432 (1,027,069)	(55,121,574) (49,772,028)	(56,843,006) (48,744,959)
Other changes: Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes but in the year the supplies are received for financial reporting purposes	1,027,069	1,027,069	1,080,279	53,210
Net change in fund balance	\$ -	\$ -	\$ (48,691,749)	\$ (48,691,749)

GRANTS FUND

September 30, 2017



GRANTS FUND

Combining Balance Sheet September 30, 2017

		350100	350200		360100		420100		440100	
					Other					
			OTIA		Non U.S.	1	Non-DOI		Other	
	U	.S. Federal	Direct		Federal		Capital		Country	
		Grants	 Grants	_	Grants		Projects		Grants	 Total
<u>ASSETS</u>										
Receivables, net:										
General	\$	1,277	\$ -	\$	-	\$	-	\$	1,006,667	\$ 1,007,944
Federal agencies		2,137,097	141,733		-		319,813		-	2,598,643
Due from other funds		-	-		1,168,014		-		-	1,168,014
Advances		228,265	3,954		191,403		-		74,975	498,597
Prepaid items	_	68,246	 		-					 68,246
Total assets	\$	2,434,885	\$ 145,687	\$	1,359,417	\$	319,813	\$	1,081,642	\$ 5,341,444
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable	\$	731,136	\$ 22,253	\$	286,462	\$	-	\$	147,943	\$ 1,187,794
Contracts payable		-	-		-		309,114		493,065	802,179
Unearned revenues		-	-		959,428		-		-	959,428
Other liabilities and accruals		148,358	-		31,080		-		24,469	203,907
Due to other funds		1,534,045	 114,921				10,699		396,096	 2,055,761
Total liabilities		2,413,539	137,174		1,276,970		319,813		1,061,573	 5,209,069
Fund balances:										
Nonspendable		68,246	-		-		-		-	68,246
Unassigned	_	(46,900)	 8,513		82,447				20,069	 64,129
Total fund balances		21,346	 8,513		82,447			_	20,069	 132,375
Total liabilities and fund balances	\$	2,434,885	\$ 145,687	\$	1,359,417	\$	319,813	\$	1,081,642	\$ 5,341,444

GRANTS FUND

Combining Statement of Revenues, Expenditures By Function, and Changes in Fund Balances Year Ended September 30, 2017

	350100		350200		360100		420100		440100		
	U.S. Federal Grants		OTIA Direct Grants		Other Non U.S. Grants		Non-DOI Capital Projects		Other Country Grants	_	Total
Revenues:											
Federal contributions Other grants	\$ 8,452,110 -	\$	1,238,118	\$	- 2,640,115	\$	1,224,518	\$	5,113,344	\$	10,914,746 7,753,459
Total revenues	8,452,110	_	1,238,118	_	2,640,115	_	1,224,518	_	5,113,344		18,668,205
Expenditures: Current:											
Office of the President	266,518		-		262,450		-		-		528,968
Office of the Vice President	-		-		5,064		-		-		5,064
Ministry of Finance	-		170,891		263,692		-		-		434,583
Ministry of State	-		-		278,901		-		-		278,901
Ministry of Education	2,417,739		-		36,415		-		-		2,454,154
Ministry of Public Infrastructure											
Industries & Commerce	-		-		16,516		-		-		16,516
Ministry of Justice	39,738		429,988		303,184		-		-		772,910
Ministry of Health	5,599,400		-		94,747		-		-		5,694,147
Ministry of Natural Resources,											
Environment and Tourism	-		82,906		1,224,529		-		-		1,307,435
Ministry of Community and Cultural Affairs	-				12,029						12,029
Financial and Compliance Audit	-		536,380		-		-		-		536,380
Independent Agencies	535,495		17,953		161,217						714,665
Typhoon Assistance	-		-		-						-
Capital projects		_		_		_	1,224,518	_	5,614,817	_	6,839,335
Total expenditures	8,858,890	_	1,238,118	_	2,658,744	_	1,224,518		5,614,817	_	19,595,087
Excess (deficiency) of revenues over (under) expenditures	(406,780)				(18,629)				(501,473)		(926,882)
Other financing sources (uses):											
Operating transfers in	447,012		-		21,240		-		501,473		969,725
Operating transfers out	(23,195)			_	(2,605)	_			<u> </u>	_	(25,800)
Total other financing sources (uses), net	423,817	_		_	18,635			_	501,473	_	943,925
Net change in fund balances	17,037		-		6		-		-		17,043
Fund balances at beginning of year	4,309	_	8,513	_	82,441	_		_	20,069	_	115,332
Fund balances at end of year	\$ 21,346	\$	8,513	\$	82,447	\$		\$	20,069	\$	132,375

GRANTS FUND

Combining Schedule of Expenditures By Object Year Ended September 30, 2017

	350100	350200	360100	420100	440100	
	U.S. Federal Grants	OTIA Direct Grants	Other Non U.S. Grants	Non-DOI Capital Projects	Other Country Grants	Total
Expenditures:						
Salaries and wages	\$ 3,952,069	\$ 147,888	\$ 757,724	\$ -	\$ 610,780	\$ 5,468,461
Professional and contractual services	598,473	980,927	665,121	8,989	492,233	2,745,743
Repairs and maintenance	46,897	96	21,074	-	249,200	317,267
Rentals	238,459	976	37,094	-	35,289	311,818
Building remodeling	_	-	-	_	245,550	245,550
Construction	50,205	-	1,676	1,210,731	3,503,147	4,765,759
Insurance	996	-	-	· · · -	-	996
Advertising	38,080	2,321	13,536	_	7,639	61,576
Travel	1,198,676	19,553	388,615	4,798	145,384	1,757,026
Communications and postage	161,065	2,010	40,713	· -	45,198	248,986
Supplies and materials	776,619	27,540	184,136	_	27,906	1,016,201
Medical drugs	, -	, -	· -	_	, -	· · ·
Medical supplies	62,609	-	-	_	-	62,609
Petroleum products	90,735	3,230	38,837	_	33,383	166,185
Food stuffs	7,955	474	85,127	_	44,012	137,568
Books and periodicals	386	-	19,039	_	· -	19,425
Utilities	82,289	-	34,467	_	10,981	127,737
Equipment	664,364	7,200	41,446	_	· -	713,010
Vehicles	100,975	-	45,085	_	16,580	162,640
Furniture and fixture	· -	-	· -	_	· -	-
Computer software	3,164	-	-	_	-	3,164
Administrative costs	84,185	42,303	-	_	-	126,488
Dues, fees and registration	25,096	-	9,852	_	345	35,293
Scholarships	-	-	-	_	-	=
Grants and contributions	_	_	_	_	21,000	21,000
Training	89,878	-	1,994	_	,	91,872
Payments of allotments/benefits	266,518	_	92,100	_	_	358,618
Freight	14,777	_	1,482	_	129	16,388
Board compensation	166,574	3,600	26,619	_	2,505	199,298
Employee incentive awards	4,950	-		_	_,	4,950
Allowances	-	_	_	_	_	-
Indirect costs	132,820	_	_	_	_	132,820
Donations	76	_	149,101	_	123,556	272,733
Representation and entertainment	-	_	1,700	_	-	1,700
Cleaning services	_	_	150	_	_	150
Miscellaneous			2,056			2,056
Total expenditures	\$ 8,858,890	\$ 1,238,118	\$ 2,658,744	\$ 1,224,518	\$ 5,614,817	\$ 19,595,087

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

September 30, 2017

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

<u>Drug Fine Collection Fund</u> - This fund accounts for receipt of drug fines to be used to supplement rewards offered by the Crime Stoppers program for information regarding drug-related crimes and for the operation of drug treatment and counseling programs.

<u>Forfeited Property</u> - This fund account for all property seized by order of forfeiture. Fifty percent (50%) of forfeited property and the sale proceeds thereof shall be distributed to the units of the Republic or state government whose officers or employees conducted the investigation and caused the arrest of the person whose property was forfeited or seizure of the property for forfeiture; 25% shall be distributed to the Attorney General.

<u>Hospital Trust Fund</u> - This fund accounts for receipt of hospital fee collections. Of the amount collected, all funds are to be used at the direction of the Minister of Health exclusively for medical and pharmaceutical supplies except collections from medical referral patients shall apply to future medical referrals.

<u>Non-Communicable Diseases Fund</u> - This fund accounts for 10% of annual alcoholic beverage tax revenues earmarked to support the efforts of the National Coordinating Mechanism for Non-Communicable Diseases under Executive Order 379 to prevent non-communicable diseases.

<u>Publication Law Access Unit Fund</u> - This fund accounts for the Publication and Law Access Unit which provides digital and hard copy publications of the Republic national and state laws, court decisions, and other laws including rules, regulations, treaties, and executive orders and directives.

<u>Sports Facilities Trust Fund</u> – This fund accounts for receipt of sports facilities use fees to be used to maintain the sports facilities.

<u>Operator License Fund</u> – This fund accounts for receipt of vehicle operator license fees to be used to cover expenses of the improved vehicle operator licenses.

<u>Fisheries Protection Trust Fund</u> – This fund accounts for collection of fines and civil penalties, proceeds of sale of all forfeitures, and a portion of the Environmental Impact Fee to fund surveillance, enforcement and training for surveillance and enforcement of the laws related to the Palau National Marine Sanctuary.

<u>EQPB Mitigation Trust Fund</u> - This fund accounts for receipt of fines and penalties for violations of the Environmental Quality Protection Act.

Road Maintenance Fund – This fund was established to account for collections of road use tax on all motor vehicles to be used solely for the upkeep and maintenance of the Republic's national and state government roads.

<u>Giant Clam Seed Sustainability Project Fund</u> - This fund accounts for the receipt of processing fees of the Bureau of Marine Resources Marine Export Declaration Form, issuance of endangered species import/export certificates and the production of giant clam seeds. Such funds are to be used to provide assistance to clam farmers, promote and increase production of cultured clams, restock wild clam population, and increase the population of wild giant clams and preserve the species.

Palau Agricultural Fund – This fund accounts for sales and purchase of agriculture items.

<u>Compact Section 211(b) Energy Fund</u> - This fund has been established to account for funds provided pursuant to the Compact of Free Association, Section 211(b).

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

Combining Balance Sheet September 30, 2017

	10	0115	1	100118	100130		100140	1	00145	100147	1	00148	:	100149	1	100160	100	165		00170 ant Clam	30	0100	3:	11120		
		ıg Fine ection		orfeited Property	Hospital Trust	No	n-Communicable Diseases Fund	а	blication nd Law cess Unit	Sports Facilities Trust		perator icense		Fisheries rotection Trust	М	EQPB litigation Trust		oad enance	Sus	Seed tainability Project		alau cultural	Secti	ompact on 211(b) nergy		Total
<u>ASSETS</u>																										
Investments Receivables, net:	\$	-	\$	-	\$ -	\$	-	\$	-	\$ -	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	29	\$	29
General		-		-	47		-		-	-		-		-		-		-		-		-		7,188		7,235
Due from other funds		-		160,579	2,749,305		1,303,329		58,767	476		26,226		675,000		344,880	2,3	03,834		9,925		39,909		40,373	7	7,712,603
Advances Prepaids		-		-	4,969		-		-	-		-		-		-		-		-		3,477		-		8,446
Restricted assets:		-		-	12,259		-		-	-		-		-		-		-		-		-		-		12,259
Investments						_				 								-					3	,853,504	3	3,853,504
Total assets	\$		\$	160,579	\$ 2,766,580	\$	1,303,329	\$	58,767	\$ 476	\$	26,226	\$	675,000	\$	344,880	\$ 2,3	03,834	\$	9,925	\$	43,386	\$ 3	,901,094	\$11	1,594,076
<u>LIABILITIES AND FUND BALANCES</u> <u>(DEFICIT)</u>																										
Liabilities:																										
Accounts payable	\$	-	\$	-	\$ 702,313	\$	-	\$	2,256	\$ -	\$	16,226	\$	-	\$	2,656	\$	150	\$	3,078	\$	17,028	\$	-	\$	743,707
Accrued payroll and others				-	-		-		-	-		-		-		-		6,173		-		-		-		6,173
Due to other funds		1,672				_			-	 		-	_							-				-		1,672
Total liabilities		1,672		<u> </u>	702,313	_			2,256	 -		16,226	_	-		2,656		6,323		3,078		17,028				751,552
Fund balances (deficit): Restricted Committed		- (1,672)		- 160,579	- 2,064,267		- 1,303,329		- 56,511	 - 476		- 10,000		- 675,000		- 342,224	2,2	- 97,511		- 6,847		- 26,358	3	,901,094 -		3,901,094 6,941,430
Total fund balances (deficit)		(1,672)		160,579	2,064,267		1,303,329		56,511	476		10,000		675,000		342,224	2,2	97,511		6,847		26,358	3	,901,094	10	0,842,524
Total liabilities and fund balances	\$	-	\$	160,579	\$ 2,766,580	\$	1,303,329	\$	58,767	\$ 476	\$	26,226	\$	675,000	\$	344,880	\$ 2,3	03,834	\$	9,925	\$	43,386	\$ 3	,901,094	\$11	1,594,076

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

Combining Statement of Revenues, Expenditures by Function, and Changes in Fund Balances (Deficit) Year Ended September 30, 2017

	100115	100118	100130	100140	100145	100147	100148	100149	100160	100165	100170 Giant Clam	300100	311120	
	Drug Fine Collection	Forfeited Property	Hospital Trust	Non-Communicable Diseases Fund	Publication and Law Access Unit	Sports Facilities Trust	Operator License	Fisheries Protection Trust	EQPB Mitigation Trust	Road Maintenance	Seed Sustainability Project	Palau Agricultural	Compact Section 211(b) Energy	Total
Revenues: Taxes Fees and charges Other grants Licenses and permits Net change in the fair value of investments	\$ - - - - -	\$ - 9,460 - - -	6,207,303 - 53,031	\$ 1,103,033 - - - - -	\$ - 13,716 - - -	\$ - - - -	\$ - 77,350 - - -	\$ - 175,000 500,000 - -	\$ - 53,063 - -	\$ 844,038 - - - -	\$ - 46,774 - -	\$ - 45,250 - -	\$ - - - 460,281	\$ 1,947,071 6,627,916 500,000 53,031 460,281
Total revenues		9,460	6,260,334	1,103,033	13,716		77,350	675,000	53,063	844,038	46,774	45,250	460,281	9,588,299
Expenditures: Current: Ministry of State Ministry of Justice	- -	- -		- -	6,825 -	- -	- 55,318	- -	- -	- -	- -	- -	- -	6,825 55,318
Ministry of Health Ministry of Natural Resources, Environment and Tourism Ministry of Public Infrastructure,	-	-	4,704,219	-	-	-	-	-	-	-	48,876	52,457	-	4,704,219 101,333
Industry and Commerce Independent Agencies Investment management fees	- - -	- - -	- - -	- - -	- - -		- - -	- - -	9,734	337,895 - -	- - -	- - -	- - 21,352	337,895 9,734 21,352
Total expenditures			4,704,219		6,825		55,318		9,734	337,895	48,876	52,457	21,352	5,236,676
Excess (deficiency) of revenues over (under) expenditures	-	9,460	1,556,115	1,103,033	6,891	-	22,032	675,000	43,329	506,143	(2,102)	(7,207)	438,929	4,351,623
Other financing uses: Operating transfers out				(500,000)			(22,032)							(522,032)
Net change in fund balances	=	9,460	1,556,115	603,033	6,891	=	=	675,000	43,329	506,143	(2,102)	(7,207)	438,929	3,829,591
Fund balances (deficit) at beginning of year	(1,672)	151,119	508,152	700,296	49,620	476	10,000		298,895	1,791,368	8,949	33,565	3,462,165	7,012,933
Fund balances (deficit) at end of year	\$ (1,672)	\$ 160,579	\$ 2,064,267	\$ 1,303,329	\$ 56,511	\$ 476	\$ 10,000	\$ 675,000	\$ 342,224	\$ 2,297,511	\$ 6,847	\$ 26,358	\$ 3,901,094	\$ 10,842,524

NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

Combining Schedule of Expenditures by Object Year Ended September 30, 2017

	100	115	100	118	100130	1	. 00140 Non	10	0145	10	0147	10	00148	10	0149	1	.00160	1	00165		L 00170 ant Clam	3	800100	3	11120		
						Com	municable	Pub	lication	S	ports			Fis	heries		EQPB				Seed			С	ompact		
	Drug	Fine	Forfe	eited	Hospital	D	iseases	an	d Law	Fac	cilities	O	perator	Prof	tection	М	itigation		Road	Sus	stainability		Palau	Sect	ion 211(b)	
	Colle	ction	Prop	perty	Trust		Fund	Acce	ess Unit	T	rust	L	icense	T	Trust		Trust	Mai	intenance		Project	Ag	ricultural		nergy		Total
Expenditures:																											
Salaries and wages	\$	-	\$	-	\$ -	\$	-	\$	-	\$	-	\$	-	\$	-	\$	846	\$	127,614	\$	-	\$	-	\$	-	\$	128,460
Professional		-		-	99,596		-		-		-		-		-		55		66		-		9,466		-		109,183
Repairs and maintenance		-		-	104,777		-		370		-		19,214		-		-		-		5,840		1,757		-		131,958
Rental		-		-	15,339		-		-		-		-		-		-		17,676		-		726		-		33,741
Freight		-		-	26,143		-		-		-		-		-		-		-		-		15		-		26,158
Construction		-		-	-		-		-		-		-				-		-		-		-		-		-
Advertising		-		-	-		-		-		-		-		-		-		-		-		655				655
Travel		-		-	79,215		-		-		-		-		-		-		2,421		2,043		6,185		-		89,864
Communications and postage		-		-	207		-		2,774		-		-		-		170		-		-		265		-		3,416
Supplies and materials		-		-	31,209		-		3,389		-		36,104		-		6,966		36,265		25,532		18,502		-		157,967
Medical drugs		-		-	731,096		-		-		-		-		-		-		-		-		-		-		731,096
Medical supplies		-		-	873,524		-		-		-		-		-		-		-		-		-		-		873,524
Medical referrals		-		-	2,687,751		-		-		-		-		-		-		-		-		-		-		2,687,751
Petroleum products		-		-	-		-		217		-		-		-		960		9,455		11,432		12,437		-		34,501
Food stuffs		-		-	16,992		-		-		-		-		-		640		-		809		1,470		-		19,911
Utilities		-		-	-		-		-		-		-		-		97		-		-		100		-		197
Equipment		-		-	29,569		-		-		-		-		-		-		144,398		1,030		-		-		174,997
Training		-		-	-		-		-		-		-		-		-		-		2,090						2,090
Vehicles		-		-	-		-		-		-		-		-		-		-		-		-		-		-
Dues, fees and registration		-		-	-		-		75		-		-		-		-		-		100		879		-		1,054
Investment management fees		-		-	-		-		-		-		-		-		-		-		-		-		21,352		21,352
Employee incentive award		-		-	1,100		-		-		-		-		-		-		-		-		-		-		1,100
Donations		-		-	-		-		-		-		-		-		-		-		-		-		-		-
Miscellaneous		-			7,701		-		-		-		-		-		-				-		-		-	_	7,701
Total expenditures	\$	-	\$	-	\$ 4,704,219	\$	-	\$	6,825	\$	-	\$	55,318	\$	-	\$	9,734	\$	337,895	\$	48,876	\$	52,457	\$	21,352	\$	5,236,676

OTHER INFORMATION

September 30, 2017

A brief discussion of other information presented for additional analysis as of September 30, 2017, follows:

Combining Schedule of Expenditures By Object: All Governmental Funds

Other Country Grants:

Schedule of Expenditures of Other Country Grants

Other Grants:

Schedule of Expenditures of Other Grants

Combining Schedule of Expenditures by Object Governmental Funds Year Ended September 30, 2017

				Special		_				
				<u>Revenue</u>		Permanent				
						C	_	Other		
		General		Grants	Se	Compact ection 211(f)	Go	vernmental Funds		Total
Expenditures:	-	Certeral		Granes		eccion Ell(1)		Turius		Total
Salaries and wages	\$	37,829,920	\$	5,468,461	\$	_	\$	128,460	\$	43,426,841
Professional and contractual services	Ψ	718,759	Ψ	2,745,743	Ψ	_	Ψ	109,183	Ψ	3,573,685
Repairs and maintenance		920,662		317,267		_		131,958		1,369,887
Rentals		924,446		311,818		_		33,741		1,270,005
Construction		686,051		5,011,309		_		-		5,697,360
Insurance		86,456		996		_		_		87,452
Advertising		78,725		61,576		_		655		140,956
Travel		1,488,809		1,757,026		_		89,864		3,335,699
Cleaning services		99,175		150		_		-		99,325
Communications and postage		1,210,904		248,986		_		3,416		1,463,306
Supplies and materials		2,496,111		1,016,201				157,967		3,670,279
Medical drugs		234,315		1,010,201				731,096		965,411
_				62,609		-		•		
Medical supplies		215,828		62,609		-		873,524		1,151,961
Medical referrals		19,997		166 105		-		2,687,751		2,707,748
Petroleum products		791,229		166,185		-		34,501		991,915
Food stuffs		1,173,038		137,568		-		19,911		1,330,517
Books and periodicals		78,083		19,425		-		-		97,508
Utilities		2,897,510		127,737		-		197		3,025,444
Machinery		1,604		-		-		-		1,604
Equipment		597,182		713,010		-		174,997		1,485,189
Building		492,174		-		-		-		492,174
Vehicles		492,109		162,640		-		-		654,749
Furniture and fixture		75,273		<u>-</u>		-		-		75,273
Computer software		11,749		3,164		-		-		14,913
Training		36,513		91,872		-		2,090		130,475
Administrative costs		-		126,488		-		-		126,488
Dues, fees and registration		580,574		35,293		-		1,054		616,921
Investment management fees		23,535		-		1,434,104		21,352		1,478,991
Grants and contributions		1,159,969		21,000		-		-		1,180,969
Payments of allotments/benefits		19,611,779		358,618		-		-		19,970,397
Freight		4,073		16,388		-		26,158		46,619
Student loans		1,375,756		-		-		-		1,375,756
Scholarships		340,924		-		-		-		340,924
Fellowship award		55,182								55,182
Board compensation		910,510		199,298		-		-		1,109,808
Employee incentive awards		29,867		4,950		-		1,100		35,917
Allowances		-		-		-		-		-
Indirect costs		-		132,820		-		-		132,820
Donations		505,948		272,733		-		-		778,681
Representation and entertainment		24,715		1,700		-		-		26,415
Bank service fee		8,704		-		-		-		8,704
Questioned costs		-		-		-		-		-
Bad debt		-		-		-		-		-
Principal retirement		2,340,782		-		-		-		2,340,782
Interest charges Miscellaneous		456,570 11,044		- 2,056		-		- 7,701		456,570 20,801
	\$	81,096,554	\$	19,595,087	\$	1,434,104	\$	5,236,676	\$	107,362,421

OTHER COUNTRY GRANTS FUND

Schedule of Expenditures of Other Country Grants Year Ended September 30, 2017

Fund 440100 Grantor Account Title	Budget Authorizations	Receivable from Grantor (Deferred Revenue) at 9/30/16	Cash Receipts FY2017	Expenditures FY2017	Receivable from Grantor (Deferred Revenue) at 9/30/17
STATE ECONOMIC STIMULUS PACKAGE 2013					
A34816 POSTAL SERVICE POS & IT S	140,000	49,496	-	-	49,496
A34820 PVA OMR SCANNER & SOFTWAR	60,000	52,880	-	-	52,880
B30101 AIMELIIK HEAVY EQUIPMENT	300,000	(44,652)	-	-	(44,652)
B30301 ANGAUR STATE BOAT B30501 KAYANGEL STATE BOAT	150,000 150,000	(7,700) 104,400	_	-	(7,700) 104,400
B30601 KB BRIDGE KOROR-SIDE	200,000	55,304	_	-	55,304
B30602 MEYUNS OLD AIRPORT	200,000	(15,000)	_	-	(15,000)
B30801 NGARAARD RD IMPROVE PROJ	300,000	(114,713)	-	-	(114,713)
B30802 NGERCHOKL SITE DEVEL PROJ	200.000	(19,735)	-	-	(19,735)
B31001 NGARDMAU ROAD IMPROVE PRO B31201 NGATPANG ROAD IMPROVE PRO	300,000 500,000	37,192 (8,674)	- -	-	37,192 (8,674)
B31301 NGCHESAR ROAD IMPROVE PRO	325,000	(5,506)	-	-	(5,506)
B31401 NGIWAL ROAD IMPROVE PROJ	300,000	(21)	-	-	(21)
B31501 PELELIU HEAVY EQUIP REPAI	14,000	(1,760)	-	-	(1,760)
C34943 BELAU GAMES F34808 CUSTOMS KENNEL FACILITY IMPROVEMENTS	16,000	200 (4,875)	-	-	200 (4,875)
F34815 BUD SUPPORT TYPHOON BOPHA	4,000,000	1,223	- -	-	1,223
F34817 CUSTOMS INFO SYS IMPROVE	1,200,000	(251,347)	-	-	(251,347)
F34818 INFO & TELEC SYS & TECH U	400,000	140,768	-	-	140,768
F34847 BBP INSTITUTIONAL STRENGT	100,000	1,094	-	-	1,094
F3DDDU DRUG DETECTOR DOG UNIT G3PRO1 PROPERTY REPAIRS & MAINT	- 75,000	88,382 28,159	-	-	88,382 28,159
H34855 MOH UPS PURCHASE	150,000	(278,600)	_	-	(278,600)
P34944 INDEPENDENCE DAY CELEB	100,000	5,134	-	-	5,134
P3PRS1 PRES IT IMPROVEMENTS	-	161,987	-	-	161,987
P3PRS2 PRESIDENT'S SUMMIT	25,000	(2,058)	-	-	(2,058)
R34809 SOLAR POWER GEN SYST 2013 R34813 MOF PARKING LOT CONCRETIN	300,000 65,000	(250,000) 45,787	-	-	(250,000) 45,787
R34816 POSTAL SERV PARKING CONCR	60,000	58,906	_	-	58,906
R34819 A/C CHILLERS & PREVENT	630,000	(29,195)	-	-	(29,195)
R34822 MOLD ERADICATION PKG D	50,000	(50,004)	-	-	(50,004)
R34827 STRUCTURAL REPAIR PKG E-I	840,000	299,376	-	-	299,376
R34828 ACCESS ROADS & PARKING RE R34829 ELECMECH & CIV WKS PKGC	55,000	(93,750) 34,967	_	-	(93,750) 34,967
R34830 ANIMAL HUSBNRDY PROJ 2013	300,000	240,000	207,945	-	32,055
R34966 MELEKEOK SEWER SYSTEM IMP	600,000	(19,720)			(19,720)
TOTAL FY2013 STIMULUS GRANTS	11,905,000	207,945	207,945		
STATE ECONOMIC STIMULUS PACKAGE 2014					
B40602 KB BRIDGE KOROR-SIDE PARK	300,000	(6,671)	(6,629)	-	(42)
B40603 NGERBECHED ROAD IMP	300,000	(22,157)	· - ´	11,086	(11,071)
B40701 MELEKEOK WATERLINE-DISPEN	250,000	6,686	6,686	-	- (0.106)
B40801 ULIMANG-NGESANG ROAD CONS B40802 NGERCHOKL SITE DEVELOPMENT	300,000 100,000	(9,136) (88,564)	- -	10,320	(9,136) (78,244)
B40901 OKETOL DOCK ROAD IMPROVEM	300,000	(88,304)	- 79	10,320	(78,244) -
B41001 NGARDMAU STATE ROAD REHAB	375,000	(8,704)	-	5,727	(2,977)
B41101 NGAREMLENGUI RD REHAB PH3	500,000	(6,058)	-	-	(6,058)
B41201 KOKSAI-NEKKEN-TTM RD IMPR	500,000	974	974	-	-
B41202 AGUACULTURE FISH PRODUCT. B41301 NGCHESAR ROAD IMPROVEMENT	- 425,000	200,000 (6,778)	-	- 6,778	200,000
B41302 TABERNGESANG PARK IMPROVEMENT	50,000	(5,000)	- -	-	(5,000)
B41401 NGIWAL STATE RD REHAB PII	300,000	(16,677)	-	-	(16,677)
B41403 BACKHOE/LOADER	100,000	(20,000)	-	-	(20,000)
B41501 STATE CAPITOL BUILDING	300,000	135,000	135,000	-	- (10.635)
C44945 SOLAR LIGHTING-SWMNG POOL E44870 SCH. RENOV/FIXTURES EQUI	200,000 1,200,000	(19,625) (65,879)	-	-	(19,625) (65,879)
F44999 GEN. MANAGEMENT SUPPORT14	245,450	320,986	- 173,444	2,490	150,032
G44805 EXECUTIVE LUNCHEON FY14	18,000	(25,310)	-	-,	(25,310)
G4PICR PICRC RES FACILITIES EXPA	400,000	126,513	140,000	13,487	-

OTHER COUNTRY GRANTS FUND

Schedule of Expenditures of Other Country Grants Year Ended September 30, 2017

			Receivable			Receivable
			from Grantor			from Grantor
	Fund 440100	Budget	(Deferred Revenue)	Cash Receipts	Expenditures	(Deferred Revenue)
	Grantor Account Title	Authorizations	at 9/30/16	FY2017	FY2017	at 9/30/17
G4SGS0	OERC MATCHING	50,000	(11,232)	_	_	(11,232)
	PVA-OTP HOLIDAY PROJECT	10,000	(53,031)	_	-	(53,031)
G4SGS2	BBP INSTITUTIONAL STRENTH	100,000	(2,772)	-	-	(2,772)
	NGESECHEL A ERECHAR	25,000	(25,000)	-	-	(25,000)
	KRAMER WORKS TRANSLATION	25,000	35,000	-	-	35,000
	NGARAARD COMMUNITY PRICT	25,000	(25,000)	-	-	(25,000)
	BNH RO SYSTEM & PACS UPGR MICRO CNTR 4 SUST FUTURE	500,000 200,000	(115,200) (156,523)		- 57,801	(115,200) (98,722)
	PNMS PIF OUTREACH '14	87,000	86,120	_	57,601	86,120
	PAL NAT'L MARINE SANCTRY	300,000	3,459	_	_	3,459
	INDEPENDENCE DAY CELEBRAT	100,000	2,869	_	-	2,869
Q44807	PABLO RINGANG BLDG PROJ	432,000	(29,251)	-	-	(29,251)
	ANIMAL HUSBANDRY	387,800	114,000	195,300	-	(81,300)
	GROUPER RESTOCKING	362,200	-	29,700	-	(29,700)
S4HAYN	ST HAIYAN HOUSING CONSTR.	1,500,000	79,771			79,771
	TOTAL FY2014 STIMULUS GRANTS	10,267,450	392,889	674,554	107,689	(173,976)
ST	ATE ECONOMIC STIMULUS PACKAGE 2015					
	AIMELIIK HEAVY EQUIP F15	160,000	(54,748)	(40,000)	-	(14,748)
	COFA MELTELATL RD IMP F15	150,000	142,746	150,000	7,254	-
	MONGAMI ROAD IMP F15	150,000	80,153	150,000	54,847	(15,000)
	NGERKEAI MUSEUM F15 AIRAI REC PARK PROJ F15	100,000 300,000	(11,175)	200.000	4,675	(6,500)
	KB KOROR SIDE PARK F15	250,000	265,584 50,910	300,000 250,000	30,686 185,486	(3,730) (13,604)
	MELEKEOK ROAD IMP F15	300,000	240,664	300,000	45,260	(14,076)
	NGESANG-ELAB ROAD F15	300,000	(32,459)	-	32,405	(54)
B50802	ULIMANG-NGKEKLAU ROAD F15	200,000	181,093	200,000	, -	(18,907)
B50803	KUABS REC PARK F15	200,000	3,972	80,000	162,698	86,670
B50901	NGERBAU REC PARK F15	300,000	65,161	135,000	63,425	(6,414)
	NGARDMAU WATERLINE F15	250,000 300,000	237,038 241,221	250,000 300,000	∠,∠1,∕ 58,779	(10,725)
	COMPACT-IMEONG ROAD F15	200,000	174,436	200,000	(22,619)	(48,183)
	IMEONG-NGERMETENGEL RD 15	300,000	282,177	300,000	-	(17,823)
B51201	NGATPANG ROAD IMP F15	300,000	271,366	300,000	20,711	(7,923)
	NGCHESAR ROAD IMP F15	300,000	92,800	144,000	3,664	(47,536)
	TABERNGESANG IMPROV F15	50,000	(5,000)	-	-	(5,000)
	NGCHESAR BAI IMP F15	100,000	-	40,000	-	(40,000)
	NGIWAL ST RD IMPROV F15 2ND RD PAVING PEC F15	300,000	288,013 (19,000)	300,000	- 0.000	(11,987)
	STATE CAPITOL BLDG F15	100,000 300,000	240,000	300,000	9,000 60,000	(10,000)
	WTR DIST PIPES C.BECK F15	150,000	(63,349)	-	48,345	(15,004)
	MCCA CIVIC CTR RESTOR F15	400,000	322,640	400,000	50,554	(26,806)
C54947	TRACK & FIELD RESURFAC 15	435,000	423,029	435,000	-	(11,971)
C54948	ECHANG BASKETBALL ROOF 15	460,000	(38,873)	160,000	138,081	(60,792)
	CAPITAL ARCHIVES BLDG F15	300,000	279,125	300,000	12,875	(8,000)
	TAX INFO SYS UPGRADE F15	380,000	(100,000)	(20,000)	-	(80,000)
	GEN. MANAGEMENT SUPPORT15	104,391	147,286	-	83,525	230,811
	NGCHESAR STATE LAW ENFORCEMENT BBP INSTITUTIONAL STRENTH	45,000 100,000	2,740 61,106	_	(2,744) (11,871)	(4) 49,235
	PVA-OTP HOLIDAY PROJECT	5,000	(100)	_	(11,6/1)	(100)
	FRUIT FLY ERADICATION PRJ	25,000	(5,297)	_	-	(5,297)
	UPR REVIEW	25,000	(16,463)	-	5,935	(10,528)
G5SGS8	PICRC 15TH ANNIVERSARY	15,000	(2,000)	-	, -	(2,000)
	BPS POLICE UNIFORMS FY15	10,000	(2,320)	-	-	(2,320)
	13TH ICRS/IUCN	35,000	(21,823)	-	-	(21,823)
	BMR BASELINE DATA	25,000	(3,408)	-	27,995	24,587
	BNH MED EQUIP UPGRADE F15	500,000	(39,248)	-	- 162 500	(39,248)
	AGRICULTURE PROJECT / ANIMAL HUSBANDRY BABELDAOB LANDFIL DEV F15	1,100,000 200,000	199,141 122,243	200,000	162,508 65,782	361,649 (11,975)
	CAPITOL GENERATOR F15	515,000	166,366	215,000	38,732	(11,975)
	TOTAL FY2015 STIMULUS GRANTS	9,739,391	4,165,767	5,349,000	1,338,205	154,972
	101/12 112013 STITIOLOS GIVARIO	5,,55,551	1,103,707	3,313,000	1,330,203	137,372

OTHER COUNTRY GRANTS FUND

Schedule of Expenditures of Other Country Grants Year Ended September 30, 2017

Fund 440100 Grantor Account Title	Budget Authorizations	Receivable from Grantor (Deferred Revenue) at 9/30/16	Cash Receipts FY2017	Expenditures FY2017	Receivable from Grantor (Deferred Revenue) at 9/30/17
STATE ECONOMIC STIMULUS PACKAGE 2016					
B60101 COFA MELTELATL RD IMP F16	150,000	_	52,500	116	(52,384)
B60102 MONGAMI ROAD IMP F16	150,000	11,013	45,000	130,305	96,318
B60201 AIRAI REC PARK PROJ F16	300,000	20,690	255,000	259,049	24,739
B60202 PIA ROAD REPAIRS F16	200,000	6,325	200,000	175,064	(18,611)
B60701 NGERUBESANG-DISP ROAD F16	300,000	-	120,000	254,852	134,852
B60801 NGESANG-ELAB RD IMP F16	400,000	87,753	400,000	249,453	(62,794)
B60802 ULIMANG-NGKEKLAU RD F16	200,000	3,864	200,000	177,085	(19,051)
B60901 MENGELLANG-OLLEI WATR F16	250,000	-	75,000	233,620	158,620
B60902 NGERBAU RECREATIONAL PARK	300,000	-	90,000	10,912	(79,088)
B61001 NGARDMAU STATE OFFICE F16	300,000	-	75,000	101,491	26,491
B61101 COFA-IMEONG ROAD F16	200,000	-	70,000	194,464	124,464
B61102 IMEONG-NGERMETENGL RD F16	300,000	-	210,000	299,373	89,373
B61201 NGATPANG ROAD IMP F16	300,000	-	90,000	37,471	(52,529)
B61301 NGCHESAR RD IMP PROJ F16	300,000	-	90,000	22,477	(67,523)
B61302 TABERNGESANG IMP PROJ F16	100,000	4,448	85,000	26,208	(54,344)
B61303 NGCHESAR BAI IMPROVE F16	100,000	-	40,000	256.054	(40,000)
B61401 NGIWAL ST RD IMPROV F16	300,000	30,931	300,000	256,954	(12,115)
B61501 PELELIU CAPITAL BLDG F16	300,000	129,998	300,000	91,557	(78,445)
B61502 CAMPBECK-NGEREKLAI WTR 16 C64946 MCCA CIVIC CTR RESTOR F16	250,000 300,000	- 85,117	50,000 270,000	10,241 194,788	(39,759) 9,905
F64999 GEN. MANAGEMENT SUPPORT	300,000	159,325	270,000	70,464	229,789
G6PPUC PPUC POWER RATE SUBSIDY	250,000	139,323	_	70,404	229,709
G6SGS0 SMALL GRANTS SCHEME	230,000	_	_	8,762	8,762
G6SGS1 2016 YOUTH PROGRAMS	200,000	17,406	_	52,922	70,328
G6SGS2 BBP INSTIT STRENGTH FY16	100,000	(19,077)	_	8,979	(10,098)
G6SGS3 NATIONAL OUTREACH ACTVTS	50,000	(12,183)	_	-	(12,183)
H64857 BNH MED EQUIP UPGRADE F16	425,000	(109,848)	(75,000)	_	(34,848)
H64858 BNH ROOF REPAIRS & IMP 16	275,000	-	82,500	209,182	126,682
J64924 LAW ENF VEHICLES & EQUIP	600,000	-	100,000	424	(99,576)
M64830 AGRI PRJ/ANI HUSB PRO F16	1,000,000	101,790	-	282,510	384,300
M64835 BOA NGCHESAR STATN REPAIR	200,000	103,321	200,000	66,679	(30,000)
P6PNMS PAL NAT'L MARINE SANCTRY	700,000	(66,165)	· -	508,394	442,229
P6PRS1 INDEPENDENCE DAY CELEB 16	100,000	(16,560)	-	14,068	(2,492)
Q64803 JUDICIARY INFO SYS UPGRAD	200,000	(126,400)	-	110,400	(16,000)
R64825 CAPITL CONF CTR A/V EQUIP	-	(200,000)	(200,000)	-	_
S64804 T8AA FACILITY & EQUIP F16	200,000		200,000	110,659	(89,341)
TOTAL FY2016 STIMULUS GRANTS	9,300,000	211,748	3,325,000	4,168,923	1,055,671
			_		
STATE ECONOMIC STIMULUS PACKAGE 2017					
M74804 BMR HATCHERY IMPROVEMENTS	30,000	_	30,000	_	(30,000)
TOTAL FY2017 STIMULUS GRANTS	30,000		30,000		(30,000)
TOTAL TIZUT/ STIMULUS GRAINTS	30,000	 .	30,000		(30,000)
ROC TAIWAN PROJECT CENTRAL ADMINISTRATIVE COST					
P24999 ROC ADMIN COST 2012	119,042	118,974	118,974	_	_
SUB TOTAL	119,042	118,974	118,974		
SOD TOTAL	117,072	110,777	110,5/4		
GRAND TOTAL	41,360,883	5,097,323	9,705,473	5,614,817	1,006,667

OTHER NON-U.S. FEDERAL GRANTS FUND

Schedule of Expenditures of Other Non-U.S. Federal Grants Year Ended September 30, 2017

UNICCO GRANT COMMITTEE UNICCO NAP FY15 R53923 50,000 12,456 - - 12,456	Fund 360100 Grantor Account Title	Cost Center	Authorization	Receivable from Grantor (Deferred Revenue) at 9/30/16	Cash Receipts FY 2017	Expenditures FY 2017	Receivable from Grantor (Deferred Revenue) at 9/30/17
UNICCD NAP FY15	UNCCD GRANT COMMITTEE						
TOTALI UNICCD 50,000 12,456 - - 12,456 WORLD HEALTH ORGANIZATION (WHO) NATIONAL STAKEHOLDER MTNG H4WHO1 5,000 (380) - 380 - EBOLA WORKSHOP H4WHO1 5,000 (56) - 56 - IMPLEM MOIS STRATEGIC PLAN H5WH02 12,000 (6,322) - 6,322 - PH DRUGS & THERAPUTICS CO H5WH03 5,500 (71) - 71 -		R53923	50,000	12,456	_	_	12,456
NATIONAL STAKEHOLDER MTNG	Total UNCCD		50,000		-		12,456
EBOLA WORKSHOP	WORLD HEALTH ORGANIZATION (WHO)						
MMRLEM MOTH STRATEGIC PLAN	NATIONAL STAKEHOLDER MTNG	H4WHO1	5,000	(380)	-	380	-
PH DRUGS & THERAPUTICS CO	EBOLA WORKSHOP	H4WHO2	3,500	(56)	-	56	-
MINGAP TRAINING PY2015	IMPLEM MOH STRATEGIC PLAN	H5WHO1	7,200	1,736	1,736	-	-
POST NEEDS ASSESSMENT	PH DRUGS & THERAPUTICS CO	H5WHO2	12,000	(6,322)	-	6,322	-
MORID NO TOBACCO DAY 2015	MHGAP TRAINING FY2015	H5WHO3	5,500	(71)	-	71	-
ICD-10 WORKSHOP 2015	POST NEEDS ASSESSMENT	H5WHO4	10,575	(19)	-	19	-
ICC-10 PHASE II WRKSHP	WORLD NO TOBACCO DAY 2015	H5WHO5	9,715	(80)	-	80	-
FIRST EMBRACE WRKSHP H5WHO8	ICD-10 WORKSHOP 2015	H5WHO6	3,200		38	_	_
FIRST EMBRACE WKKSHP	ICD-10 PHASE II WRKSHP	H5WHO7	5,400	(337)	_	337	-
INJURY PREVENTION MTG H6WHO1 3,200 (545) - 545 - 6 GRANTS MGT OFFICE MOH H6WHO2 5,775 (150) - 150	FIRST EMBRACE WRKSHP	H5WHO8	-		1,900	_	(1,800)
WORKLOAD INDICATORS WRKSH H6WHO3 6,000 2,306 2,306 - - PEN PROTOCOL TRAINING H6WHO4 2,400 (250) - 250 - WHD DIABETES CAMPAIGN H6WHO5 3,000 (237) - 237 - HYBRID TEP SURVEY H6WHO6 21,000 (64) - 64 - MHGAP WORKSHOP 2016 H6WHO7 9,550 (3,841) - 3,841 - DSG GRAPHIC HLTH WARNING H7WHO1 6,350 - 6,350 6,343 (7) ANTIBIOTIC AWARENESS WEEK H7WH02 7,978 - 7,978 4,375 (3,603) MIGRANT POPULATION SURVEY H7WH03 8,790 - 8,790 6,679 (2,111) ALCOHOL CONTROL ACTIVITY H7WH05 864 - 864 864 964 YOUTH TOBACCO SURVEY H7WH06 10,009 - 10,009 919 (9,090) 2017 WORD HAND WASH DAY H7WH07 - - 5,000 <td>INJURY PREVENTION MTG</td> <td>H6WHO1</td> <td>3,200</td> <td>(545)</td> <td>-</td> <td>545</td> <td>-</td>	INJURY PREVENTION MTG	H6WHO1	3,200	(545)	-	545	-
WORKLOAD INDICATORS WRKSH H6WH03 6,000 2,306 2,306 - - PEN PROTOCOL TRAINING H6WH04 2,400 (250) - 250 - WHD DIABETES CAMPAIGN H6WH05 3,000 (237) - 237 - HYBRID TEP SURVEY H6WH06 21,000 (64) - 64 - MHGAP WORKSHOP 2016 H6WH07 9,550 (3,841) - 3,841 - DSG GRAPHIC HLTH WARNING H7WH01 6,350 6,330 (6,330) (3,603) MIGRANT POPULATION SURVEY H7WH02 7,978 - 7,978 4,375 (3,603) ALCOHOL CONTROL ACTIVITY H7WH05 864 - 864 864 - (6,679) (2,111) ALCOHOL CONTROL ACTIVITY H7WH05 864 - 864 864 - - 5,000 - (5,000) 2017 WORD HAND WASH DAY H7WH07 - - 5,000 - (25,000) 30 NATI	GRANTS MGT OFFICE MOH	H6WHO2	5,775	(150)	-	150	_
PEN PROTOCOL TRAINING	WORKLOAD INDICATORS WRKSH	H6WHO3	6,000		2,306	_	_
WHD DIABETES CAMPAIGN	PEN PROTOCOL TRAINING	H6WHO4	2,400		-	250	_
HYBRID TEP SURVEY	WHD DIABETES CAMPAIGN	H6WHO5	3,000		_	237	-
MHGAP WORKSHOP 2016 H6WHO7 9,550 (3,841) - 3,841 - 1,000 - 1,0	HYBRID TEP SURVEY	H6WHO6	•		-	64	-
DSG GRAPHIC HLTH WARNING	MHGAP WORKSHOP 2016	H6WHO7	-	, ,	_	3,841	-
ANTIBIOTIC AWARENESS WEEK H7WHO2 7,978 - 7,978 4,375 (3,603) MIGRANT POPULATION SURVEY H7WHO3 8,790 - 8,790 6,679 (2,111) ANTIMICROBIAL WORKSHOP H7WHO4 3,205 - 3,205 - (3,205) ALCOHOL CONTROL ACTIVITY H7WHO5 864 - 864 864 8-64 - 9,000 - 10,009 919 (9,090) 2017 WORLD HAND WASH DAY H7WHO6 10,009 - 10,009 919 (9,090) 2017 WORLD HAND WASH DAY H7WHO7 - 5 5,000 - (5,000) Total WHO APW health Career Trng 150,211 (8,172) 48,176 31,532 (24,816) GEF OPERATIONAL FOCAL POINT - 2 5,000 - (25,000) Total GEF OPERATIONAL FOCAL POINT - 2 5,000 - (25,000) Total GEF OPERATIONAL FOCAL POINT - 2 5,000 - (25,000) Total GEP OPERATIONAL FOCAL POINT - 2 5,000 - (25,000) Total GEP OPERATIONAL FOCAL POINT - 1,000 - 13,249 - (25,000) Total GEP OPERATIONAL FOCAL POINT - 1,000 - (25,000) Total GEP OPERATIONAL FOCAL POINT - 1,000 - (25,000) Total GEP OPERATIONAL FOCAL POINT - 1,000 - (25,000) Total GEP OPERATIONAL FOCAL POINT - 1,000 - (25,000) Total GEP OPERATIONAL FOCAL POINT - 1,000 - (25,000) Total GEP OPERATIONAL FOCAL POINT - 1,000 - (25,000) Total GEP OPERATIONAL FOCAL POINT - 1,000 - (25,000) Total GEP OPERATIONAL FOCAL POINT - 1,000 - (25,000) Total GEP OPERATIONAL FOCAL POINT - 1,000 - (25,000) Total GEP OPERATIONAL FOCAL POINT - 1,000 - (25,000) Total GEP OPERATIONAL FOCAL POINT - 1,000 - (25,000) Total GEP OPERATIONAL FOCAL POINT - 1,000 - (25,000) Total GEP OPERATIONAL FOCAL POINT - 1,000 - (25,000) Total GEP OPERATIONAL FOCAL POINT - 1,000 - (25,000) Total SPREP - 1,000 - 1,000 - 1,000 - (25,000) Total SPREP - 1,000 -	DSG GRAPHIC HLTH WARNING	H7WHO1			6,350	6,343	(7)
MIGRANT POPULATION SURVEY H7WHO3 8,790 - 8,790 6,679 (2,111) ANTIMICROBIAL WORKSHOP H7WHO4 3,205 - 3,205 - (3,205) ALCOHOL CONTROL ACTIVITY H7WHO5 864 - 864 864 - YOUTH TOBACCO SURVEY H7WHO6 10,009 - 10,009 919 (9,090) 2017 WORLD HAND WASH DAY H7WHO7 - - - 5,000 - (5,000) Total WHO APW health Career Trng 150,211 (8,172) 48,176 31,532 (24,816) GEF OPERATIONAL FOCAL POINT Total GEF OPERATIONAL FOCAL POINT - - 25,000 - (25,000) Total GEF OPERATIONAL FOCAL POINT - - - 25,000 - (25,000) SPREP OZONE DEPLETING SUBSTANCE A13936 38,688 (13,249) - 13,249 - OZONE DEPLETING SUBSTANCE A33936 198,000 (39,380) 25,000 53,942 (10,438)	ANTIBIOTIC AWARENESS WEEK	H7WHO2		-			
ANTIMICROBIAL WORKSHOP H7WHO4 3,205 - 3,205 - (3,205) ALCOHOL CONTROL ACTIVITY H7WHO5 864 - 864 864 - 864 9.000 YOUTH TOBACCO SURVEY H7WHO6 10,009 - 10,009 919 (9,090) 2017 WORLD HAND WASH DAY H7WHO7 - 5 5,000 - (5,000) Total WHO APW health Career Trng 150,211 (8,172) 48,176 31,532 (24,816) GEF OPERATIONAL FOCAL POINT 3RD NATIONAL BIOSAFETY REPORT M73932 - 2 25,000 - (25,000) Total GEF OPERATIONAL FOCAL POINT - 2 5,000 - (25,000) SPREP OZONE DEPLETING SUBSTANCE A13936 38,688 (13,249) - 13,249 - OZONE DEPLETING SUBSTANCE A23936 198,000 (39,380) 25,000 53,942 (10,438) OZONE DEPLETING SUBSTANCE A33936 50,000 1,397 98 - 1,299 OZONE DEPLETING SUBSTANCE A33936 50,000 1,397 98 - 1,299 OZONE DEPLETING SUBSTANCE A73936 - 9,037 15,037 - (6,000) Total SPREP UN POPS GRANTS Implement GMP for POPS A63938 36,167 (36,167) - 32,809 (3,358) EQPB- UNEP POP/NIP 2013 R3938 99,475 (55,157) - 27,633 (27,524) Total UN Pops Grants 8th OEK Orientation & WRKS 8th OEK Orie			•	-			
ALCOHOL CONTROL ACTIVITY H7WH05 864 - 864 864 - 900TH TOBACCO SURVEY H7WH06 10,009 - 10,009 919 (9,090) 2017 WORLD HAND WASH DAY H7WH07 - 5 5,000 - (5,000) Total WH0 APW health Career Trng 150,211 (8,172) 48,176 31,532 (24,816)			•	-	•	•	
YOUTH TOBACCO SURVEY H7WH06 10,009 - 10,009 919 (9,090) 2017 WORLD HAND WASH DAY H7WH07 - - 5,000 - (5,000) Total WHO APW health Career Trng 150,211 (8,172) 48,176 31,532 (24,816) GEF OPERATIONAL FOCAL POINT 3RD NATIONAL BIOSAFETY REPORT M73932 - - 25,000 - (25,000) Total GEF OPERATIONAL FOCAL POINT - - - 25,000 - (25,000) SPREP OZONE DEPLETING SUBSTANCE A13936 38,688 (13,249) - 13,249 - OZONE DEPLETING SUBSTANCE A23936 198,000 (39,380) 25,000 53,942 (10,438) OZONE DEPLETING SUBSTANCE A33936 50,000 1,397 98 - 1,299 OZONE DEPLETING SUBSTANCE A73936 - 9,037 15,037 - (6,000) TOTAL SPREP 286,688 (42,195) 40,135 67,191<	ALCOHOL CONTROL ACTIVITY	H7WHO5	•	-	•	864	
Total WHO APW health Career Tring		H7WHO6	10,009	-	10,009	919	(9,090)
SPREP	2017 WORLD HAND WASH DAY	H7WHO7	•		•		
SPREP	Total WHO APW health Career Trng		150,211	(8,172)	48,176	31,532	(24,816)
SPREP	GEF OPERATIONAL FOCAL POINT						
Total GEF OPERATIONAL FOCAL POINT - - 25,000 - (25,000)	· ·	M73932	-	-	25,000	-	(25,000)
OZONE DEPLETING SUBSTANCE A13936 38,688 (13,249) - 13,249 - OZONE DEPLETING SUBSTANCE A23936 198,000 (39,380) 25,000 53,942 (10,438) OZONE DEPLETING SUBSTANCE A33936 50,000 1,397 98 - 1,299 OZONE DEPLETING SUBSTANCE A73936 - 9,037 15,037 - (6,000) Total SPREP 286,688 (42,195) 40,135 67,191 (15,139) UN POPS GRANTS Implement GMP for POPS A63938 36,167 (36,167) - 32,809 (3,358) EQPB- UNEP POP/NIP 2013 R33938 99,475 (55,157) - 27,633 (27,524) Total UN Pops Grants 135,642 (91,324) - 60,442 (30,882) 8th OEK Orientation & WRKS K93948 22,000 (281) - - - (281) Support to ROP Congress Projects K13948 200,000 (823) - - - (823)	Total GEF OPERATIONAL FOCAL POINT		_				
OZONE DEPLETING SUBSTANCE A13936 38,688 (13,249) - 13,249 - OZONE DEPLETING SUBSTANCE A23936 198,000 (39,380) 25,000 53,942 (10,438) OZONE DEPLETING SUBSTANCE A33936 50,000 1,397 98 - 1,299 OZONE DEPLETING SUBSTANCE A73936 - 9,037 15,037 - (6,000) Total SPREP 286,688 (42,195) 40,135 67,191 (15,139) UN POPS GRANTS Implement GMP for POPS A63938 36,167 (36,167) - 32,809 (3,358) EQPB- UNEP POP/NIP 2013 R33938 99,475 (55,157) - 27,633 (27,524) Total UN Pops Grants 135,642 (91,324) - 60,442 (30,882) 8th OEK Orientation & WRKS K93948 22,000 (281) - - - (281) Support to ROP Congress Projects K13948 200,000 (823) - - - (823)	CDDED						
OZONE DEPLETING SUBSTANCE A23936 198,000 (39,380) 25,000 53,942 (10,438) OZONE DEPLETING SUBSTANCE A33936 50,000 1,397 98 - 1,299 OZONE DEPLETING SUBSTANCE A73936 - 9,037 15,037 - (6,000) Total SPREP 286,688 (42,195) 40,135 67,191 (15,139) UN POPS GRANTS Implement GMP for POPS A63938 36,167 (36,167) - 32,809 (3,358) EQPB- UNEP POP/NIP 2013 R33938 99,475 (55,157) - 27,633 (27,524) Total UN Pops Grants 135,642 (91,324) - 60,442 (30,882) 8th OEK Orientation & WRKS K93948 22,000 (281) - - - (281) Support to ROP Congress Projects K13948 200,000 (823) - - - (823)		A12026	20.600	(12.240)		12 240	
OZONE DEPLETING SUBSTANCE A33936 50,000 1,397 98 - 1,299 OZONE DEPLETING SUBSTANCE A73936 - 9,037 15,037 - (6,000) Total SPREP 286,688 (42,195) 40,135 67,191 (15,139) UN POPS GRANTS Implement GMP for POPS A63938 36,167 (36,167) - 32,809 (3,358) EQPB- UNEP POP/NIP 2013 R33938 99,475 (55,157) - 27,633 (27,524) Total UN Pops Grants 135,642 (91,324) - 60,442 (30,882) 8th OEK Orientation & WRKS K93948 22,000 (281) - - - (281) Support to ROP Congress Projects K13948 200,000 (823) - - - (823)						•	(10.430)
OZONE DEPLETING SUBSTANCE A73936 - 9,037 15,037 - (6,000) Total SPREP 286,688 (42,195) 40,135 67,191 (15,139) UN POPS GRANTS Implement GMP for POPS A63938 36,167 (36,167) - 32,809 (3,358) EQPB- UNEP POP/NIP 2013 R33938 99,475 (55,157) - 27,633 (27,524) Total UN Pops Grants 135,642 (91,324) - 60,442 (30,882) 8th OEK Orientation & WRKS 8493948 22,000 (281) - - (281) Support to ROP Congress Projects K13948 200,000 (823) - - (823)					•	53,942	
Total SPREP 286,688 (42,195) 40,135 67,191 (15,139) UN POPS GRANTS Implement GMP for POPS A63938 36,167 (36,167) - 32,809 (3,358) EQPB- UNEP POP/NIP 2013 R33938 99,475 (55,157) - 27,633 (27,524) Total UN Pops Grants 135,642 (91,324) - 60,442 (30,882) 8th OEK Orientation & WRKS 8th OEK Orientation & WRKS K93948 22,000 (281) - - - (281) Support to ROP Congress Projects K13948 200,000 (823) - - - (823)			50,000	•		-	·
UN POPS GRANTS Implement GMP for POPS A63938 36,167 (36,167) - 32,809 (3,358) EQPB- UNEP POP/NIP 2013 R33938 99,475 (55,157) - 27,633 (27,524) Total UN Pops Grants 135,642 (91,324) - 60,442 (30,882) 8th OEK Orientation & WRKS 8th OEK Orientation & WRKS K93948 22,000 (281) - - - (281) Support to ROP Congress Projects K13948 200,000 (823) - - - (823)		A73930	286 688	·		67 191	
Implement GMP for POPS A63938 36,167 (36,167) - 32,809 (3,358) EQPB- UNEP POP/NIP 2013 R33938 99,475 (55,157) - 27,633 (27,524) Total UN Pops Grants 135,642 (91,324) - 60,442 (30,882) 8th OEK Orientation & WRKS 8th OEK Orientation & WRKS K93948 22,000 (281) - - - (281) Support to ROP Congress Projects K13948 200,000 (823) - - - (823)			200,000	(42,133)	40,133	07,131	(13,133)
EQPB- UNEP POP/NIP 2013 R33938 99,475 (55,157) - 27,633 (27,524) Total UN Pops Grants 135,642 (91,324) - 60,442 (30,882) 8th OEK Orientation & WRKS 8th OEK Orientation & WRKS K93948 22,000 (281) - - - (281) Support to ROP Congress Projects K13948 200,000 (823) - - - (823)			26.467	(0.5.1.57)			(0.050)
Total UN Pops Grants 135,642 (91,324) - 60,442 (30,882) 8th OEK Orientation & WRKS 8th OEK Orientation & WRKS K93948 22,000 (281) - - - (281) Support to ROP Congress Projects K13948 200,000 (823) - - - (823)					-		
8th OEK Orientation & WRKS 8th OEK Orientation & WRKS K93948 22,000 (281) - - (281) Support to ROP Congress Projects K13948 200,000 (823) - - (823)	,	K33930			<u>-</u> _		
8th OEK Oreintation & WRKS K93948 22,000 (281) - - - (281) Support to ROP Congress Projects K13948 200,000 (823) - - - (823)	rotal oly rops didlits		133,042	(31,324)		00,442	(30,002)
Support to ROP Congress Projects K13948 200,000 (823) - - (823)	8th OEK Orientation & WRKS						
	8th OEK Oreintation & WRKS	K93948	22,000	(281)	-	-	(281)
Total Other Grants to OEK		K13948			<u> </u>		
	Total Other Grants to OEK		222,000	(1,104)			(1,104)

OTHER NON-U.S. FEDERAL GRANTS FUND

Schedule of Expenditures of Other Non-U.S. Federal Grants Year Ended September 30, 2017

		-	•			
			Receivable			Receivable
			from Grantor			from Grantor
F 1260400			(Deferred	Cash	- "	(Deferred
Fund 360100 Grantor Account Title	Cost Center	Authorization	Revenue) at 9/30/16	Receipts FY 2017	Expenditures FY 2017	Revenue) at 9/30/17
TNC GRANTS	172052	4.000		4.000	2.000	(4.040)
LAW ENFORCEMENT CAPACITY	J73952	4,000	- (40 572)	4,000	2,990	(1,010)
PAN LEGAL FRAMEWORK FY13	M3TNC1	15,000	(10,573)	-	7,026	(3,547)
FISHERY DATA COLLECTION	M3TNC2	50,000	(15)	25,000	7,389	(17,626)
TUNA FISHERIES PROJECT Cooperative Grant Agreement with Pres	M53952 P63952	200,000 50,000	(23,959) (8,065)	80,000	96,626 5,183	(7,333) (2,882)
Total TNC Grants	103332	319,000	(42,612)	109,000	119,214	(32,398)
			(12/012)	103/000		(32/330)
MARINE SANCTUARY CONTRIBUTIONS	MCMCO4	F0 000	(27.006)		25.442	(4.054)
MARINE SANCTUARY MS Italy - PICRC	M6MC01 M6MC02	50,000 39,200	(27,096) (16,153)	-	25,142 14,061	(1,954) (2,092)
MARINE SANCTUARY -TNC	M7MC01	125,000	(10,155)	125,000	14,304	(110,696)
PNMS OCEAN CONSERVATION	P63955	110,652	(80,607)	-	43,772	(36,835)
PNMS Netherlands Cont2017	P73955	44,425		44,425	3,070	(41,355)
Total Marine Sanctuary		369,277	(123,856)	169,425	100,349	(192,932)
SPREP GRANTS (Fruit Fly)						
National Invasive Species	R33957	101,608	(1,402)	-	-	(1,402)
Total SPREP Grants		101,608	(1,402)	-		(1,402)
Secretariat Pacific Comm						
GCCA/PSIS OERC 2013	A33961	125,227	(1,161)	_	_	(1,161)
SPC-DRM-CC-BSRP	A43961	10,760	4,206	_	_	4,206
PLANTS BRFEEDING PROJ FY2015	A53961	11,264	(1,639)			(1,639)
PALAU ISSAC PROJECT		•	(1,039)	-	10.005	
	F73961	85,000	-	85,000	19,085	(65,915)
MAP Water and Sewer Lines FY14	R43961	13,750	38	-	5,996	6,034
ENERGY PLANNER PEO ACP-EU BSRP	R53961 V73961	14,700 6,885	(61) -	- 6,860	5,064	(61) (1,796)
Total SPC Grants	V/3901	267,586	1,383	91,860	30,145	(60,332)
				<u> </u>		
EUROPEAN UNION - ASCE ASCE-CCCPIR-ICC 2016	A6GIZ1	70,000	9,104	_	24,137	33,241
ASCE-CCCPIR-FPS 2016	G6GIZ2	526,961	37,413	100,116	86,085	23,382
Total European Union Grants		596,961	46,517	100,116	110,222	56,623
PACIFIC ISLANDS FORUM						
SIDS OFM PROJECT II	M73963	19,540	_	19,540	27,108	7,568
PAC ISLAND FORUM FY14	P43963	775,000	(176,756)	19,540	27,100	(176,756)
Total Pacific Island Forum Grants	5565	794,540	(176,756)	19,540	27,108	(169,188)
		<u> </u>				
REPUBLIC OF CHINA GRANTS						
HAIYAN- Health Donation	H43966	89,400	(34)	-	-	(34)
Ebassy of ROC Donation	N33966	100,000	(1,201)	-	-	(1,201)
Typhoon Haiyan Releif	N43966	-	(66,930)	-	-	(66,930)
PRES UN/PIF MEETING	P33966	50,000	(4,363)	-	3,095	(1,268)
KOREA DONATION TO KEC	S43966		(72 520)		3,095	(60,422)
Total Republic of China Grants		239,400	(72,528)		3,095	(69,433)
FORUM SECRETARIAT	50006		(75.000)			(75,000)
PIFS PELELIU DS& PGS 2013	R33967	2,270,000	(75,299)			(75,299)
Total Forum Secretariat Grants		2,270,000	(75,299)	<u> </u>		(75,299)
FISHERIES FORUM AGENCY						
Vessel Monitoring System	J13971	123,938	(34,095)	23,093	32,865	(24,323)
FFA PROJECTS	M4FFA0	444,935	(50,994)	99,807	132,754	(18,047)
Palau PDF 15%	R03971	74,774	994	-	-	994
FFA 2013	R33971	25,000	(4,626)		4,218	(408)
Total Fisheries Forum Agency		668,647	(88,721)	122,900	169,837	(41,784)

OTHER NON-U.S. FEDERAL GRANTS FUND

Schedule of Expenditures of Other Non-U.S. Federal Grants Year Ended September 30, 2017

Fund 360100 Grantor Account Title	Cost Center	Authorization	Receivable from Grantor (Deferred Revenue) at 9/30/16	Cash Receipts FY 2017	Expenditures FY 2017	Receivable from Grantor (Deferred Revenue) at 9/30/17
AUSTRALIAN GRANTS						
MCCA-BPNA Palauan Language & CASP	C1ARC1	10,725	(12,248)	-	12,028	(220)
MCCA-BPNA Survey Analysis	C1ARC2	12,558	12,028	12,028	-	-
DYNA DATABASE	C5DAP1	17,000	(9,021)	(9,021)	-	-
TESOL TRAINING 2013	E33975	34,800	(18,960)	-	-	(18,960)
ANGAUR MACAQUE REMOVAL CAP BLDG HUMAN RIGHTS FY'12	M53975 P23975	100,000	(100,000) 20,064	<u>-</u>		(100,000) 20,064
Total Australian Grants		175,083	(108,137)	3,007	12,028	(99,116)
JAPAN GRANTS						
DR. OGATA DONATION	E63976	2,000	(2,000)	2,072	1,095	(2,977)
JCM CRT 2015	M53976	14,612	(932)	9,073	6,891	(3,114)
Total Japan Grants		16,612	(2,932)	11,145	7,986	(6,091)
PROTECTED AREAS NETWORK						
NR MARITIME SURVEILLANCE	J73997	115,153		115,153	4,237	(110,916)
		115,153		115,153	4,237	(110,916)
PACIFIC COMMUNITY GRANTS						
RIDGE TO REEF PROJ 2016	M63978	50,754	(44,754)	6,000	41,832	(8,922)
Total Pacific Community Grants		50,754	(44,754)	6,000	41,832	(8,922)
SPREP GRANTS						
E-WASTE PROJECT - EQPB	A63979	12,000	(12,000)	-	7,198	(4,802)
Total SPREP Grants		12,000	(12,000)	- [7,198	(4,802)
WILD AID DAGWARD FOUNDATION						
WILD AID - PACKARD FOUNDATION EQPB EBM Project Cycle II	A03980	85,012	2,422	_	_	2,422
Total WildAid-Packard Foundation	A03300	85,012	2,422			2,422
<u>PICRC</u> Palau Market Study	M6PC01	42,944	_	43,894	21,065	(22,829)
raidu Plaiket Study	1101 C01	42,944		43,894	21,065	(22,829)
				,		(22/025)
DYNA - COMPUTER SYSTEMS	1153000	40.000	(2.010)	2.742	6.662	
PW MOH MILLION FY15 HYBRID SURVEY ASTHO	H53988 H63698	40,000 80,000	(3,919) 61,187	2,743 71,910	6,662 10,723	-
Total DYNA Grants	1103030	120,000	57,268	74,653	17,385	
				,		
MOH SMALL GRANTS - OTHERS			/\			(= ===)
MOH SEOW FY2011	H13991	100,000	(2,657)	-	-	(2,657)
MOH SEOW FY2012	H23991	75,000	(2,508)	-	-	(2,508)
MOH SEOW 2013 BUILD EVAL CAPACITY 2014	H33991 H4EDC1	95,000 30,000	(4,571) (1,573)	-	3,180	(1,391) (1,573)
Total MOH Small Grants	HILDOI	300,000	(11,309)	_	3,180	(8,129)
			(==/===)			(-//
LSTA STATE GRANTS	FF2002	26.000	26.000	26.000		
IMLS LSTA 2015	E53992	36,000	36,000	36,000	-	-
IMLS LSTA 2016 IMLS LSTA 2017	E63992 E73992	36,000 42,000	-	36,000	36,000 11,349	11,349
Total LSTA State Grants	2,0332	114,000	36,000	72,000	47,349	11,349
				. 2,000	.,,5.5	
UNITED NATIONS DEVELOPMENT PROGRAMME	ממפחם	E1 070		22 402	10 520	(12.002)
SEDREA	P98922	51,870 51,870		23,403 23,403	10,520 10,520	(12,883) (12,883)
		31,070	·	23,703	10,320	(12,003)
UNDP/UNCCD/GEF	EC0022	130.003	F 450	100 227	04.06=	(40.042)
UNDP-OERC ENVIRONMENT PROJ Total UNDP	F68923	139,892	5,458	100,337	84,067 84,067	(10,812)
IULAI UNDE		139,892	5,458	100,337	84,007	(10,812)

OTHER NON-U.S. FEDERAL GRANTS FUND

Schedule of Expenditures of Other Non-U.S. Federal Grants Year Ended September 30, 2017

Fund 360100 Grantor Account Title	Cost Center	Authorization	Receivable from Grantor (Deferred Revenue) at 9/30/16	Cash Receipts FY 2017	Expenditures FY 2017	Receivable from Grantor (Deferred Revenue) at 9/30/17
UNEP GRANTS						
UNEP-GEF-SSFA-SRM	A58926	110,070	(5,186)	-	5,186	-
UNEP-SSFA-ODS SURVEY	A68926	30,000	(30,000)	-	21,485	(8,515)
2ND NAT'L COMM 2013	M38926	50,400	(7,223)	-	6,000	(1,223)
ADV SUSTAINABLE RES MGT	M78926	625,080	-	625,080	603,243	(21,837)
M78926 SUB CONTRACT	M7BOA1	95,500	-	95,500	39,031	(56,469)
M78926 SUB CONTRACT	M7BOT1	54,000	-	54,000	13,748	(40,252)
M78926 SUB CONTRACT	M7EQPB	17,200	-	17,200	9,739	(7,461)
M78926 MNRET SUB CONT	M7NRET	75,500	-	75,500	55,497	(20,003)
M78926 SUB CONTRACT	M7PAN1	154,000	-	154,000	122,902	(31,098)
NBSAP/ 5TH CBD RPT NBSAP/ 5TH RPT CBD	R28926 R38926	209,500	(41,147) 503	503	21,081	(20,066)
Total UNEP Grants		1,421,250	(83,053)	1,021,783	897,912	(206,924)
OTHER FOREIGN GRANTS						
PIF Expenses 2016 SWEDISH UPR-HRC	S48952 S68952	1,423,296 38,034	142,421	- 38,034	23,023 18,562	165,444 (19,472)
Total Other Foreign Grants		1,461,330	142,421	38,034	41,585	145,972
JORAFI CRANTO DONATIONO						
ISRAEL GRANTS-DONATIONS GRANT FOR STATE TRAVEL	S68953	16,500				
MOS TRAVEL MEETING EXP	S78953	34,827	-	34,827	3,385	(31,442)
Total Israel Grant-Donations		51,327		34,827	3,385	(31,442)
DROUGHT BELIEF FUND DOG		·				
DROUGHT RELIEF FUND ROC DROUGHT RELIEF DONATIONS	R68954	30,000	(20,000)			(20,000)
Total Drought Relief	K00934	30,000	(30,000)			(30,000)
Total Broaght Kener			(30,000)			(30,000)
UNIVERSITY OF SOUTH PACIFIC						
PIPCA-BPSS	F68955	13,853	(8)	-		(8)
Total Drought Relief		13,853	(8)			(8)
HOSPITAL EQUIP - IINDIA GRT						
T8AA RADIO STATION	P68968	-	77,221	-	4,909	82,130
YOUTH PROJECTS	P6YS01	-	194,939	-	-	194,939
Ministry of State Equipments	S08968	100,000	(3,570)	-	-	(3,570)
Submarine Cable Feasabiltiy	S18968	100,000	(947)	-	-	(947)
45TH PIF COMMITTEE	S48968	-	- (00.074)	-	-	- (2.245)
2ND FORUM FOR IPIC	S58968	55,274	(30,274)		28,059	(2,215)
Total India Grants		255,274	237,369	 -	32,968	270,337
IWRM Project (SOPAC)						
IWRM Project (SOPAC)	A78975	31,300	11,612	-	-	11,612
SOPAC-Ngerikiil Watershed	A98975	765,466	(30,007)	-	-	(30,007)
IWRM BOA	M98975	48,000	(2,748)	-	-	(2,748)
Water Policy Activities	P18975	42,900	6,803	6,803	-	-
IWRM EQPB LAB	R28975	23,500	(62)	-	-	(62)
IWRM Palaris	R98975	30,000	(5,343)	6,803	-	(5,343)
Total IWRM		941,166	(19,745)	0,803		(26,548)
ENERGY SECT IN 5 ACP ISLS						
TECH COOP FACILITY II	F78979	180,000		122,563		(122,563)
Total Energy Grants		180,000		122,563		(122,563)
NEMO PEACESAT ASSISTANCE						
ISC MEETING	V68980	4,253	(696)	-	-	(696)
Total PeaceSat Assistance		4,253	(696)			(696)

OTHER NON-U.S. FEDERAL GRANTS FUND

Schedule of Expenditures of Other Non-U.S. Federal Grants Year Ended September 30, 2017

		•	·			
Fund 360100 Grantor Account Title	Cost Center	Authorization	Receivable from Grantor (Deferred Revenue) at 9/30/16	Cash Receipts FY 2017	Expenditures FY 2017	Receivable from Grantor (Deferred Revenue) at 9/30/17
DOC TAXWANI OTHER CRANTS						
ROC TAIWAN OTHER GRANTS BBP INSTITUTIONAL STRENGT MPS/PIF/UNGA/UNCC MTGS'17 MOS MEDIA & OUTREACH PROJ UN OCEANS CONFERENCE	F7BBP1 P78982 S78982 S7SGS1	50,000 80,000 100,000 100,000	- - - -	80,000 - -	47,490 53,281 82,383 90,200	47,490 (26,719) 82,383 90,200
		330,000		80,000	273,354	193,354
TAIWAN ROC GRANTS						
UNFCC COP 20 Travel Support	A58984	-	(527)	-	_	(527)
COMMUNITY ACTVTY SMALL G	C78984	250,000	-	250,000	197,204	(52,796)
23RD INDEP DAY CELEBRATIO	C7INDD	50,000	-	50,000	43,779	(6,221)
UNFCC MEETING - OERC	F78984	18,319	-	18,319	(1,682)	(20,001)
DRUG TASK FORCE	J68984	150,000	(36,147)	-	22,109	(14,038)
PALAU LEGACY CAMPAIGN	P7PRS1	-	- (25.057)	-	70,000	70,000
SIS LEADERS SPECIAL MTG	S68984	200,000	(35,857)		15,039	(20,818)
Total ROC Grants		668,319	(72,531)	318,319	346,449	(44,401)
RESEARCH CORP UH-RCUH						
PALAU CANCER REGISTRY	H38985	113,277	5,541			5,541
Total RCUH Grants		113,277	5,541			5,541
Continental Shelf 09-00180						
Contintal Shelf	R98988	154,765	(357)			(357)
Total Continental Shelf		154,765	(357)			(357)
PALAU CONSERVATION SOCIETY (PCS)						
REVIVE TRADNL CROPLANDS	A78989	12,675		12,675	5,405	(7,270)
		12,675		12,675	5,405	(7,270)
UNIVERSITIES						
Reach Chip Project FY2015-Uinversity of Haw	H58990	-	6,319	8,000	-	(1,681)
Total Universities			6,319	8,000		(1,681)
CAMUCA						
SAMHSA BUGG 2014	1140000	42.022	(1.071)			(1.071)
BHSIS 2014 BHSIS 2015	H48993	42,033	(1,071)	- 712	-	(1,071)
BHSIS 2016	H58993 H68993	61,813 61,813	212 15,954	713 15.453	-	(501) 501
BHSIS 2017	H78993	61,813	(5,049)	46,360	45,254	(6,155)
Total SAMHSA		227,472	10,046	62,526	45,254	(7,226)
KUWAIT - HUMAN RIGHTS						
Human Rights Project	S48994	50,000	(1,368)	7,743	9,111	
EXTREME DROUGHT SUPPORT	V78994	20,000	(1,308)	20,000	4,231	(15,769)
Total Kuwait Human Rights		70,000	(1,368)	27,743	13,342	(15,769)
ADB - HIES	FERRORE	20.000	(104.214)	20.000	40,373	(02.041)
Palau HIES TA8581-REG Total ADB - HIES	F58995	<u>20,000</u> 20,000	(104,314) (104,314)	20,000 20,000	40,373	(83,941) (83,941)
		20,000	(104,514)	20,000	40,373	(03,541)
PARTIES TO THE NAURU FUND						
PAN - MPA PAN - MPA 2017	R58996	95,715	(4,950)	-	366	(4,584)
Total Parties to Nauru Fund	R78996	62,500 158,215	(4,950)	62,500 62,500	12,644 13,010	(49,856) (54,440)
		130,213	(4,330)	02,300	13,010	(34,440)
PFTAC GRANTS	ACETO1	F 070	(3)			/- >
FIC AFSPM WORKSHOP Total PFTAC Grants	A6FIC1	<u>5,079</u>	<u>(7)</u> (7)	-		(7)
		5,079				(7)
Total Other Grants		13,813,134	(656,930)	2,991,517	2,689,019	(959,428)