

NGARCHELONG STATE GOVERNMENT
(A State of the Republic of Palau)

Statements of Receipts and Disbursements
and
Independent Auditors' Report

Years Ended September 30, 2017 and 2016



BURGER · COMER · MAGLIARI
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Honorable Richard Ngiratrang
Governor
Ngarchelong State Government

Report on Financial Statements

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

Management's Responsibility for 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 determining the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 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 receipts and disbursements referred to above present fairly, in all material respects, the receipts and disbursements of Ngarchelong State Government for the years ended September 30, 2017 and 2016, on the basis of accounting as described in Note 2.

Emphasis of Matter - Basis of Accounting

We draw attention to Note 2 of the statements of receipts and disbursements, which describes the basis of accounting. The statements of receipts and disbursements are prepared on the cash basis of accounting, 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 February 10, 2021, on our consideration of 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and considering State's internal control over financial reporting and compliance.



February 10, 2021

NGARCHELONG STATE GOVERNMENT
(A State of the Republic of Palau)

Statements of Receipts and Disbursements
September 30, 2017 and 2016

	2017	2016
Receipts:		
Republic of Palau block grant appropriation	\$ 165,150	\$ 170,373
Grants	137,818	11,759
Fees and permits	81,805	75,716
Lease revenues	35,550	35,346
Fishing rights fees	22,731	64,569
Green Fees	20,306	39,798
Miscellaneous revenues	14,077	12,443
Total receipts	477,437	410,004
Disbursements:		
Executive Branch	331,902	294,534
Legislative Branch	180,835	177,215
Community Programs	44,558	32,347
Office of the Treasury	44,381	45,818
Public Works and Projects	43,228	97,413
Public Lands Authority	10,732	10,816
Total disbursements	655,636	658,143
Receipts less than disbursements	\$ (178,199)	\$ (248,139)

See accompanying notes to statements of receipts and disbursements.

**NGARCHELONG STATE GOVERNMENT
REPUBLIC OF PALAU**

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

(1) Organization

Ngarchelong State is one of the sixteen (16) states of the Republic of Palau (ROP) and is organized and structured under Article XI, Section 1 of the ROP Constitution and Article 1. On October 8, 1982, the Ngarchelong the State Constitution was ratified, creating Ngarchelong State Constitutional Government. According to the State Constitution, Ngarchelong is composed of eight (8) municipalities that are each headed by a traditional chief. Article VI of the Ngarchelong State Constitution provides the structure for the legislative, executive, and judicial branches of government. No branch shall exercise powers properly belonging to another.

Legislative authority is vested by Article VII of the State Constitution in the State Assembly consisting of one house. Each municipality shall be represented in the State Legislature by its chief and one elected representative who shall be elected by the voters of that municipality for a term of two years. Pursuant to the State Constitution, the Legislature shall have the power to: appropriate State funds; levy and impose taxes; promote the general welfare of the citizens; promote economic development; and to enact any laws and exercise all other powers of the government of Ngarchelong State.

Ngarchelong State Public Lands Authority

The Ngarchelong State Government Public Law (NSGPL) No.06-17 repealed Municipal Ordinance No. 30-80 and created the Ngarchelong State Public Lands Authority (NSPLA). The Act further repeals and supersedes all previous laws pertaining to the structure and membership of the Authority. Pursuant to the law, the NSPLA is governed by a Board of Trustees that consists of seven (7) members as follows: the Governor, Chief, and five (5) other members of which three (3) are appointed by the Governor and two (2) are appointed by Chief with the advice and consent of the State Assembly. Each member shall serve a term of four (4) years. On October 14, 2011, the NSPLA adopted land lease rules and regulations manual entitled "The Regulations Affecting Public Lands" for the purpose of implementing NSGPL No. 06-17, Title 35 PNC§ 215, and which regulations were adopted by the Palau Public Lands Authority on April 6, 1999.

(2) Basis of Accounting

The accompanying statement of cash receipts and disbursements have been prepared on the cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recognized when received in cash and disbursements are recognized when disbursed.

(3) Restricted Cash

The State had restricted cash in a trust fund totaling \$37,019 and \$25,005 as of September 30, 2017 and 2016, respectively.