

MELEKEOK STATE GOVERNMENT

STATEMENTS OF RECEIPTS AND DISBURSEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2017 AND 2016

## INDEPENDENT AUDITORS' REPORT

Honorable Henaro Polloi  
Governor  
Melekeok State Government:

### **Report on the Financial Statements**

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

### ***Management's Responsibility for the Statements of Receipts and Disbursements***

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

### ***Auditor's Responsibility***

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

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

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

## ***Opinion***

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

## ***Emphasis of Matter***

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

Our opinion is not modified with respect to this matter.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2020 on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control over financial reporting and compliance.

*Deloitte & Touche LLC*

March 11, 2020

MELEKEOK STATE GOVERNMENT

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

|   | <u>2017</u>         | <u>2016</u>       |
|---|---------------------|-------------------|
| Receipts:                                       |                     |                   |
| Republic of Palau block grant appropriation     | \$ 409,589          | \$ 371,429        |
| PAN Fund  | 87,854              | 117,138           |
| Local revenue                                   | 53,383              | 103,611           |
| Fishing rights fees                             | 22,244              | 72,292            |
| WIOA  | 5,616               | 9,350             |
| Other grants                                    | -                   | 60,000            |
| Proceeds from sale of boat and trailer          | -                   | 2,000             |
| Other revenues                                  | <u>45,954</u>       | <u>62,767</u>     |
| Total receipts                                  | <u>624,640</u>      | <u>798,587</u>    |
| Disbursements:                                  |                     |                   |
| Personnel costs                                 | 445,624             | 401,751           |
| Goods and services                              | 177,601             | 120,974           |
| Other expenses                                  | <u>197,097</u>      | <u>111,322</u>    |
| Total disbursements                             | <u>820,322</u>      | <u>634,047</u>    |
| Receipts (less than) in excess of disbursements | <u>\$ (195,682)</u> | <u>\$ 164,540</u> |

See accompanying notes to statements of receipts and disbursements.

## MELEKEOK STATE GOVERNMENT

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

#### (1) Basis of Accounting

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

#### (2) Melekeok Economic Development and Investment Authority

A legal entity was created in 2016 with the passage of Melekeok State Public Law (MSPLAW) No. 9-01, for the State of Melekeok to be known as Melekeok Economic Development and Investment Authority (MEDIA), which was previously known as Melekeok Investment and Finance Authority. MEDIA is a component unit of the State and is responsible for developing economic projects and undertaking commercial enterprise of state-wide significance for the benefit of the State of Melekeok. MEDIA is comprised of a five-member Board appointed by the Governor with two being appointed by the High Chief. All revenues derived or generated from any contracts, transactions, dealings or undertakings by MEDIA shall be deposited in a separate and segregated account under the Melekeok State Treasury, and administered only by MEDIA. Funds in this account can be used by Melekeok State Government only after it has been authorized by MEDIA and appropriated by the Melekeok State Legislature. During the years ended September 30, 2017 and 2016, the State received \$-0- and \$81,901, respectively, from MEDIA.

Restricted State cash represents amounts held and administered by MEDIA in accordance with MSPLAW No. 9-01. Restricted cash at September 30, 2017 and 2016 amounted to \$328,794 and \$328,597, respectively.