REPUBLIC OF PALAU

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS IN ACCORDANCE WITH OMB CIRCULAR A-133

YEAR ENDED SEPTEMBER 30, 2013
# REPUBLIC OF PALAU

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2013

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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, 2013, 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 National Development Bank of Palau, the Palau Community College, the Palau National Communications Corporation, and the Palau District Housing Authority, which represent 50%, 31%, and 40%, respectively, of the assets, 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 National Development Bank of Palau, 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.

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, 2013, 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.

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 3 through 15 as well as the Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund and notes thereto, on pages 69 and 70, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other 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. In our opinion, the Other Supplementary 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, 2014, 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 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 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.
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, 2013. We encourage readers to consider the information presented here in conjunction with the Republic’s basic financial statements, which follow this section. Fiscal year 2012 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 $346.6 million (net position), decreased by $12.0 million (or -3%) from net position of $358.6 million in the prior year. Of this amount, $170.3 million represents the Republic’s investment in capital assets; $189.8 million represents amounts restricted for various purposes, with the remaining deficiency of $13.5 million to be funded from future governmental activities.

- During the current fiscal year, the Republic’s expenses for governmental activities were $115.4 million and were funded in part by $41.1 million in program revenues and $51.4 million in taxes and other general revenues. General revenues increased by $3.1 million (or 6%) from $48.3 million in the prior year to $51.4 million, which was attributable primarily to the increase in tax and unrestricted grant revenues of $1.0 and $2.0 million, respectively. Expenses decreased marginally by $2.2 million (or 1.8%) from $117.6 million in the prior year to $115.4 million, which was attributable primarily to the increase in general government expenses offset by the decrease in transportation and commerce expenses.

- The Compact Section 211(f) Trust Fund generated net revenues of $22.8 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 $189.6 million from $171.8 million in the prior year (up 10.4%).

- For the current fiscal year, the General fund revenues (and other financing sources) of $70.9 million fell below general fund expenditures (and other financing uses) of $71.2 million. General fund revenues (and other financing sources) were down $3.5 million (or 4.7%) from prior year primarily due to loan proceeds received in 2012 offset by an increase in general revenues in 2013. Concurrently, General Fund appropriations (and other financing uses) were up $7.5 million (or 11.7%) from prior year primarily due to super typhoon Bopha expenditures.

- On July 1, 2013, the Division of Utilities (water and wastewater operation) of the Republic was transferred to the Palau Public Utilities Corporation. The Republic transferred related infrastructure assets of $13 million to the corporation contributing to the overall decrease in the total net position.

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.

The two government-wide financial statements report the Republic’s net position and how such has 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 is 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.
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 $346.6 million at the close of the most recent fiscal year. However, all net position is either restricted as to the purpose that such can be used for or is 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 is 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 $20.8 million while its current liabilities were $25.7 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.
Net Position
As of September 30

<table>
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<th>Governmental Activities 2013</th>
<th>Governmental Activities 2012</th>
<th>Total Percentage Change 2013-2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current and other assets</td>
<td>$214,841,162</td>
<td>$201,641,918</td>
<td>6.5%</td>
</tr>
<tr>
<td>Capital assets</td>
<td>183,591,953</td>
<td>214,928,104</td>
<td>-14.6%</td>
</tr>
<tr>
<td>Total assets</td>
<td>398,433,115</td>
<td>416,570,022</td>
<td>-4.4%</td>
</tr>
<tr>
<td>Long-term debt outstanding</td>
<td>23,129,883</td>
<td>24,729,881</td>
<td>-6.5%</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>28,703,092</td>
<td>33,194,947</td>
<td>-13.5%</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>51,832,975</td>
<td>57,924,828</td>
<td>-10.5%</td>
</tr>
<tr>
<td>Net position:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net investment in capital assets</td>
<td>170,335,800</td>
<td>200,070,957</td>
<td>-14.9%</td>
</tr>
<tr>
<td>Restricted</td>
<td>189,833,897</td>
<td>172,093,832</td>
<td>10.3%</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>(13,569,557)</td>
<td>(13,519,595)</td>
<td>0.4%</td>
</tr>
<tr>
<td>Total net position</td>
<td>$346,600,140</td>
<td>$358,645,194</td>
<td>-3.4%</td>
</tr>
</tbody>
</table>

At the end of the current fiscal year, the Republic’s unrestricted net position deficiency was $13.5 million, an increase on the prior year amount by $0.05 million (or 0.4%). This deficiency is the result of having long-term commitments that are greater than currently available resources. Specifically, the Republic did not include in past annual budgets the full amounts needed to finance future liabilities arising from MICB and 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 decreased by $12 million, representing a decrease of 3.4% from the prior year’s amount of $358.6 million. This result indicates that the Republic’s financial condition, as a whole, did not improve 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.

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<thead>
<tr>
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<th>Governmental Activities 2013</th>
<th>Governmental Activities 2012</th>
<th>Total Percentage Change 2013-2012</th>
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</thead>
<tbody>
<tr>
<td>Revenues:</td>
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<td>Program revenues:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charges for services</td>
<td>$13,662,034</td>
<td>$11,717,802</td>
<td>16.6%</td>
</tr>
<tr>
<td>Other general revenues</td>
<td>23,780,100</td>
<td>32,043,549</td>
<td>-25.8%</td>
</tr>
<tr>
<td>Capital grants and contributions</td>
<td>3,620,780</td>
<td>-</td>
<td>100.00%</td>
</tr>
<tr>
<td></td>
<td>41,062,914</td>
<td>43,761,351</td>
<td>-6.2%</td>
</tr>
</tbody>
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## REPUBLIC OF PALAU
### Management’s Discussion and Analysis
#### Year Ended September 30, 2013

<table>
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<th>General revenues:</th>
<th>Governmental Activities</th>
<th>Governmental Activities</th>
<th>Percentage Change 2013-2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2012</td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td>36,783,530</td>
<td>35,797,619</td>
<td>2.8%</td>
</tr>
<tr>
<td>Other general revenues</td>
<td>14,642,429</td>
<td>12,542,832</td>
<td>16.7%</td>
</tr>
<tr>
<td></td>
<td><strong>51,425,959</strong></td>
<td><strong>48,340,451</strong></td>
<td><strong>6.4%</strong></td>
</tr>
<tr>
<td>Total revenues</td>
<td><strong>92,488,873</strong></td>
<td><strong>92,101,802</strong></td>
<td><strong>0.4%</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenses:</th>
<th>Governmental Activities</th>
<th>Governmental Activities</th>
<th>Percentage Change 2013-2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2012</td>
<td></td>
</tr>
<tr>
<td>General government</td>
<td>28,205,671</td>
<td>21,535,629</td>
<td>31%</td>
</tr>
<tr>
<td>Education</td>
<td>14,556,632</td>
<td>15,933,447</td>
<td>-8.6%</td>
</tr>
<tr>
<td>Health and welfare</td>
<td>18,611,703</td>
<td>17,091,111</td>
<td>8.9%</td>
</tr>
<tr>
<td>Public safety</td>
<td>5,403,569</td>
<td>3,733,438</td>
<td>44.7%</td>
</tr>
<tr>
<td>Cultural affairs and recreation</td>
<td>3,065,046</td>
<td>6,054,443</td>
<td>-49.4%</td>
</tr>
<tr>
<td>Transportation and commerce</td>
<td>38,823,765</td>
<td>46,701,730</td>
<td>-16.9%</td>
</tr>
<tr>
<td>State government appropriations</td>
<td>5,362,553</td>
<td>4,735,883</td>
<td>13.2%</td>
</tr>
<tr>
<td>Depreciation – unallocated</td>
<td>865,241</td>
<td>1,185,241</td>
<td>-27.0%</td>
</tr>
<tr>
<td>Interest</td>
<td><strong>575,675</strong></td>
<td><strong>601,030</strong></td>
<td><strong>-4.2%</strong></td>
</tr>
<tr>
<td></td>
<td><strong>115,469,855</strong></td>
<td><strong>117,571,952</strong></td>
<td><strong>-1.8%</strong></td>
</tr>
<tr>
<td>Special item</td>
<td><strong>(12,975,020)</strong></td>
<td></td>
<td>100.0%</td>
</tr>
<tr>
<td>Contributions to permanent funds</td>
<td><strong>23,910,948</strong></td>
<td><strong>31,507,618</strong></td>
<td>-24.1%</td>
</tr>
<tr>
<td>Change in net position</td>
<td><strong>(12,045,054)</strong></td>
<td><strong>6,037,468</strong></td>
<td><strong>-299.5%</strong></td>
</tr>
<tr>
<td>Net position, beginning of year</td>
<td><strong>358,645,194</strong></td>
<td><strong>352,607,726</strong></td>
<td><strong>1.7%</strong></td>
</tr>
<tr>
<td>Net position, end of year</td>
<td><strong>$ 346,600,140</strong></td>
<td><strong>$ 358,645,194</strong></td>
<td><strong>-3.4%</strong></td>
</tr>
</tbody>
</table>

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

- The Compact Section 211(f) Trust Fund contributions of $23.9 million decreased by $7.6 million (or 24%) from prior fiscal year when the trust fund earnings contributed $31.5 million. Overall revenues increased marginally in the current year by $0.4 million (or 0.4%) with overall expenses decreasing in the current year by $2.2 million (or 1.8%). In addition, the Republic recorded a special item of $13 million relating to the transfer of infrastructure assets to the Palau Public Utilities Corporation.
REPUBLIC OF PALAU

Management’s Discussion and Analysis
Year Ended September 30, 2013

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
Revenues
For the Years Ended September 30

Dollars ($ millions)

A significant portion of the Republic’s general revenues involves tax revenue collections. At $36.8 million in the current year, tax revenues were slightly higher than the $35.8 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
For the Years Ended September 30

Dollars ($ millions)

- Cost of governmental activities decreased in the current year by $2.2 million (down 1.8%) compared with prior year. Education and health related expenses comprised of $33.2 million (or 29%) of total expenses in the current year as compared with $33 million (or 28%) in the prior year, which reflects the Republic’s continued priorities in terms of annual appropriations.
Graphs 3 and 4 below indicate the major component of revenues and cost of governmental activities.

Graph 3
Revenue Sources
For the Year Ended September 30, 2013

Compact funding, local taxes and federal and other grants are the major sources of revenue for the Republic, which comprise 87% of the total revenues for the current year. The remaining 13% is primarily comprised of various fees and service charges.

Graph 4
Cost of Governmental Activities
For the Year Ended September 30, 2013

Other expenses that make up a portion of the costs of governmental activities include State government appropriations ($5.4 million), unallocated depreciation expense ($0.9 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 2013 and 2012.
Other expenses in the current year includes State government appropriations of $5.4 million, increased by $0.6 million from the prior year; and interest expense of $0.6 million, which is consistent with that recorded in the prior year.
Analysis of Changes in Net Position

During the current fiscal year, the Republic’s total net position decreased by $12 million compared with an increase in the prior fiscal year of $6 million. The key element of this decrease is the special item associated with the transfer of infrastructure assets to the Palau Public Utilities Corporation of $13 million, and of Compact Section 211(f) Trust Fund contributions of $23.9 million in the current fiscal year, down by $7.6 million in the prior fiscal year when the trust fund earnings contributed $31.5 million. The elements of these changes are reflected below:

<table>
<thead>
<tr>
<th></th>
<th>Governmental Activities 2013</th>
<th>Governmental Activities 2012</th>
<th>Total Percentage Change 2013-2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>General revenues:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td>$36,783,530</td>
<td>$35,797,619</td>
<td>2.8%</td>
</tr>
<tr>
<td>Other general revenues</td>
<td>14,642,429</td>
<td>12,542,832</td>
<td>16.7%</td>
</tr>
<tr>
<td>Total general revenues</td>
<td>51,425,959</td>
<td>48,340,451</td>
<td>6.4%</td>
</tr>
<tr>
<td>Expenses, net of program revenues:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General government</td>
<td>19,618,616</td>
<td>12,844,527</td>
<td>52.7%</td>
</tr>
<tr>
<td>Education</td>
<td>10,751,844</td>
<td>9,630,614</td>
<td>11.6%</td>
</tr>
<tr>
<td>Health and welfare</td>
<td>10,331,194</td>
<td>9,251,456</td>
<td>11.7%</td>
</tr>
<tr>
<td>Public Safety</td>
<td>5,206,778</td>
<td>3,542,525</td>
<td>47.0%</td>
</tr>
<tr>
<td>Cultural affairs and recreation</td>
<td>(355,112)</td>
<td>3,901,356</td>
<td>-109.1%</td>
</tr>
<tr>
<td>Transportation and commerce</td>
<td>22,295,445</td>
<td>28,117,969</td>
<td>-20.7%</td>
</tr>
<tr>
<td>State government appropriations</td>
<td>5,117,260</td>
<td>4,735,883</td>
<td>8.1%</td>
</tr>
<tr>
<td>Depreciation – unallocated</td>
<td>865,241</td>
<td>1,185,241</td>
<td>-27.0%</td>
</tr>
<tr>
<td>Interest</td>
<td>575,675</td>
<td>601,030</td>
<td>-4.2%</td>
</tr>
<tr>
<td>Total expenses, net</td>
<td>74,406,941</td>
<td>73,810,601</td>
<td>18.4%</td>
</tr>
<tr>
<td>Special item</td>
<td>(12,975,020)</td>
<td>-</td>
<td>100.0%</td>
</tr>
<tr>
<td>Contributions to permanent fund</td>
<td>23,910,948</td>
<td>31,507,618</td>
<td>-24.1%</td>
</tr>
<tr>
<td>Change in net position</td>
<td>$ (12,045,054)</td>
<td>$ 6,037,468</td>
<td>-299.5%</td>
</tr>
</tbody>
</table>

General revenues increased by $3.1 million (or 6.4%) from the previous fiscal year. The increase was primarily due to increases in other general revenues of $ 2.1 million (or 16.7%) compared with prior year, and tax revenues of $ 1.0 million (or 2.8%) 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 $193.0 million, which represents an increase of $17.5 million (or 10.0%) in comparison with the prior year. This increase is primarily attributable to Trust Fund earnings contribution. Of this total combined fund balance, $193.1 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; $4.6 million is designated as restricted and is constrained for specific purposes which are externally imposed; and $0.2 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 a negative $4.9 million, indicating a deficit in unassigned fund balances.

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 reflected a deficit of $3.8 million. Total fund balance was $0.1 million compared with a total fund balance of $0.4 million at the end of the prior fiscal year.

The Grants Fund has a total fund balance of $0.01 million, which primarily represents other grants revenues received not yet expended at year end. The net decrease in fund balance during the current year in the Grants Fund was $0.01 million (or 5.5%).

The Compact Section 211(f) Trust Fund has a total fund balance of $189.6 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 $17.9 million (or 10.4%), 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 $18.1 million.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the fiscal year, budget revisions of $2.1 million were made by management and elected officials of the Republic to the General Fund budget. Revenues collected (including other financing sources) of $66.3 million were lower than budgeted amounts of $69.6 million due primarily to a decrease in local revenue collections, which fell short of budgeted amounts by $3.6 million. In addition, charges to appropriations (including other financing uses) of $67.8 million were lower than budgeted amounts of $70.2 million due primarily to expenditures associated with the executive branch and debt service of $57.3 million and $2.2 million, respectively, which were lower than budgeted amounts of $60 million and $2.4 million, respectively.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Republic’s investment in capital assets for its governmental activities as of September 30, 2013 amounted to $407.4 million (including $18.3 million of land and construction in progress), net of accumulated depreciation of $223.8 million, leaving a net book value of $183.6 million. This represents a decrease of $31.3 million from the amount of $214.9 million 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)

<table>
<thead>
<tr>
<th>Governmental Activities</th>
<th>Governmental Activities</th>
<th>Total Percentage Change 2013-2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>2012</td>
<td></td>
</tr>
<tr>
<td>Buildings and other improvements</td>
<td>$82,833,103</td>
<td>$87,992,217</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>1,763,018</td>
<td>5,073,435</td>
</tr>
<tr>
<td>Vehicles</td>
<td>1,311,306</td>
<td>1,394,710</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>79,395,095</td>
<td>98,455,024</td>
</tr>
<tr>
<td>Land</td>
<td>3,899,403</td>
<td>3,850,294</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>14,390,028</td>
<td>18,162,424</td>
</tr>
<tr>
<td>Total</td>
<td>$183,591,953</td>
<td>$214,928,104</td>
</tr>
</tbody>
</table>

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

- Completion of the following infrastructure projects:

<table>
<thead>
<tr>
<th>Infrastructure Project</th>
<th>Current Year Additions ($ millions)</th>
<th>Completed Cost ($ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>One light project</td>
<td>$0.20</td>
<td>$0.2</td>
</tr>
<tr>
<td>PIA Master Plan</td>
<td>$0.01</td>
<td>$0.8</td>
</tr>
<tr>
<td>PHS Dorm Project</td>
<td>$0.50</td>
<td>$0.7</td>
</tr>
<tr>
<td>Various Road Rehabilitation Projects</td>
<td>$2.80</td>
<td>$12.3</td>
</tr>
</tbody>
</table>

- Acquisition of the following machinery and equipment:

<table>
<thead>
<tr>
<th>Machinery &amp; Equipment</th>
<th>Current Year Additions ($ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>BP 16CT</td>
<td>$0.1</td>
</tr>
</tbody>
</table>

- Ongoing construction in progress of the following infrastructure projects:

<table>
<thead>
<tr>
<th>Infrastructure Project</th>
<th>Current Year Additions ($ millions)</th>
<th>Completed Cost ($ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>PIA Secondary Apron Phase II, IA</td>
<td>$2.6</td>
<td>$9.8</td>
</tr>
<tr>
<td>Two 162-tons chillers</td>
<td>$0.3</td>
<td>$0.3</td>
</tr>
<tr>
<td>Feed Batch Equipment</td>
<td>$0.3</td>
<td>$0.3</td>
</tr>
<tr>
<td>Melekeok Sewer Pump Improvement</td>
<td>$0.3</td>
<td>$0.3</td>
</tr>
</tbody>
</table>

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 four separate loans with the Mega International Commercial Bank and the Asian Development Bank (ADB) (See table below). Long-term debt obligations decreased by $1.6 million (or 6.5%) in the current fiscal year.

Outstanding Long-term Debt
September 30

<table>
<thead>
<tr>
<th>Activities</th>
<th>Governmental Activities 2013</th>
<th>Governmental Activities 2012</th>
<th>Total Change 2013-2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Republic of Palau Capitol Building</td>
<td>$7,999,991</td>
<td>$9,142,849</td>
<td>-12.5%</td>
</tr>
<tr>
<td>Palau International Airport Repaving</td>
<td>5,257,158</td>
<td>5,714,298</td>
<td>-8.0%</td>
</tr>
<tr>
<td>Water Sector Improvement (Loan #2691)</td>
<td>6,400,000</td>
<td>6,400,000</td>
<td>0.0%</td>
</tr>
<tr>
<td>Water Sector Improvement (Loan # 2692)</td>
<td>3,472,734</td>
<td>3,472,734</td>
<td>0.0%</td>
</tr>
<tr>
<td>Total</td>
<td>$23,129,883</td>
<td>$24,729,881</td>
<td>6.5%</td>
</tr>
</tbody>
</table>

Additional information on the Republic’s long-term debt can be found in note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET (FY2013)

In Fiscal Year 2013, actual tax revenues collected was $36.8 million, an increase of 2.8% from the $35.8 million collected in Fiscal Year 2012. The increase in collection of $1 million was primarily due to increase in hotel occupancy tax. Collection from hotel occupancy tax was $4.1 million, a 24% increase from the $3.3 million collected in Fiscal Year 2012. Traveler’s head tax collections saw a slight decrease from $2.5 million in Fiscal Year 2012 to $2.4 million or 6.4% decrease in Fiscal Year 2013. This was mainly due to the cessation of some flights from Asia, the recent increase in tourism-related fees, and the U.S. dollar appreciation. Compact Revenues has basically remained fairly constant while indirect cost recoveries fluctuates and depends on program size. Investment earnings continue to decline as a result of global financial and economic crisis in addition to the Compact’s economic provision agreement which ended in 2009. The government continues to tap into the remaining balances of its investment principal value for budgetary support as it awaits the outcome of its new Compact Agreement.

Although revenue collection saw an increase in collections in Fiscal 2013 from previous year the government continues to struggle to balance its budget mainly due to increasing energy costs which is affecting prices and cost across all sectors. 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. Again in 2013, new measures were introduced to support medium-term fiscal consolidation and reduce fiscal risks. These measures include eliminating import duty exemptions, moving to CIF valuation, replacing the gross revenue tax with a corporate income tax, and adopting a value-added tax (VAT).
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 sufficient bridge between revenue collection and budgetary requirements. The administration again will try to push through the previously introduced revenue generation measures including a few additional measures, i.e. room tax and visitor’s departure tax increases as well as an increase of road use tax.

The current administration has tried to be more conservative in its revenue projection approach however the current size of the government in addition to rising costs has ultimately made it more difficult to balance the Budget at year end. This task is more challenging due to additional spending required to mitigate the impact of Typhoon Bopha that hit Palau in December. The administration realizes that the only long term solution to the current imbalance in its revenue collection and expenditure is either enactment of new revenue sources or reduction in government “fixed costs”, i.e. salary and wages and utilities or combination of both.

Looking beyond Fiscal Year 2013, revenue collections will gradually improve going forward. This can be attributed to the improving global economies, the recent increase in the tobacco tax, the anticipated recovery of tourism, and the adoption of new IT system by the Bureau of Taxation and Customs. The government continues in its efforts to limit the growth of the wage bill, including by reducing redundancy in government services and promoting outsourcing, while ensuring adequate resources for essential government functions and services.

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.
## ASSETS

<table>
<thead>
<tr>
<th></th>
<th>Primary Government</th>
<th>Component Units</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 5,933,084</td>
<td>$ 13,726,570</td>
</tr>
<tr>
<td>Investments</td>
<td>3,406,565</td>
<td>-</td>
</tr>
<tr>
<td>Receivables, net of allowance for uncollectibles</td>
<td>8,521,389</td>
<td>11,751,278</td>
</tr>
<tr>
<td>Inventories</td>
<td>46,468</td>
<td>9,289,676</td>
</tr>
<tr>
<td>Due from primary government</td>
<td>-</td>
<td>3,169,562</td>
</tr>
<tr>
<td>Due from component units</td>
<td>1,000,000</td>
<td>-</td>
</tr>
<tr>
<td>Other current assets</td>
<td>1,547,174</td>
<td>791,107</td>
</tr>
<tr>
<td><strong>Restricted assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>304,154</td>
<td></td>
</tr>
<tr>
<td>Time certificates of deposit</td>
<td>-</td>
<td>452,959</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>$ 20,758,834</td>
<td>$ 39,181,152</td>
</tr>
<tr>
<td><strong>Noncurrent assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>1,185,755</td>
<td>759,884</td>
</tr>
<tr>
<td><strong>Capital assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nondepreciable capital assets</td>
<td>18,289,431</td>
<td>2,166,962</td>
</tr>
<tr>
<td>Capital assets, net of accumulated depreciation</td>
<td>165,302,522</td>
<td>60,644,232</td>
</tr>
<tr>
<td>Foreclosed real estate</td>
<td>-</td>
<td>1,675,540</td>
</tr>
<tr>
<td>Other noncurrent assets</td>
<td>-</td>
<td>51,550</td>
</tr>
<tr>
<td><strong>Restricted assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>192,896,753</td>
<td>6,993,523</td>
</tr>
<tr>
<td><strong>Total noncurrent assets</strong></td>
<td>$ 377,674,281</td>
<td>$ 94,425,803</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$ 398,433,115</td>
<td>$ 133,606,955</td>
</tr>
</tbody>
</table>

## LIABILITIES

<table>
<thead>
<tr>
<th></th>
<th>Primary Government</th>
<th>Component Units</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Note payable</td>
<td>$ 198,142</td>
<td>-</td>
</tr>
<tr>
<td>Current portion of long-term obligations</td>
<td>1,743,812</td>
<td>2,654,103</td>
</tr>
<tr>
<td>Current portion of compensated absences payable</td>
<td>1,914,888</td>
<td>-</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>8,194,605</td>
<td>8,353,543</td>
</tr>
<tr>
<td>Contracts payable</td>
<td>1,170,581</td>
<td>-</td>
</tr>
<tr>
<td>Due to State governments</td>
<td>2,981,242</td>
<td>-</td>
</tr>
<tr>
<td>Due to component units</td>
<td>2,608,635</td>
<td>-</td>
</tr>
<tr>
<td>Due to external parties</td>
<td>-</td>
<td>321,435</td>
</tr>
<tr>
<td>Accrued payroll and others</td>
<td>3,603,287</td>
<td>1,688,943</td>
</tr>
<tr>
<td>Unearned revenue</td>
<td>949,652</td>
<td>479,756</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>1,524,888</td>
<td>1,637,870</td>
</tr>
<tr>
<td>Income tax refunds</td>
<td>817,561</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>$ 25,707,293</td>
<td>$ 15,135,650</td>
</tr>
<tr>
<td><strong>Noncurrent liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Noncurrent portion of long-term obligations</td>
<td>21,386,071</td>
<td>38,935,428</td>
</tr>
<tr>
<td>Compensated absences payable, net of current portion</td>
<td>1,739,611</td>
<td>-</td>
</tr>
<tr>
<td>Due to U.S. Government</td>
<td>3,000,000</td>
<td>-</td>
</tr>
<tr>
<td>Due to primary government</td>
<td>-</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Due to external parties</td>
<td>-</td>
<td>4,934,491</td>
</tr>
<tr>
<td><strong>Total noncurrent liabilities</strong></td>
<td>$ 26,125,682</td>
<td>$ 44,869,919</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>$ 51,832,975</td>
<td>$ 60,005,569</td>
</tr>
</tbody>
</table>

## NET POSITION

<table>
<thead>
<tr>
<th></th>
<th>Primary Government</th>
<th>Component Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net investment in capital assets</td>
<td>170,335,800</td>
<td>30,089,329</td>
</tr>
<tr>
<td><strong>Restricted for:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Future operations</td>
<td>189,648,021</td>
<td>-</td>
</tr>
<tr>
<td>Endowment</td>
<td>-</td>
<td>3,152,031</td>
</tr>
<tr>
<td>Debt service</td>
<td>-</td>
<td>16,379,578</td>
</tr>
<tr>
<td>Compact related</td>
<td>41,516</td>
<td></td>
</tr>
<tr>
<td>Other purposes</td>
<td>144,360</td>
<td>9,735,092</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>(13,569,557)</td>
<td>14,245,356</td>
</tr>
<tr>
<td><strong>Total net position</strong></td>
<td>$ 346,600,140</td>
<td>$ 73,601,386</td>
</tr>
<tr>
<td><strong>Total liabilities and net position</strong></td>
<td>$ 398,433,115</td>
<td>$ 133,606,955</td>
</tr>
</tbody>
</table>

See accompanying notes to basic financial statements.
### Functions/Programs

#### Primary government:
**Governmental activities:**

<table>
<thead>
<tr>
<th>Category</th>
<th>Operating Expenses</th>
<th>Grants and Services</th>
<th>Grants and Contributions</th>
<th>Primary Government</th>
<th>Component Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>General government</td>
<td>$ 28,205,671</td>
<td>$ 7,150,656</td>
<td>$ 1,436,399</td>
<td>- $ (19,618,616)</td>
<td>-</td>
</tr>
<tr>
<td>Education</td>
<td>14,556,632</td>
<td>3,804,788</td>
<td>-</td>
<td>(10,751,844)</td>
<td>-</td>
</tr>
<tr>
<td>Health and welfare</td>
<td>18,611,703</td>
<td>3,034,245</td>
<td>5,246,264</td>
<td>(10,331,194)</td>
<td>-</td>
</tr>
<tr>
<td>Public safety</td>
<td>5,403,569</td>
<td>59,720</td>
<td>137,071</td>
<td>(5,206,778)</td>
<td>-</td>
</tr>
<tr>
<td>Cultural affairs and recreation</td>
<td>3,065,066</td>
<td>3,417,413</td>
<td>2,745</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Transportation and commerce</td>
<td>38,823,765</td>
<td>-</td>
<td>12,907,540</td>
<td>(22,295,445)</td>
<td>-</td>
</tr>
<tr>
<td>State government appropriations</td>
<td>5,362,553</td>
<td>-</td>
<td>245,293</td>
<td>(5,117,260)</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation - unallocated</td>
<td>865,241</td>
<td>-</td>
<td>-</td>
<td>(865,241)</td>
<td>-</td>
</tr>
<tr>
<td>Interest</td>
<td>575,675</td>
<td>-</td>
<td>-</td>
<td>(575,675)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total primary government</strong></td>
<td>$115,469,855</td>
<td>$ 13,662,034</td>
<td>$ 23,780,100</td>
<td>$ (74,406,941)</td>
<td>-</td>
</tr>
</tbody>
</table>

#### Component units:

<table>
<thead>
<tr>
<th>Category</th>
<th>Operating Expenses</th>
<th>Grants and Services</th>
<th>Grants and Contributions</th>
<th>Primary Government</th>
<th>Component Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Development Bank of Palau</td>
<td>$ 1,796,060</td>
<td>$ 1,712,943</td>
<td>50,010</td>
<td>-</td>
<td>(33,107)</td>
</tr>
<tr>
<td>Palau Community College</td>
<td>7,755,892</td>
<td>755,787</td>
<td>5,711,560</td>
<td>-</td>
<td>(1,288,545)</td>
</tr>
<tr>
<td>Palau National Communications Corporation</td>
<td>10,664,037</td>
<td>10,437,496</td>
<td>-</td>
<td>-</td>
<td>(226,541)</td>
</tr>
<tr>
<td>Palau International Coral Reef Center</td>
<td>1,072,702</td>
<td>325,992</td>
<td>622,200</td>
<td>-</td>
<td>(124,510)</td>
</tr>
<tr>
<td>Palau Visitors Authority</td>
<td>667,367</td>
<td>58,500</td>
<td>-</td>
<td>-</td>
<td>(608,867)</td>
</tr>
<tr>
<td>Public Utilities Corporation</td>
<td>28,901,738</td>
<td>26,553,759</td>
<td>345,258</td>
<td>1,429,921</td>
<td>-</td>
</tr>
<tr>
<td>Palau District Housing Authority</td>
<td>118,662</td>
<td>94,927</td>
<td>-</td>
<td>-</td>
<td>(23,735)</td>
</tr>
<tr>
<td>Protected Areas Network Fund</td>
<td>1,229,511</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(1,229,511)</td>
</tr>
<tr>
<td><strong>Total component units</strong></td>
<td>$ 52,205,969</td>
<td>$ 39,939,404</td>
<td>$ 6,729,028</td>
<td>$ 3,432,642</td>
<td>-</td>
</tr>
</tbody>
</table>

#### General revenues:

<table>
<thead>
<tr>
<th>Category</th>
<th>Operating Expenses</th>
<th>Grants and Services</th>
<th>Grants and Contributions</th>
<th>Primary Government</th>
<th>Component Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business gross receipts</td>
<td>12,195,793</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Salary and wage</td>
<td>7,356,812</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Alcohol and tobacco</td>
<td>5,561,299</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Hotel occupancy</td>
<td>4,121,823</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Travelers head</td>
<td>2,384,399</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>General import</td>
<td>2,175,399</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Fuel export</td>
<td>745,847</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Fish export</td>
<td>431,582</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>1,810,576</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Grants and contributions not restricted for specific programs</td>
<td>13,147,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Unrestricted investment earnings</td>
<td>522,467</td>
<td>482,737</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Contributions from primary government</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>8,486,074</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>972,962</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total general revenues</strong></td>
<td>51,425,959</td>
<td>8,968,811</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

#### Special item - transfer of water and wastewater infrastructure assets

<table>
<thead>
<tr>
<th>Category</th>
<th>Operating Expenses</th>
<th>Grants and Services</th>
<th>Grants and Contributions</th>
<th>Primary Government</th>
<th>Component Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions to permanent funds</td>
<td>(12,975,020)</td>
<td>-</td>
<td>-</td>
<td>(12,975,020)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total general revenues, special item and contributions</strong></td>
<td>62,361,887</td>
<td>21,943,831</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

#### Change in net position

<table>
<thead>
<tr>
<th>Category</th>
<th>Operating Expenses</th>
<th>Grants and Services</th>
<th>Grants and Contributions</th>
<th>Primary Government</th>
<th>Component Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net position at beginning of year</td>
<td>358,645,194</td>
<td>53,762,450</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net position at end of year</strong></td>
<td>$346,600,140</td>
<td>$ 73,601,386</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

See accompanying notes to basic financial statements.
### Republic of Palau

#### Balance Sheet
Governmental Funds
September 30, 2013

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>General</th>
<th>Grants</th>
<th>Compact</th>
<th>Section 211(f)</th>
<th>Permanent</th>
<th>Other</th>
<th>Governmental</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 5,933,084</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$ 5,933,084</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>4,592,111</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>29</td>
<td>4,592,140</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables, net:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td>4,226,030</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4,226,030</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General</td>
<td>240,492</td>
<td>1,277</td>
<td>-</td>
<td>1,226</td>
<td>-</td>
<td>242,995</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal agencies</td>
<td>-</td>
<td>4,049,430</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4,049,430</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued interest</td>
<td>2,934</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,934</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due from component units</td>
<td>1,000,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,000,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due from other funds</td>
<td>2,427,618</td>
<td>712,453</td>
<td>-</td>
<td>20,413</td>
<td>-</td>
<td>3,603,095</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advances</td>
<td>175,821</td>
<td>107,670</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>283,491</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventory</td>
<td>46,468</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>46,468</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prepaid items</td>
<td>112,904</td>
<td>1,130,366</td>
<td>-</td>
<td>20,413</td>
<td>-</td>
<td>1,263,683</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>304,154</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>304,154</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>-</td>
<td>-</td>
<td>189,896,865</td>
<td>-</td>
<td>-</td>
<td>189,896,865</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2,999,888</td>
<td>192,896,753</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>$ 19,061,616</td>
<td>$ 6,001,196</td>
<td>$ 189,896,865</td>
<td>$ 3,484,580</td>
<td>$ 218,444,257</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| LIABILITIES AND FUND BALANCES | | | | | | | | |
| Liabilities: | | | | | | | | |
| Note payable | $ 198,142 | $ - | $ - | $ - | $ - | $ 198,142 |
| Accounts payable | 6,141,017 | 1,783,716 | - | 269,872 | - | 8,194,605 |
| Contracts payable | - | 1,170,581 | - | - | - | 1,170,581 |
| Due to State governments | 2,981,242 | - | - | - | - | 2,981,242 |
| Due to component units | 2,608,635 | - | - | - | - | 2,608,635 |
| Due to other funds | 1,175,477 | 2,159,884 | 248,844 | 18,890 | - | 3,603,095 |
| Accrued payroll and others | 3,421,227 | - | - | - | - | 3,421,227 |
| Other liabilities | 1,421,925 | 102,963 | - | - | - | 1,524,888 |
| Unearned revenues | 180,454 | 769,198 | - | - | - | 949,652 |
| Income tax refunds | 817,561 | - | - | - | - | 817,561 |
| Total liabilities | 18,945,680 | 5,986,342 | 248,844 | 288,762 | - | 25,469,628 |

| | | | | | | | | |
| Fund balances: | | | | | | | | |
| Nonspendable | 2,344,947 | 1,130,366 | 189,648,021 | 20,413 | 193,143,747 |
| Restricted | 1,587,795 | 8,484 | - | 3,041,516 | 4,637,795 |
| Committed | - | - | - | 173,192 | 173,192 |
| Unassigned: | | | | | | | | |
| General fund | (3,816,806) | - | - | - | - | (3,816,806) |
| Special revenue funds | - | (1,123,996) | - | (39,303) | (1,163,299) |
| Total fund balances | 115,936 | 14,854 | 189,648,021 | 3,195,818 | 192,974,629 |

| | | | | | | | | |
| Total | $ 19,061,616 | $ 6,001,196 | $ 189,896,865 | $ 3,484,580 | $ 218,444,257 |

Amounts reported for governmental activities in the statement of net position are different because:
- Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.
- Long-term liabilities, including loans payable, are not due and payable in the current period and therefore are not reported in the funds. The liabilities include:
  - Long-term obligations (23,129,883)
  - Compensated absences (3,654,499)
  - Accrued interest payable (182,060)
  - Due to U.S. Government (3,000,000)

Net position of governmental activities $ 346,600,140

See accompanying notes to basic financial statements.
REPUBLIC OF PALAU

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2013

Special Revenue

<table>
<thead>
<tr>
<th>General</th>
<th>Grants</th>
<th>Compact Section 211(f)</th>
<th>Permanent</th>
<th>Other Governmental Funds</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td>$36,706,205</td>
<td>$</td>
<td>-</td>
<td>$77,325</td>
<td>$36,783,530</td>
</tr>
<tr>
<td>Federal and other grants</td>
<td>-</td>
<td>23,780,100</td>
<td>-</td>
<td>-</td>
<td>23,780,100</td>
</tr>
<tr>
<td>Compact funding</td>
<td>13,147,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>13,147,000</td>
</tr>
<tr>
<td>Net change in the fair value of investments</td>
<td>516,385</td>
<td>-</td>
<td>23,910,948</td>
<td>6,082</td>
<td>24,433,415</td>
</tr>
<tr>
<td>Fees and charges</td>
<td>8,801,277</td>
<td>-</td>
<td>-</td>
<td>3,210,287</td>
<td>12,011,564</td>
</tr>
<tr>
<td>Licenses and permits</td>
<td>1,642,494</td>
<td>-</td>
<td>-</td>
<td>7,976</td>
<td>1,650,470</td>
</tr>
<tr>
<td>Other</td>
<td>972,962</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>972,962</td>
</tr>
<tr>
<td>Total revenues</td>
<td>61,786,323</td>
<td>23,780,100</td>
<td>23,910,948</td>
<td>3,301,670</td>
<td>112,779,041</td>
</tr>
</tbody>
</table>

Expenditures:

| Current: |

| Judicial Branch | 2,214,375 |
| Legislative Branch | 4,265,474 | 35,251 |
| Office of the President | 1,177,489 | 409,618 |
| Office of the Vice-President | 341,447 |
| Ministry of Finance | 3,005,625 | 272,970 |
| Ministry of State | 2,257,244 | 67,708 | 7,976 | 2,332,651 |
| Ministry of Community and Cultural Affairs | 951,369 | 2,745 |
| Ministry of Education | 6,739,446 | 3,804,788 |
| Ministry of Natural Resources, Environment and Tourism | 8,612,541 | 5,246,264 |
| Boards, Commissions, and Authorities | 2,524,286 |
| State Block Grants | 5,362,553 |
| Independent Agencies | 2,968,811 | 165,848 |
| Other Agencies and Activities | 3,179,534 |
| Education assistance | 4,381,299 |
| Typhoon emergency assistance | 2,810,573 |
| Financial and Compliance Audit | 195,000 | 245,293 |
| Compact Review Office | 166,393 |
| Investment management fees | - | 1,059,468 | 6,019 | 1,065,487 |
| Claims and judgments | 120,151 |
| Other | 464,665 | 325,352 |
| Bad debt | 441,000 |
| Capital projects | 2,927,163 | 9,572,989 |
| Debt service: |
| Principal retirement | 1,599,998 |
| Interest | 588,696 |
| Total expenditures | 70,731,030 | 21,050,766 | 1,059,468 | 2,453,276 | 95,294,540 |

Excess (deficiency) of revenues over (under) expenditures: (8,944,707) 2,729,334 22,851,480 848,394 17,484,501

Other financing sources (uses):

| Operating transfers in | 9,152,081 | 490,671 |
| Operating transfers out | (490,671) | (3,237,823) | (5,000,000) | (914,258) | (9,642,752) |
| Total other financing sources (uses), net | 8,661,410 | (2,747,152) | (5,000,000) | (914,258) |

Net change in fund balances: (283,297) (17,818) 17,851,480 (65,864) 17,484,501

Fund balances at beginning of year: 399,333 32,672 171,796,541 3,261,682 175,490,128

Fund balances at end of year: $115,936 $14,854 $189,648,021 $3,195,818 $192,974,629

See accompanying notes to basic financial statements.
REPUBLIC OF PALAU

Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures, and Changes in
Fund Balances to the Statement of Activities
Year Ended September 30, 2013

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 $ 17,484,501

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 $ 10,845,475
- Depreciation expense, net (28,278,402)

Impairment loss recognized for the current year (928,204)

The Republic transferred water and wastewater infrastructure assets to Public Utilities Corporation effective July 1, 2013. In the statement of activities, the transfer is reported as a special item. (12,975,020)

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:

- Repayment of MICB loans 1,599,998

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 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 193,577
- Change in accrued interest payable (13,021)

Change in net position of governmental activities. $ (12,054,054)

See accompanying notes to basic financial statements.
### REPUBLIC OF PALAU

Statement of Fiduciary Net Position  
Fiduciary Funds  
September 30, 2013

<table>
<thead>
<tr>
<th></th>
<th>Private Purpose Trust</th>
<th>Pension (and Other Employee Benefit) Trust</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 7,897,122</td>
<td>$ 248,520</td>
<td>$ 8,145,642</td>
</tr>
<tr>
<td>Receivables, net:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions</td>
<td>3,489,638</td>
<td>436,828</td>
<td>3,926,466</td>
</tr>
<tr>
<td>Accrued interest and dividends</td>
<td>391,347</td>
<td>-</td>
<td>391,347</td>
</tr>
<tr>
<td>Other</td>
<td>2,923</td>
<td>208</td>
<td>3,131</td>
</tr>
<tr>
<td>Investments</td>
<td>84,105,755</td>
<td>33,597,662</td>
<td>117,703,417</td>
</tr>
<tr>
<td>Due from component units</td>
<td>5,255,926</td>
<td>-</td>
<td>5,255,926</td>
</tr>
<tr>
<td>Prepaid items</td>
<td>23,954</td>
<td>-</td>
<td>23,954</td>
</tr>
<tr>
<td>Capital assets, net</td>
<td>306,136</td>
<td>16,829</td>
<td>322,965</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>101,472,801</td>
<td>34,300,047</td>
<td>135,772,848</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefits payable</td>
<td>1,353,974</td>
<td>-</td>
<td>1,353,974</td>
</tr>
<tr>
<td>Other liabilities and accruals</td>
<td>91,304</td>
<td>38,841</td>
<td>130,145</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>1,445,278</td>
<td>38,841</td>
<td>1,484,119</td>
</tr>
<tr>
<td><strong>NET POSITION</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Held in trust for:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social security benefits</td>
<td>100,027,523</td>
<td>-</td>
<td>100,027,523</td>
</tr>
<tr>
<td>Pension benefits</td>
<td>-</td>
<td>34,261,206</td>
<td>34,261,206</td>
</tr>
<tr>
<td><strong>Total net position</strong></td>
<td>$ 100,027,523</td>
<td>$ 34,261,206</td>
<td>$ 134,288,729</td>
</tr>
</tbody>
</table>

See accompanying notes to basic financial statements.
## Statement of Changes in Fiduciary Net Position
### Fiduciary Funds
Year Ended September 30, 2013

<table>
<thead>
<tr>
<th>Additions:</th>
<th>Private Purpose Trust</th>
<th>Pension (and Other Employee Benefit) Trust</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government employees</td>
<td>$ 7,763,520</td>
<td>$ -</td>
<td>$ 7,763,520</td>
</tr>
<tr>
<td>Private employees</td>
<td>7,505,542</td>
<td>-</td>
<td>7,505,542</td>
</tr>
<tr>
<td>Employer contributions</td>
<td>-</td>
<td>2,506,605</td>
<td>2,506,605</td>
</tr>
<tr>
<td>Plan member contributions</td>
<td>-</td>
<td>2,515,177</td>
<td>2,515,177</td>
</tr>
<tr>
<td>Penalties and interest</td>
<td>326,813</td>
<td>-</td>
<td>326,813</td>
</tr>
<tr>
<td>Other</td>
<td>81,742</td>
<td>-</td>
<td>81,742</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>(61,572)</td>
<td>-</td>
<td>(61,572)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total contributions</td>
<td>15,616,045</td>
<td>5,021,782</td>
<td>20,637,827</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment earnings:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net change in the fair value of investments</td>
<td>5,389,867</td>
<td>22,277</td>
<td>5,412,144</td>
</tr>
<tr>
<td>Interest and dividends</td>
<td>2,402,205</td>
<td>2,788,958</td>
<td>5,191,163</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total investment earnings</td>
<td>7,792,072</td>
<td>2,811,235</td>
<td>10,603,307</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less investment expense</td>
<td>449,705</td>
<td>189,732</td>
<td>639,437</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net investment earnings</td>
<td>7,342,367</td>
<td>2,621,503</td>
<td>9,963,870</td>
</tr>
<tr>
<td></td>
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</tr>
<tr>
<td>Other</td>
<td>232,505</td>
<td>6,524</td>
<td>239,029</td>
</tr>
<tr>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Total additions</td>
<td>23,190,917</td>
<td>7,649,809</td>
<td>30,840,726</td>
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<td></td>
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<tr>
<td>Deductions:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefits</td>
<td>14,259,121</td>
<td>8,930,543</td>
<td>23,189,664</td>
</tr>
<tr>
<td>General and administrative</td>
<td>1,199,374</td>
<td>1,905,747</td>
<td>3,105,121</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total deductions</td>
<td>15,458,495</td>
<td>10,836,290</td>
<td>26,294,785</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in net position held in trust for:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social security benefits</td>
<td>7,732,422</td>
<td>-</td>
<td>7,732,422</td>
</tr>
<tr>
<td>Pension benefits</td>
<td>-</td>
<td>(3,186,481)</td>
<td>(3,186,481)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net position at beginning of year</td>
<td>92,295,101</td>
<td>37,447,687</td>
<td>129,742,788</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net position at end of year</td>
<td>$ 100,027,523</td>
<td>$ 34,261,206</td>
<td>$ 134,288,729</td>
</tr>
</tbody>
</table>

See accompanying notes to basic financial statements.
## REPUBLIC OF PALAU

### Combining Statement of Net Position

#### Component Units

**September 30, 2013**

<table>
<thead>
<tr>
<th>Assets</th>
<th>National Development Bank of Palau</th>
<th>Palau Community College</th>
<th>Palau National Communications Corporation</th>
<th>Palau International Coral Reef Center</th>
<th>Palau Visitors Authority</th>
<th>Public Utilities Corporation</th>
<th>Palau Housing District Authority</th>
<th>Protected Areas Corporation</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total current assets</td>
<td>9,029,644 $</td>
<td>4,592,752 $</td>
<td>1,661,658 $</td>
<td>696,703 $</td>
<td>239,759 $</td>
<td>19,272,597 $</td>
<td>1,092,987 $</td>
<td>2,595,052 $</td>
<td>39,181,152 $</td>
</tr>
<tr>
<td>Noncurrent assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>-</td>
<td>-</td>
<td>592,534 $</td>
<td>167,350 $</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>759,884 $</td>
</tr>
<tr>
<td>Receivables</td>
<td>18,617,524 $</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>271,092 $</td>
<td>1,759,402 $</td>
<td>20,648,018 $</td>
</tr>
<tr>
<td>Capital assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nondepreciable capital assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,166,962 $</td>
</tr>
<tr>
<td>Capital assets, net of accumulated depreciation</td>
<td>701,963 $</td>
<td>1,355,880 $</td>
<td>17,591,664 $</td>
<td>1,902,446 $</td>
<td>67,936 $</td>
<td>38,982,276 $</td>
<td>23,383 $</td>
<td>18,684 $</td>
<td>60,644,232 $</td>
</tr>
<tr>
<td>Foreclosed real estate</td>
<td>1,675,540 $</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,675,540 $</td>
</tr>
<tr>
<td>Other noncurrent assets</td>
<td>-</td>
<td>-</td>
<td>51,550 $</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>51,550 $</td>
</tr>
<tr>
<td>Restricted assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>679,108 $</td>
<td>806,986 $</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,486,094 $</td>
</tr>
<tr>
<td>Investments</td>
<td>-</td>
<td>3,139,341 $</td>
<td>3,854,182 $</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>6,993,523 $</td>
</tr>
<tr>
<td>Total noncurrent assets</td>
<td>21,674,135 $</td>
<td>5,302,207 $</td>
<td>22,089,930 $</td>
<td>2,069,796 $</td>
<td>67,936 $</td>
<td>41,420,330 $</td>
<td>1,782,785 $</td>
<td>18,684 $</td>
<td>94,425,803 $</td>
</tr>
<tr>
<td>Total assets</td>
<td>$ 30,703,779</td>
<td>$ 9,894,959</td>
<td>$ 23,751,588</td>
<td>$ 2,766,499</td>
<td>$ 307,695</td>
<td>$ 60,692,927</td>
<td>$ 2,875,772</td>
<td>$ 2,613,736</td>
<td>$ 133,606,955</td>
</tr>
</tbody>
</table>

### Current liabilities:

| Current portion of long-term debt | 463,519 $ | - | 1,633,076 $ | - | - | - | - | - | 2,654,103 $ |
| Accounts payable | 71,912 $ | 1,726,775 $ | 265,911 $ | 49,906 $ | 39,011 $ | 6,115,432 $ | - | 84,596 $ | 8,353,543 $ |
| Due to fiduciary funds | 321,435 $ | - | - | - | - | - | - | - | 321,435 $ |
| Accrued payroll and others | 194,070 $ | 483,935 $ | 520,828 $ | 71,056 $ | 30,548 $ | 376,396 $ | 675 $ | 5,359 $ | 1,688,943 $ |
| Unearned revenue | - | 372,156 $ | 107,620 $ | - | - | - | - | - | 479,756 $ |
| Other liabilities | 427,889 $ | - | 707,676 $ | 51,776 $ | - | 450,529 $ | - | - | 1,637,870 $ |
| Total current liabilities | 1,478,825 $ | 2,582,846 $ | 3,255,111 $ | 172,738 $ | 69,559 $ | 7,479,865 $ | 675 $ | 89,955 $ | 15,135,650 $ |

### Noncurrent liabilities:

| Long-term debt, net of current portion | 5,704,146 $ | - | 25,690,244 $ | - | - | - | - | - | 38,935,428 $ |
| Due to primary government | 1,000,000 $ | - | - | - | - | - | - | - | 1,000,000 $ |
| Due to fiduciary funds | 4,934,491 $ | - | - | - | - | - | - | - | 4,934,491 $ |
| Total noncurrent liabilities | 11,638,637 $ | - | 25,690,244 $ | - | - | - | - | - | 44,869,919 $ |
| Total liabilities | 13,117,462 $ | 2,582,846 $ | 28,945,355 $ | 172,738 $ | 69,559 $ | 15,020,903 $ | 675 $ | 89,955 $ | 60,005,569 $ |

### Net position:

| Net investment in capital assets | 701,963 $ | 1,355,880 $ | (9,751,656) $ | 1,902,446 $ | 67,936 $ | 35,770,693 $ | 23,383 $ | 18,684 $ | 30,089,329 $ |
| Restricted: | | | | | | | | | |
| Endowment | 3,152,031 $ | - | - | - | - | - | - | - | 3,152,031 $ |
| Debt service | 12,525,396 $ | 3,854,182 $ | - | - | - | - | - | - | 16,379,578 $ |
| Other purposes | 4,358,958 $ | 726,455 $ | - | 29,784 $ | 53,929 $ | 2,082,973 $ | - | 466,696 $ | 7,169,562 $ |
| Unrestricted | - | 2,077,747 $ | 703,707 $ | 470,372 $ | 170,200 $ | 9,051,331 $ | 921,999 $ | - | 14,245,356 $ |
| Total net position | 17,586,312 $ | 7,312,113 $ | (5,193,767) $ | 2,593,761 $ | 238,136 $ | 45,672,024 $ | 4,269,021 $ | 2,523,781 $ | 73,601,386 $ |
| $ 30,703,779 $ | $ 9,894,959 | $ 23,751,588 | $ 2,766,499 | $ 307,695 | $ 60,692,927 | $ 2,875,772 | $ 2,613,736 | $ 133,606,955 |

See accompanying notes to basic financial statements.
### REPUBLIC OF PALAU

**Combining Statement of Revenues, Expenses, and Changes in Net Position**

**Component Units**

**Year Ended September 30, 2013**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenues:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charges for services</td>
<td>$ 2,054,115</td>
<td>$ 438,794</td>
<td>$ 10,374,182</td>
<td>$ 305,408</td>
<td>-</td>
<td>$ 25,910,845</td>
<td>$ 76,509</td>
<td>-</td>
<td>$ 39,159,853</td>
<td></td>
</tr>
<tr>
<td>Grants and contributions</td>
<td>5,711,560</td>
<td>-</td>
<td>622,200</td>
<td>-</td>
<td>-</td>
<td>6,333,760</td>
<td>-</td>
<td>6,333,760</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>(341,172)</td>
<td>316,993</td>
<td>63,314</td>
<td>20,584</td>
<td>58,500</td>
<td>642,914</td>
<td>18,418</td>
<td>-</td>
<td>779,551</td>
<td></td>
</tr>
<tr>
<td>Total operating revenues</td>
<td>1,712,943</td>
<td>6,467,347</td>
<td>10,437,496</td>
<td>2,055,482</td>
<td>6,333,760</td>
<td>39,159,853</td>
<td>779,551</td>
<td>-</td>
<td>46,273,164</td>
<td></td>
</tr>
<tr>
<td>Operating expenses:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of services</td>
<td>-</td>
<td>5,715,475</td>
<td>5,459,598</td>
<td>-</td>
<td>24,025,662</td>
<td>-</td>
<td>1,027,410</td>
<td>36,228,145</td>
<td></td>
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</tr>
<tr>
<td>Depreciation</td>
<td>51,812</td>
<td>2,411,000</td>
<td>2,371,825</td>
<td>164,956</td>
<td>2,244,591</td>
<td>8,290</td>
<td>2,436</td>
<td>5,159,834</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administration costs</td>
<td>665,482</td>
<td>1,738,236</td>
<td>1,250,275</td>
<td>907,209</td>
<td>1,158,990</td>
<td>113,372</td>
<td>202,996</td>
<td>6,690,184</td>
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<td></td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>717,294</td>
<td>7,755,892</td>
<td>9,081,698</td>
<td>1,072,165</td>
<td>2,742,942</td>
<td>1,232,842</td>
<td>48,078,163</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating income (loss)</td>
<td>995,649</td>
<td>(1,288,545)</td>
<td>1,355,798</td>
<td>(123,973)</td>
<td>(608,867)</td>
<td>(875,484)</td>
<td>(26,735)</td>
<td>(1,804,999)</td>
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<td></td>
</tr>
<tr>
<td>Nonoperating revenues (expenses):</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions from primary government</td>
<td>-</td>
<td>2,411,000</td>
<td>-</td>
<td>357,000</td>
<td>635,000</td>
<td>3,317,151</td>
<td>59,000</td>
<td>1,706,923</td>
<td>8,486,074</td>
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</tr>
<tr>
<td>Net change in the fair value of investments</td>
<td>-</td>
<td>360,029</td>
<td>92,534</td>
<td>6,874</td>
<td>-</td>
<td>-</td>
<td>459,437</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>11,891</td>
<td>-</td>
<td>8,732</td>
<td>938</td>
<td>538</td>
<td>1,201</td>
<td>-</td>
<td>23,300</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grant revenues</td>
<td>50,010</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>395,268</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest expense</td>
<td>(490,601)</td>
<td>(1,420,094)</td>
<td>(537)</td>
<td>(404,185)</td>
<td>(1,068,310)</td>
<td>3,000</td>
<td>3,331</td>
<td>(1,812,389)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other, net</td>
<td>(588,165)</td>
<td>(162,245)</td>
<td>-</td>
<td>(1,068,310)</td>
<td>(1,068,310)</td>
<td>3,000</td>
<td>3,331</td>
<td>(1,812,389)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total nonoperating revenues (expenses), net</td>
<td>(1,016,865)</td>
<td>(2,771,029)</td>
<td>(1,481,073)</td>
<td>364,275</td>
<td>635,000</td>
<td>2,190,452</td>
<td>63,201</td>
<td>1,710,254</td>
<td>5,236,273</td>
<td></td>
</tr>
<tr>
<td>Capital contributions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Special item - transfer of capital assets from primary government</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,432,642</td>
<td></td>
</tr>
<tr>
<td>Change in net position</td>
<td>(21,216)</td>
<td>1,482,484</td>
<td>(125,275)</td>
<td>240,302</td>
<td>26,133</td>
<td>17,722,630</td>
<td>477,412</td>
<td>19,838,936</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net position at beginning of year</td>
<td>17,607,533</td>
<td>5,829,629</td>
<td>(5,068,492)</td>
<td>2,353,459</td>
<td>212,003</td>
<td>27,949,394</td>
<td>2,832,555</td>
<td>2,046,369</td>
<td>53,762,450</td>
<td></td>
</tr>
<tr>
<td>Net position at end of year</td>
<td>$ 17,586,317</td>
<td>$ 7,312,113</td>
<td>$ (5,193,767)</td>
<td>$ 2,593,761</td>
<td>$ 238,136</td>
<td>$ 45,672,024</td>
<td>$ 2,869,021</td>
<td>$ 2,523,781</td>
<td>$ 73,601,386</td>
<td></td>
</tr>
</tbody>
</table>

See accompanying notes to basic financial statements.
(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.
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.
(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.

- Public Utilities Corporation (PUC): PUC 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 PUC 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 PUC. The Republic has the ability to impose its will on PUC.

- 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.

- 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.
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 Republic. 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 Republic.

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.
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 liabilities, 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 $189,833,897 of restricted net position, of which $144,360 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.

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.
(1) Summary of Significant Accounting Policies, Continued

C. Fund Financial Statements, Continued

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. Investments and related investment earnings are recorded at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. 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.

*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.
D. Measurement Focus and Basis of Accounting, Continued

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.

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.
(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 are recorded at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

G. Receivables

In general, tax revenue is recognized on the government-wide financial statements, when assessed or levied and 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. Inventories

Inventories of the primary government and 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.

J. 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.
(1) Summary of Significant Accounting Policies, Continued

K. 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.

L. 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, 2013.

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:

<table>
<thead>
<tr>
<th>Estimated Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings and other improvements</td>
</tr>
<tr>
<td>Infrastructure</td>
</tr>
<tr>
<td>Vehicles</td>
</tr>
<tr>
<td>Machinery and equipment</td>
</tr>
</tbody>
</table>

M. Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (deduction of net position) until then. The Republic has no items that qualify for reporting in this category.
(1) Summary of Significant Accounting Policies, Continued

N. Interfund/Intrafund Transactions

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.

O. Unearned Revenue

In the government-wide financial statements, unearned revenue is recognized when cash, receivables or other assets are recorded prior to being earned. In the governmental fund financial statements, unearned revenue represents 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.

P. 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.

Q. Deferred Inflows of Resources

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, deferred inflows of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (additions to net position) until then. The Republic has no items that qualify for reporting in this category.

R. 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.
(1) Summary of Significant Accounting Policies, Continued

R. Fund Equity, Continued

- 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.

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.

S. 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.

T. New Accounting Standards

During fiscal year 2013, the Republic implemented the following pronouncements:

- GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements, which addressed how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into.
(1) Summary of Significant Accounting Policies, Continued

T. New Accounting Standards, Continued

- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, which improved financial reporting for governmental entities by amending the requirements of Statements No. 14, *The Financial Reporting Entity*, and No. 34, *Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments*, to better meet user needs and address reporting entity issues that have come to light since those Statements were issued in 1991 and 1999, respectively.

- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which enhanced the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements issued on or before November 30, 1989, which does not conflict or contradict GASB pronouncements. GASB Statement No. 62 superseded GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*.

- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which established guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. These Statements amend the net asset reporting requirements in Statement No. 34, *Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. With the implementation of GASB Statement No. 63 and Statement No. 65, the Statement of Net Assets was renamed the Statement of Net Position.

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

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans*, which revises existing guidance for the financial reports of most pension plans, and Statement No. 68, *Accounting and Financial Reporting for Pensions*, which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The provisions in Statement 67 are effective for financial statements for periods beginning after June 15, 2013. The provisions in Statement 68 are effective for fiscal years beginning after June 15, 2014. Management has not yet determined the effect of implementation of these statements on the financial statements of the Republic.
(1) Summary of Significant Accounting Policies, Continued

T. New Accounting Standards, Continued

In January 2013, GASB issued Statement No. 69, Government Combinations and Disposals of Government Operations, which improves accounting and financial reporting for state and local governments’ combinations and disposals of government operations. Government combinations include mergers, acquisitions, and transfers of operations. A disposal of government operations can occur through a transfer to another government or a sale. The provisions in Statement 69 are effective for fiscal years beginning after December 15, 2013. Management has not yet determined the effect of implementation of these statements on the financial statements of the Republic.

In April 2013, GASB issued Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees, which requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the agreement. The provisions in Statement 70 are effective for fiscal years beginning after June 15, 2013. Management has not yet determined the effect of implementation of these statements on the financial statements of the Republic.

U. Encumbrances

The Republic utilizes encumbrance accounting to identify fund obligations. Encumbrances represent commitments related to unperformed contracts for goods. At September 30, 2013, the Republic has significant encumbrances summarized as follows:

<table>
<thead>
<tr>
<th>General</th>
<th>Grants</th>
<th>Compact</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 2,070,583</td>
<td>$ 6,468,836</td>
<td>$</td>
<td>$ 539,338</td>
<td>$ 9,078,757</td>
</tr>
</tbody>
</table>

V. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

W. Total Columns

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, 2012 from which summarized information was derived.
(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:

(i) Portfolio allocation targets are intended to be long term and strategic in nature. The Compact Trust Fund Board of Trustees (BOT) may make strategic or tactical adjustments to the existing overall fund allocation whenever deemed appropriate and recognizes that the actual allocation of the overall fund may vary considerably in the short term depending on current conditions. The targets are comprised of both historic and projected return and variability calculations for each asset class, subclass and investment style. The asset allocation reflects the BOT’s philosophy that long term growth can best be achieved by investments in equity securities while balancing overall fund volatility and providing for the BOT’s spending requirements by appropriate allocation to cash and fixed income securities:

<table>
<thead>
<tr>
<th>Asset class</th>
<th>Lower limit</th>
<th>Strategic Allocation</th>
<th>Upper limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Core</td>
<td>40</td>
<td>50</td>
<td>60</td>
</tr>
<tr>
<td>Small Cap</td>
<td>5</td>
<td>15</td>
<td>25</td>
</tr>
<tr>
<td>Fixed Income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Core</td>
<td>25</td>
<td>35</td>
<td>45</td>
</tr>
</tbody>
</table>

(ii) Individual investment managers are given tactical asset allocation flexibility within the constraints of their customized guidelines as set forth in their individual manager guidelines. Asset allocation targets in individual manager guidelines represent the BOT’s desired long term, strategic allocation; the ranges represent the tactical asset allocation flexibility given to each manager to time short term market movements. In addition, while the foregoing directs minimum positions for different assets classes as a general policy, nothing herein shall preclude an investment manager from establishing lower invested levels while raising cash during adverse market conditions, if in his/her professional judgment such action is prudent to protect the principal of the fund.

(iii) The target allocations will be evaluated on the basis of investment manager assets designated to each asset class rather than on an investment manager’s current invested position. The BOT shall review the asset allocation and transfer funds among the various investment managers, no less frequently than annually to maintain the Fund’s asset allocation within the respective ranges set forth above. A formal asset allocation study should be conducted at least every three years or as dictated by the capital markets to verify or amend the targets.
(2) Deposits and Investments, Continued

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, 2013, the carrying amount of the primary government’s total cash and cash equivalents was $6,237,238 and the corresponding bank balances were $8,133,106. Of the bank balances, $8,093,903 is maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2013, bank deposits in the amount of $500,000 were FDIC insured. The remaining bank deposits of $39,203 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, 2013, the carrying amount of the fiduciary fund’s total cash and cash equivalents was $8,145,642 and the corresponding bank balances were $8,007,794, which are maintained in financial institutions subject to FDIC insurance. As of September 30, 2013, 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.

As of September 30, 2013, the carrying amount in the aggregate of the discretely presented component units’ total cash and cash equivalents and time certificates of deposit was $15,665,623 and the corresponding bank balances were $15,950,146. Of the bank balances, $15,949,414 is 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, 2013, bank deposits in the amount of $4,078,237 were FDIC or SIPC insured. The remaining bank deposits of $732 are maintained in financial institutions not subject to depository insurance. 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

As of September 30, 2013, investments of the primary government recorded at fair value are as follows:

<table>
<thead>
<tr>
<th>General Fund:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Equities</td>
<td>$2,902,640</td>
</tr>
<tr>
<td>Money market funds</td>
<td>503,925</td>
</tr>
<tr>
<td></td>
<td>3,406,565</td>
</tr>
</tbody>
</table>
(2) Deposits and Investments, Continued

B. Investments, Continued

Compact Section 211(f) Trust Fund:

- Fixed income: $58,774,989
- Equities: $123,486,874
- Money market funds: $7,635,002

Total: $189,896,865

Nonmajor Governmental Funds:

- Money market funds: $2,999,888

Total: $196,303,318

Additionally, the General Fund holds 11.06% of the shares of the United Micronesia Development Association, Inc. (UMDA) in the amount of $1,185,575. As the fair market value of this investment is not readily available, such has been recorded at cost.

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, 2013.

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.

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, 2013, there were no investments in any one issuer that exceeded 5% of total investments.
## (2) Deposits and Investments, Continued

### B. Investments, Continued

As of September 30, 2013, maturities of investments in fixed income securities for the Compact Section 211(f) Trust Fund were as follows:

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Fair Value</th>
<th>Less than 1 year</th>
<th>1 - 5 years</th>
<th>6 - 10 years</th>
<th>More than 10 years</th>
<th>Ratings</th>
</tr>
</thead>
<tbody>
<tr>
<td>US treasury obligations</td>
<td>$2,920,933</td>
<td>$790,562</td>
<td>$1,175,345</td>
<td>$955,026</td>
<td>$-</td>
<td>AA+</td>
</tr>
<tr>
<td>US municipal obligations</td>
<td>3,456,534</td>
<td>594,932</td>
<td>1,413,770</td>
<td>810,221</td>
<td>637,611</td>
<td>Not rated</td>
</tr>
<tr>
<td>US municipal obligations</td>
<td>1,082,650</td>
<td>-</td>
<td>-</td>
<td>814,092</td>
<td>268,558</td>
<td>AAA</td>
</tr>
<tr>
<td>US municipal obligations</td>
<td>222,079</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>222,079</td>
<td>AA+</td>
</tr>
<tr>
<td>US municipal obligations</td>
<td>473,501</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>473,501</td>
<td>AA</td>
</tr>
<tr>
<td>US municipal obligations</td>
<td>305,692</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>305,692</td>
<td>AA-</td>
</tr>
<tr>
<td>US municipal obligations</td>
<td>304,738</td>
<td>-</td>
<td>-</td>
<td>105,216</td>
<td>199,522</td>
<td>A+</td>
</tr>
<tr>
<td>US municipal obligations</td>
<td>551,021</td>
<td>-</td>
<td>-</td>
<td>551,021</td>
<td>-</td>
<td>A</td>
</tr>
<tr>
<td>US municipal obligations</td>
<td>117,511</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>117,511</td>
<td>A-</td>
</tr>
<tr>
<td>US municipal obligations</td>
<td>139,384</td>
<td>-</td>
<td>139,384</td>
<td>-</td>
<td>-</td>
<td>BBB+</td>
</tr>
<tr>
<td>US municipal obligations</td>
<td>154,813</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>154,813</td>
<td>BBB</td>
</tr>
<tr>
<td>US government agencies</td>
<td>11,908,187</td>
<td>-</td>
<td>995,180</td>
<td>832,866</td>
<td>10,080,141</td>
<td>AA+</td>
</tr>
<tr>
<td>US government agencies</td>
<td>67,469</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>67,469</td>
<td>A</td>
</tr>
<tr>
<td>US government agencies</td>
<td>4,233,321</td>
<td>310,152</td>
<td>966,897</td>
<td>136,976</td>
<td>2,819,296</td>
<td>Not rated</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>3,612,710</td>
<td>-</td>
<td>753,963</td>
<td>518,364</td>
<td>2,340,383</td>
<td>AAA</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>2,381,334</td>
<td>-</td>
<td>1,242,702</td>
<td>157,102</td>
<td>981,530</td>
<td>A+</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>2,771,017</td>
<td>263,775</td>
<td>1,433,871</td>
<td>701,914</td>
<td>371,457</td>
<td>AA</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>2,140,940</td>
<td>-</td>
<td>1,129,295</td>
<td>366,946</td>
<td>644,699</td>
<td>AA-</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>2,953,388</td>
<td>45,909</td>
<td>1,912,972</td>
<td>909,580</td>
<td>84,927</td>
<td>A</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>4,241,649</td>
<td>227,203</td>
<td>2,134,347</td>
<td>1,135,262</td>
<td>744,837</td>
<td>A</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>4,696,282</td>
<td>276,229</td>
<td>2,201,339</td>
<td>1,859,008</td>
<td>359,706</td>
<td>A-</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>3,189,765</td>
<td>514,708</td>
<td>622,031</td>
<td>965,615</td>
<td>1,087,411</td>
<td>BBB+</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>2,753,197</td>
<td>-</td>
<td>895,353</td>
<td>1,382,251</td>
<td>475,593</td>
<td>BBB</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>2,518,657</td>
<td>-</td>
<td>979,310</td>
<td>507,554</td>
<td>1,031,793</td>
<td>BBB-</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>54,911</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>54,911</td>
<td>BB+</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>36,699</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>36,699</td>
<td>BB</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>66,924</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>66,924</td>
<td>BB-</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>353,797</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>353,797</td>
<td>B</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>31,853</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>31,853</td>
<td>B-</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>154,362</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>154,362</td>
<td>CCC</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>19,340</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>19,340</td>
<td>CC</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>318,797</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>318,797</td>
<td>A</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>653,218</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>653,218</td>
<td>D</td>
</tr>
</tbody>
</table>

|                      | $58,774,989 | $3,023,470 | $18,100,975 | $12,816,911 | $24,839,633 |

- 41 -
(2) Deposits and Investments, Continued

B. Investments, Continued

As of September 30, 2013, investments of the Republic of Palau Social Security Retirement Fund recorded at fair value are as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equities</td>
<td>$ 49,294,618</td>
</tr>
<tr>
<td>Fixed income</td>
<td>32,311,894</td>
</tr>
<tr>
<td>Money market funds</td>
<td>2,499,243</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 84,105,755</strong></td>
</tr>
</tbody>
</table>

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

Cash and Cash Equivalents:

(A) Short-term investment funds;

(B) U.S. Treasury and agency obligations;

(C) Commercial paper rated by two nationally recognized rating agencies and at least one of the ratings is A1 or P1;

(D) Repurchase agreements with a maximum maturity of 180 days from financial institutions or securities dealers qualified to do business as set forth below. The repurchase agreements must be collateralized at least 102% with allowable securities as set forth in the Fund’s investment policy, except in the case of “due bills” which are collateralized by the financial institution’s or dealer’s entire inventory:

   a) Banks must have achieved a Bankwatch/International Bank Credit Analyst rating of B or better for bank investments.

   b) Brokers/Dealers must appear on the Primary Government Dealer list; and

(E) Certificates of deposit or banker’s acceptances issued by financial institutions with commercial paper rating of at least P1 by Moody’s Investor Service (Moody’s) or A1 by Standard & Poor’s (S&P).

U.S. 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 stock rated BBB-/Baa3 or better by Moody’s, S&P 500 or Fitch;

(C) Secured debt instruments with credit ratings of AAA excluding “interest only” and “principal only” derivatives securities;
(2) **Deposits and Investments, Continued**

B. **Investments, Continued**

**U.S. Fixed Income, Continued:**

(D) Debt issued by foreign entities in the U.S. provided that both principal and interest are payable in U.S. dollars and provided that such debt is rated BBB-/Baa3 or better by Moody’s, S&P 500 or Fitch;

(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; and

(F) No type of security that has been in the market for less than ten years may be purchased without prior written approval of the Fund’s Board of Trustees.

**U.S. Large Cap Equities:**

(A) Common stock and convertible securities of U.S. 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) with a market capitalization (at time of purchase) that falls within the range of the Russell 1000 Index;

(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.

**International Equities:**

(A) Equity securities of Corporations provided they are listed on the stock exchange of countries included in the MSCI EAFE Index;

(B) Equity securities of companies from countries included in the MSCI EMF Index are allowed, provided that the total investment in these companies does not exceed 15% of the total market value of the assets managed by the Fund’s investment manager;

(C) ADR’s, EDR’s and GDR’s relating to any of the above are allowable; and
(2) Deposits and Investments, Continued

B. Investments, Continued

International Equities, Continued:

(D) 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, 2013, maturities of investments in fixed income securities for the Republic of Palau Social Security Retirement Fund were as follows:

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Fair Value</th>
<th>Less Than 1</th>
<th>1 - 5</th>
<th>6 - 10</th>
<th>More Than 10</th>
<th>Credit Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Treasury notes</td>
<td>$3,864,945</td>
<td>$1,630,159</td>
<td>$742,299</td>
<td>$514,994</td>
<td></td>
<td>Aaa</td>
</tr>
<tr>
<td>U.S. government obligations</td>
<td>4,604,632</td>
<td>2,634,617</td>
<td>986,458</td>
<td>983,557</td>
<td></td>
<td>Aaa</td>
</tr>
<tr>
<td>Mortgage-passed through</td>
<td>3,986,448</td>
<td>27,613</td>
<td>28,265</td>
<td>3,927,047</td>
<td></td>
<td>Aaa</td>
</tr>
<tr>
<td>State and local government</td>
<td>532,514</td>
<td></td>
<td>532,514</td>
<td></td>
<td></td>
<td>Aaa</td>
</tr>
<tr>
<td>State and local government</td>
<td>1,562,932</td>
<td>227,409</td>
<td>821,562</td>
<td>513,961</td>
<td></td>
<td>Aa</td>
</tr>
<tr>
<td>State and local government</td>
<td>1,075,802</td>
<td>459,162</td>
<td>365,873</td>
<td>250,767</td>
<td></td>
<td>A</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>2,812,399</td>
<td>227,203</td>
<td>867,634</td>
<td>500,715</td>
<td></td>
<td>Aaa</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>4,468,669</td>
<td>10,017</td>
<td>1,351,110</td>
<td>310,313</td>
<td></td>
<td>Aa</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>6,069,651</td>
<td>561,371</td>
<td>3,354,322</td>
<td>996,213</td>
<td></td>
<td>A</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>3,114,902</td>
<td>320,318</td>
<td>816,117</td>
<td>118,601</td>
<td></td>
<td>Baa</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>219,000</td>
<td></td>
<td></td>
<td>219,000</td>
<td></td>
<td>Unrated</td>
</tr>
<tr>
<td></td>
<td><strong>$32,311,894</strong></td>
<td><strong>$2,099,925</strong></td>
<td><strong>$13,658,011</strong></td>
<td><strong>$7,686,276</strong></td>
<td><strong>$8,867,682</strong></td>
<td></td>
</tr>
</tbody>
</table>

As of September 30, 2013, investments of the Republic of Palau Civil Service Pension Trust Fund recorded at fair value are as follows:

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equities</td>
<td>$17,632,728</td>
</tr>
<tr>
<td>Fixed income</td>
<td>11,530,907</td>
</tr>
<tr>
<td>Mutual Funds</td>
<td>3,425,201</td>
</tr>
<tr>
<td>Money market funds</td>
<td>1,008,826</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$33,597,662</strong></td>
</tr>
</tbody>
</table>

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 ROP 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.
(2) Deposits and Investments, Continued

B. Investments, Continued

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.

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.
(2) Deposits and Investments, Continued

B. Investments, Continued

Fixed Income, Continued:

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.

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.
(2) Deposits and Investments, Continued

B. Investments, Continued

As of September 30, 2013, maturities of investments in fixed income securities for the Republic of Palau Civil Service Pension Trust Fund were as follows:

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Fair Value</th>
<th>Less Than 1</th>
<th>1 - 5</th>
<th>6 - 10</th>
<th>More Than 10</th>
<th>Credit Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgage-backed securities</td>
<td>2,989,764</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 1,030,827</td>
<td>$ 1,958,937</td>
<td>AAA</td>
</tr>
<tr>
<td>Mortgage-backed securities</td>
<td>1,183,574</td>
<td>-</td>
<td>1,183,574</td>
<td>-</td>
<td>-</td>
<td>AA+</td>
</tr>
<tr>
<td>Mortgage-backed securities</td>
<td>571,219</td>
<td>-</td>
<td>571,219</td>
<td>-</td>
<td>-</td>
<td>AA-</td>
</tr>
<tr>
<td>Government bonds</td>
<td>1,115,345</td>
<td>-</td>
<td>-</td>
<td>1,115,345</td>
<td>-</td>
<td>AAA</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>548,821</td>
<td>-</td>
<td>-</td>
<td>548,821</td>
<td>-</td>
<td>A+</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>1,659,683</td>
<td>-</td>
<td>-</td>
<td>1,659,683</td>
<td>-</td>
<td>A</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>2,712,708</td>
<td>-</td>
<td>-</td>
<td>2,712,708</td>
<td>-</td>
<td>A-</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>749,793</td>
<td>-</td>
<td>-</td>
<td>749,793</td>
<td>-</td>
<td>BBB+</td>
</tr>
</tbody>
</table>

$11,530,907 $ - - $1,754,793 $6,701,832 $3,074,282

As of September 30, 2013, investments of the discretely presented component units are as follows:

Palau Community College (PCC):

<table>
<thead>
<tr>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed income $847,759</td>
</tr>
<tr>
<td>Domestic equities 1,419,271</td>
</tr>
<tr>
<td>Cash and cash equivalents 125,582</td>
</tr>
<tr>
<td>Non-U.S. equities 746,729</td>
</tr>
</tbody>
</table>

$3,139,341

Maturities of investments in fixed income securities for PCC are as follows:

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Fair Value</th>
<th>Less Than 1</th>
<th>1 - 5</th>
<th>6 - 10</th>
<th>More Than 10</th>
<th>Ratings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government securities</td>
<td>36,087</td>
<td>$36,087</td>
<td>$ -</td>
<td>$ -</td>
<td>-</td>
<td>AAA</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>8,328</td>
<td>-</td>
<td>8,328</td>
<td>-</td>
<td>-</td>
<td>BA2</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>7,764</td>
<td>-</td>
<td>7,764</td>
<td>-</td>
<td>-</td>
<td>BBB</td>
</tr>
<tr>
<td>Government securities</td>
<td>8,183</td>
<td>-</td>
<td>8,183</td>
<td>-</td>
<td>-</td>
<td>BA2</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>74,266</td>
<td>-</td>
<td>74,266</td>
<td>-</td>
<td>-</td>
<td>AAA</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>7,989</td>
<td>-</td>
<td>7,989</td>
<td>-</td>
<td>-</td>
<td>A3</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>8,889</td>
<td>-</td>
<td>8,889</td>
<td>-</td>
<td>-</td>
<td>A1</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>4,142</td>
<td>-</td>
<td>4,142</td>
<td>-</td>
<td>-</td>
<td>A-3</td>
</tr>
<tr>
<td>Government securities</td>
<td>79,364</td>
<td>-</td>
<td>79,364</td>
<td>-</td>
<td>-</td>
<td>AAA</td>
</tr>
<tr>
<td>Government securities</td>
<td>59,101</td>
<td>-</td>
<td>59,101</td>
<td>-</td>
<td>-</td>
<td>AAA</td>
</tr>
<tr>
<td>Government securities</td>
<td>40,231</td>
<td>-</td>
<td>40,231</td>
<td>-</td>
<td>-</td>
<td>AAA</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>9,108</td>
<td>-</td>
<td>-</td>
<td>9,108</td>
<td>-</td>
<td>BAA2</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>8,936</td>
<td>-</td>
<td>8,936</td>
<td>-</td>
<td>-</td>
<td>AA3</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>7,596</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>7,596</td>
<td>AAA</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>9,770</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>9,770</td>
<td>BAA1</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>6,958</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>6,958</td>
<td>A2</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>7,612</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>7,612</td>
<td>A2</td>
</tr>
</tbody>
</table>
(2) Deposits and Investments, Continued

B. Investments, Continued

Palau Community College (PCC), Continued:

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Fair Value</th>
<th>Less Than 1</th>
<th>1 - 3</th>
<th>3 - 5</th>
<th>5 - 7</th>
<th>7 - 9</th>
<th>9 or more</th>
<th>Ratings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate bonds</td>
<td>8,827</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>8,827</td>
<td>-</td>
<td>A3</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>9,320</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>9,320</td>
<td>BAA2 BBB</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>8,125</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>8,125</td>
<td>BAA3 BBB</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>8,401</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>8,401</td>
<td>BAA1 BBB+</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>6,693</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>6,693</td>
<td>BAA1 BBB+</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>7,884</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>7,884</td>
<td>A1 A+</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>6,417</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>6,417</td>
<td>A2 A</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>9,213</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>9,213</td>
<td>BAA3 BBB</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>7,856</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>7,856</td>
<td>A1 A+</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>7,322</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>7,322</td>
<td>BAA2 BBB</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>7,898</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>7,898</td>
<td>AA1 AA</td>
</tr>
<tr>
<td>Federal Agencies</td>
<td>40,656</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>40,656</td>
<td>No rating No rating</td>
</tr>
<tr>
<td>Government securities</td>
<td>64,465</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>64,465</td>
<td>AAA No rating</td>
</tr>
<tr>
<td>Government securities</td>
<td>35,803</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>35,803</td>
<td>AAA No rating</td>
</tr>
<tr>
<td>Government securities</td>
<td>52,627</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>52,627</td>
<td>AAA No rating</td>
</tr>
</tbody>
</table>

$ 847,759 $ 36,087 $ 275,469 $ 204,716 $ 18,044 $ 40,763 $ 272,680

Palau National Communications Corporation (PNCC):

<table>
<thead>
<tr>
<th>Actual Allocation Per Policy</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash deposits</td>
<td>11% 10%</td>
</tr>
<tr>
<td>Fixed income</td>
<td>23% 30%</td>
</tr>
<tr>
<td>Domestic equities</td>
<td>55% 50%</td>
</tr>
<tr>
<td>Non-U.S. equities</td>
<td>11% 10%</td>
</tr>
</tbody>
</table>

$ 592,534

As of December 31, 2013, maturities of investments in fixed income securities for PNCC were as follows:

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Fair Value</th>
<th>Less Than 1</th>
<th>1 - 5</th>
<th>6 - 10</th>
<th>More Than 10</th>
<th>Ratings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate bonds</td>
<td>$ 3,996</td>
<td>-</td>
<td>3,996</td>
<td>-</td>
<td>-</td>
<td>A3 A</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>4,005</td>
<td>-</td>
<td>4,005</td>
<td>-</td>
<td>-</td>
<td>BAA1 BBB+</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>4,673</td>
<td>-</td>
<td>4,673</td>
<td>-</td>
<td>-</td>
<td>A1 AA</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>4,815</td>
<td>-</td>
<td>4,815</td>
<td>-</td>
<td>-</td>
<td>BAA1 BBB+</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>4,765</td>
<td>-</td>
<td>4,765</td>
<td>-</td>
<td>-</td>
<td>A1 AA</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>4,482</td>
<td>-</td>
<td>-</td>
<td>4,482</td>
<td>-</td>
<td>BAA1 A</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>3,849</td>
<td>-</td>
<td>-</td>
<td>3,849</td>
<td>-</td>
<td>BAA3 BBB</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>4,045</td>
<td>-</td>
<td>-</td>
<td>4,045</td>
<td>-</td>
<td>A2 A+</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>4,063</td>
<td>-</td>
<td>-</td>
<td>4,063</td>
<td>-</td>
<td>BAA2 BBB+</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>4,081</td>
<td>-</td>
<td>-</td>
<td>4,081</td>
<td>-</td>
<td>BAA3 BBB</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>4,733</td>
<td>-</td>
<td>-</td>
<td>4,733</td>
<td>-</td>
<td>BAA1 BBB</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>3,756</td>
<td>-</td>
<td>-</td>
<td>3,756</td>
<td>-</td>
<td>A3 A-</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>3,786</td>
<td>-</td>
<td>-</td>
<td>3,786</td>
<td>-</td>
<td>A2 A</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>3,706</td>
<td>-</td>
<td>-</td>
<td>3,706</td>
<td>-</td>
<td>A2 A</td>
</tr>
</tbody>
</table>
(2) Deposits and Investments, Continued

B. Investments, Continued

Palau National Communications Corporation (PNCC), Continued

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Par Value</th>
<th>Maturity</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate bonds</td>
<td>3,840</td>
<td>-</td>
<td>A1</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>4,665</td>
<td>-</td>
<td>A1 AA+</td>
</tr>
<tr>
<td>Federal agencies</td>
<td>11,459</td>
<td>11,459</td>
<td>AAA AA+</td>
</tr>
<tr>
<td>Federal agencies</td>
<td>13,373</td>
<td>13,373</td>
<td>AAA AA+</td>
</tr>
<tr>
<td>Government securities</td>
<td>6,170</td>
<td>6,170</td>
<td>AAA No rating</td>
</tr>
<tr>
<td>Government securities</td>
<td>9,393</td>
<td>9,393</td>
<td>AAA No rating</td>
</tr>
<tr>
<td>Government securities</td>
<td>5,410</td>
<td>5,410</td>
<td>AAA No rating</td>
</tr>
<tr>
<td>Government securities</td>
<td>9,750</td>
<td>9,750</td>
<td>AAA No rating</td>
</tr>
<tr>
<td>Government securities</td>
<td>3,708</td>
<td>3,708</td>
<td>AAA No rating</td>
</tr>
<tr>
<td>Government securities</td>
<td>3,879</td>
<td>3,879</td>
<td>AAA No rating</td>
</tr>
<tr>
<td>Government securities</td>
<td>6,266</td>
<td>-</td>
<td>6,266 AAA No rating</td>
</tr>
<tr>
<td>Government securities</td>
<td>2,293</td>
<td>-</td>
<td>2,293 AAA No rating</td>
</tr>
</tbody>
</table>

$138,961 $68,059 $53,838 $17,064

As of September 30, 2013, PNCC maintained investments in short-term money market mutual funds of $3,854,182 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.

Palau International Coral Reef Center:

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 5,401</td>
</tr>
<tr>
<td>Common stocks</td>
<td>100,611</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>30,009</td>
</tr>
<tr>
<td>Fixed income</td>
<td>6,170</td>
</tr>
</tbody>
</table>

$167,350

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, 2013, 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:
(3) Receivables, Continued

Primary Government, Continued

<table>
<thead>
<tr>
<th>General</th>
<th>Grants</th>
<th>Compact Section</th>
<th>Nonmajor Governmental</th>
<th>Fiduciary Funds</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxes</td>
<td>$ 4,226,030</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>General agencies</td>
<td>1,548,492</td>
<td>1,277</td>
<td>3,722,429</td>
<td>6,568,850</td>
<td>11,841,048</td>
</tr>
<tr>
<td>Accrued interest</td>
<td>2,934</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>391,347</td>
</tr>
<tr>
<td>Other</td>
<td>5,777,456</td>
<td>4,050,707</td>
<td>-</td>
<td>3,722,429</td>
<td>-</td>
</tr>
<tr>
<td>Net receivables</td>
<td>$ 4,469,456</td>
<td>$ 4,050,707</td>
<td>$ -</td>
<td>$ 1,226</td>
<td>$ 4,320,944</td>
</tr>
</tbody>
</table>

Discretely Presented Component Units

Receivables as of September 30, 2013, for the discretely presented component units’, including applicable allowances for uncollectible accounts, are as follows:

<table>
<thead>
<tr>
<th>National Development Bank of Palau</th>
<th>Palau National Community College</th>
<th>Palau National Communications Corporation</th>
<th>Palau Coral Reef Center</th>
<th>Palau Visitors Authority</th>
<th>Public Utilities Corporation</th>
<th>Palau District Housing Authority</th>
<th>Protected Areas Network Fund</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td>$ -</td>
<td>$ 1,603,988</td>
<td>$ 5,102,252</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 4,676,329</td>
<td>$ 15,324</td>
<td>$ -</td>
</tr>
<tr>
<td>Federal agencies</td>
<td>$ -</td>
<td>2,282,911</td>
<td>-</td>
<td>182,265</td>
<td>-</td>
<td>83,071</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Loans</td>
<td>$ 24,100,897</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,997,633</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Accrued interest</td>
<td>$ 185,218</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>9,590</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>$ 560,578</td>
<td>235,863</td>
<td>104,386</td>
<td>91,630</td>
<td>68,471</td>
<td>69,294</td>
<td>-</td>
<td>1,500</td>
</tr>
<tr>
<td>Less allowance for uncollectible</td>
<td>$ 24,846,939</td>
<td>4,122,762</td>
<td>5,206,638</td>
<td>273,895</td>
<td>68,471</td>
<td>4,828,694</td>
<td>2,022,547</td>
<td>1,500</td>
</tr>
<tr>
<td>Total</td>
<td>$ 21,990,337</td>
<td>$ 2,832,585</td>
<td>$ 992,373</td>
<td>$ 221,917</td>
<td>$ 68,337</td>
<td>$ 4,357,694</td>
<td>$ 1,934,553</td>
<td>$ 1,500</td>
</tr>
</tbody>
</table>

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 Payables

Primary Government

Receivables and payables between funds reflected as due to/from other funds in the governmental funds balance sheet at September 30, 2013, are summarized as follows:

<table>
<thead>
<tr>
<th>Receivable Fund</th>
<th>Payable Fund</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td>Grants</td>
<td>$2,159,884</td>
</tr>
<tr>
<td>General</td>
<td>Nonmajor governmental funds</td>
<td>18,890</td>
</tr>
<tr>
<td>General</td>
<td>Compact Section 211(f)</td>
<td>248,844</td>
</tr>
<tr>
<td>Grants</td>
<td>General</td>
<td>712,453</td>
</tr>
<tr>
<td>Nonmajor governmental funds</td>
<td>General</td>
<td>463,024</td>
</tr>
</tbody>
</table>

$3,603,095

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.

Receivables and payables between funds reflected as due to/from component units at September 30, 2013, are summarized as follows:

<table>
<thead>
<tr>
<th>Due From</th>
<th>Due To</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund:</td>
<td></td>
</tr>
<tr>
<td>Palau Visitors Authority</td>
<td>$53,929</td>
</tr>
<tr>
<td>Palau International Coral Reef Center</td>
<td>$29,784</td>
</tr>
<tr>
<td>National Development Bank of Palau</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Palau Community College</td>
<td>431,608</td>
</tr>
<tr>
<td>Protected Areas Network</td>
<td>466,696</td>
</tr>
<tr>
<td>Public Utilities Corporation</td>
<td>1,626,618</td>
</tr>
<tr>
<td></td>
<td>1,000,000</td>
</tr>
<tr>
<td></td>
<td>2,608,635</td>
</tr>
</tbody>
</table>

Republic of Palau Social Security Retirement Fund:

<table>
<thead>
<tr>
<th>Due From</th>
<th>Due To</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Development Bank of Palau</td>
<td>$5,255,926</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$6,255,926</td>
</tr>
<tr>
<td></td>
<td>$2,608,635</td>
</tr>
</tbody>
</table>

The amount recorded as due from component units by the General Fund represents a loan due from the National Development Bank of Palau (NDBP) in the 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.
(4) Interfund Receivables and Payables, Continued

Primary Government, Continued

The amount recorded as due from component units by the Republic of Palau Social Security Retirement Fund (the Fund) due from NDBP of $5,255,926 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:

<table>
<thead>
<tr>
<th>Year ending September 30</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$321,401</td>
<td>$232,991</td>
<td>$554,392</td>
</tr>
<tr>
<td>2015</td>
<td>336,025</td>
<td>218,367</td>
<td>554,392</td>
</tr>
<tr>
<td>2016</td>
<td>350,772</td>
<td>203,620</td>
<td>554,392</td>
</tr>
<tr>
<td>2017</td>
<td>367,279</td>
<td>187,113</td>
<td>554,392</td>
</tr>
<tr>
<td>2018</td>
<td>383,993</td>
<td>170,399</td>
<td>554,392</td>
</tr>
<tr>
<td>2019 - 2023</td>
<td>2,198,126</td>
<td>573,835</td>
<td>2,771,961</td>
</tr>
<tr>
<td>2024 - 2025</td>
<td>1,298,330</td>
<td>87,650</td>
<td>1,385,980</td>
</tr>
<tr>
<td></td>
<td>$5,255,926</td>
<td>1,673,975</td>
<td>$6,929,901</td>
</tr>
</tbody>
</table>

The amount recorded as due to component units of the primary government of $2,608,635 does not equal the corresponding due from primary government of the discretely presented component units of $3,169,562 due to the recording of due from primary government by the Public Utilities Corporation (PUC) of $456,355 for utility services of the water and wastewater operation of the Republic prior to its transfer to PUC.

On June 6, 2013, RPPL 9-4 was signed into law for the purpose of merging the Palau Water & Sewer Corporation and PUC operations as Palau Public Utilities Corporation (PPUC). On July 16, 2013, a memorandum of understanding was agreed by PPUC and the Republic to delineate certain arrangements and conditions under which the Republic shall provide accounting processing services while it is being established as a business segment of PPUC accounting systems. On February 24, 2014, PPUC and the Republic formalized the transfer of all assets and liabilities and established the effective date of transfer to be July 1, 2013. While the law effected a merger date of June 6, 2013, PPUC and the Republic agreed that intervening transactions in between that date to July 1, 2013 were not material to the financial statements. As a result, this transaction has been presented as a special item wherein the transfer of water and wastewater infrastructure assets in the amount of $12,975,020 during the year ended September 30, 2013.
(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, 2013, are summarized as follows:

<table>
<thead>
<tr>
<th>Recipient Fund</th>
<th>Amount Due To</th>
<th>Amount Due From</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Development Bank of Palau:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Fund</td>
<td>$1,000,000</td>
<td>$</td>
</tr>
<tr>
<td>Republic of Palau Social Security Retirement Fund</td>
<td>5,255,926</td>
<td>-</td>
</tr>
<tr>
<td>Public Utilities Corporation:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Fund</td>
<td>2,082,973</td>
<td>-</td>
</tr>
<tr>
<td>Palau Community College:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Fund</td>
<td>536,180</td>
<td>-</td>
</tr>
<tr>
<td>Palau Visitors Authority:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Fund</td>
<td>53,929</td>
<td>-</td>
</tr>
<tr>
<td>Palau International Coral Reef Center:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Fund</td>
<td>29,784</td>
<td>-</td>
</tr>
<tr>
<td>Protected Areas Network Fund:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Fund</td>
<td>466,696</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>$6,255,926</td>
<td>$3,169,562</td>
</tr>
</tbody>
</table>

(5) Capital Assets

Capital asset activities for the year ended September 30, 2013, are as follows:

### Primary Government

<table>
<thead>
<tr>
<th>Depreciable capital assets:</th>
<th>Balance at October 1, 2012</th>
<th>Additions</th>
<th>Deletions and Transfers</th>
<th>Balance at September 30, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings and other improvements</td>
<td>$143,024,922</td>
<td>$200,000</td>
<td>$1,481,908</td>
<td>$144,706,830</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>24,482,337</td>
<td>108,810</td>
<td>(1,984,576)</td>
<td>22,606,571</td>
</tr>
<tr>
<td>Vehicles</td>
<td>6,516,753</td>
<td>582,173</td>
<td>(512,180)</td>
<td>6,586,746</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>243,627,194</td>
<td>1,218,494</td>
<td>(29,676,973)</td>
<td>215,168,715</td>
</tr>
<tr>
<td>Total capital assets being depreciated</td>
<td>417,651,206</td>
<td>2,109,477</td>
<td>(30,691,821)</td>
<td>389,068,862</td>
</tr>
</tbody>
</table>

Accumulated depreciation:

<table>
<thead>
<tr>
<th>Depreciable capital assets:</th>
<th>Accumulated depreciation at October 1, 2012</th>
<th>Additions</th>
<th>Deletions and Transfers</th>
<th>Accumulated depreciation at September 30, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings and other improvements</td>
<td>(55,032,705)</td>
<td>(6,841,022)</td>
<td>-</td>
<td>(61,873,727)</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>(19,408,902)</td>
<td>(3,419,227)</td>
<td>1,984,576</td>
<td>(20,843,553)</td>
</tr>
<tr>
<td>Vehicles</td>
<td>(5,122,043)</td>
<td>(631,260)</td>
<td>477,863</td>
<td>(5,275,440)</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>(145,172,170)</td>
<td>(19,269,205)</td>
<td>28,667,755</td>
<td>(135,773,620)</td>
</tr>
<tr>
<td>Total accumulated depreciation</td>
<td>(224,735,820)</td>
<td>(30,160,714)</td>
<td>31,130,194</td>
<td>(223,766,340)</td>
</tr>
</tbody>
</table>

Total non-depreciable capital assets:

<table>
<thead>
<tr>
<th>Non-depreciable capital assets:</th>
<th>Net amount</th>
<th>Land</th>
<th>Construction in progress</th>
<th>Total non-depreciable capital assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>192,915,386</td>
<td>3,850,294</td>
<td>49,109</td>
<td>(13,447,710)</td>
<td>18,289,431</td>
</tr>
</tbody>
</table>

Capital assets, net:

| Capital assets, net | 214,928,104 | (18,326,814) | (13,009,337) | 183,591,953 |
(5) Capital Assets, Continued

Primary Government, Continued

During the year ended September 30, 2013, the Republic recognized an impairment of $928,204 associated with certain machinery and equipment of the Palau hospital that is currently sitting idle.

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

- General government: $446,700
- Education: 368,668
- Health and welfare: 1,583,885
- Public safety: 1,253,174
- Cultural affairs and recreation: 217,394
- Transportation and commerce: 24,497,448
- Unallocated: 865,241

Total depreciation expense: $29,232,510

Fiduciary Funds

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Office equipment and furniture</td>
<td>4 - 13 yrs</td>
<td>$489,302</td>
<td>$26,651</td>
<td>-</td>
<td>$515,953</td>
</tr>
<tr>
<td>Buildings and improvements</td>
<td>30 yrs</td>
<td>132,315</td>
<td>-</td>
<td>-</td>
<td>132,315</td>
</tr>
<tr>
<td>Vehicles</td>
<td>5 yrs</td>
<td>110,344</td>
<td>-</td>
<td>-</td>
<td>110,344</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td></td>
<td>(565,595)</td>
<td>(77,070)</td>
<td>-</td>
<td>(642,665)</td>
</tr>
<tr>
<td>Total depreciable capital assets, net</td>
<td></td>
<td>166,366</td>
<td>(50,419)</td>
<td>-</td>
<td>115,947</td>
</tr>
</tbody>
</table>

Non-depreciable capital assets:
- Land: 207,018

Total non-depreciable capital assets: 207,018

Total capital assets, net: $322,965

Discretely Presented Component Units

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>3 - 30 yrs</td>
<td>$20,954,254</td>
<td>$34,887</td>
<td>(22,463)</td>
<td>$20,966,678</td>
</tr>
<tr>
<td>Utility plant</td>
<td>2 - 30 yrs</td>
<td>106,060,510</td>
<td>46,512,253</td>
<td>(5,515,298)</td>
<td>147,057,465</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>2 - 20 yrs</td>
<td>3,213,415</td>
<td>434,596</td>
<td>(272,675)</td>
<td>3,375,336</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>2 - 15 yrs</td>
<td>3,194,135</td>
<td>8,194</td>
<td>(146,054)</td>
<td>3,056,275</td>
</tr>
<tr>
<td>Total depreciable capital assets, net</td>
<td></td>
<td>133,422,314</td>
<td>46,989,930</td>
<td>(5,956,490)</td>
<td>174,455,754</td>
</tr>
</tbody>
</table>

Less accumulated depreciation: (86,165,942) | (33,368,620) | 5,723,040 | (113,811,522) |

Total depreciable capital assets, net: 47,256,372 | 13,621,310 | (233,450) | 60,644,232 |

Non-depreciable capital assets:
- Construction in progress: 2,751,523 | 5,087,040 | (5,671,601) | 2,166,962 |

Total non-depreciable capital assets: $50,007,895 | $18,708,350 | $(5,905,051) | $62,811,194 |
(6) Notes 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, 2013. This loan is in noncompliance with local requirements since only the President of the Republic is authorized to enter into debt agreements.

Discretely Presented Component Units

National Development Bank of Palau (NDBP):

NDBP entered into a $300,000 revolving credit line on October 27, 2007, for the purpose of supplementing disbursements of approved loans and temporary cash requirements for operations. On October 21, 2008, NDBP renewed the credit line under essentially the same terms and conditions. The loan is payable one year from initial drawdown with interest at the time certificate of deposit (TCD) rate plus 1.50%. The loan is collateralized by assignment of $452,959 in TCDs.

Changes in short-term note payable of NDBP for the year ended September 30, 2013, is as follows:

<table>
<thead>
<tr>
<th></th>
<th>October 1, 2012</th>
<th>Additions</th>
<th>Reductions</th>
<th>September 30, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance</td>
<td>$300,000</td>
<td>$30,000</td>
<td>$(30,000)</td>
<td>$260,000</td>
</tr>
</tbody>
</table>

(7) Long-Term Obligations

Primary Government

As of September 30, 2013, 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. $7,999,991

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 Repaving Project and is uncollateralized. 5,257,158
(7) Long-Term Obligations, Continued

Primary Government, Continued

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 (5.03% at September 30, 2013), 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 commence May 1, 2014 with graduated increases of 5% through November 1, 2025.

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.

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

<table>
<thead>
<tr>
<th>Year Ending September 30</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$1,743,812</td>
<td>$816,307</td>
<td>$2,560,119</td>
</tr>
<tr>
<td>2015</td>
<td>1,909,558</td>
<td>748,980</td>
<td>2,658,538</td>
</tr>
<tr>
<td>2016</td>
<td>1,941,288</td>
<td>676,547</td>
<td>2,617,835</td>
</tr>
<tr>
<td>2017</td>
<td>1,976,269</td>
<td>602,428</td>
<td>2,578,697</td>
</tr>
<tr>
<td>2018</td>
<td>2,014,837</td>
<td>536,704</td>
<td>2,551,541</td>
</tr>
<tr>
<td>2019 - 2023</td>
<td>8,354,265</td>
<td>1,559,379</td>
<td>9,913,644</td>
</tr>
<tr>
<td>2024 - 2028</td>
<td>3,779,058</td>
<td>372,664</td>
<td>4,151,722</td>
</tr>
<tr>
<td>2029 - 2033</td>
<td>1,085,230</td>
<td>73,253</td>
<td>1,158,483</td>
</tr>
<tr>
<td>2034 - 2035</td>
<td>325,566</td>
<td>6,511</td>
<td>332,077</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$23,129,883</strong></td>
<td><strong>$5,392,773</strong></td>
<td><strong>$28,522,656</strong></td>
</tr>
</tbody>
</table>

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, 2013 and therefore has restricted assets of $2,999,888 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).
(7) Long-Term Obligations, Continued

Changes in long-term liabilities of the primary government for the year ended September 30, 2013, are as follows:

<table>
<thead>
<tr>
<th>Loans payable:</th>
<th>Balance October 1, 2012</th>
<th>Additions</th>
<th>Reductions</th>
<th>Balance September 30, 2013</th>
<th>Due Within One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>MICB loans</td>
<td>$14,857,147</td>
<td>$</td>
<td>$(1,599,998)</td>
<td>$13,257,149</td>
<td>$1,599,998</td>
</tr>
<tr>
<td>ADB loans</td>
<td>9,872,734</td>
<td></td>
<td></td>
<td>9,872,734</td>
<td>143,814</td>
</tr>
<tr>
<td></td>
<td>24,729,881</td>
<td></td>
<td>$(1,599,998)</td>
<td>23,129,883</td>
<td>1,743,812</td>
</tr>
<tr>
<td>Other:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensated absences</td>
<td>3,848,076</td>
<td>4,036,271</td>
<td>(4,229,848)</td>
<td>3,654,499</td>
<td>1,914,888</td>
</tr>
<tr>
<td>Due to U.S. Government</td>
<td>3,000,000</td>
<td></td>
<td></td>
<td>3,000,000</td>
<td></td>
</tr>
</tbody>
</table>

$31,577,957 $4,036,271 $(5,829,846) $29,784,382 $3,658,700

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. $3,142,405

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. 3,025,260

$6,167,665

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

<table>
<thead>
<tr>
<th>Year ending September 30.</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$463,519</td>
<td>$160,182</td>
<td>$623,701</td>
</tr>
<tr>
<td>2015</td>
<td>500,624</td>
<td>212,787</td>
<td>713,411</td>
</tr>
<tr>
<td>2016</td>
<td>539,285</td>
<td>193,835</td>
<td>733,120</td>
</tr>
<tr>
<td>2017</td>
<td>579,571</td>
<td>173,259</td>
<td>752,830</td>
</tr>
<tr>
<td>2018</td>
<td>621,550</td>
<td>150,990</td>
<td>772,540</td>
</tr>
<tr>
<td>2019 - 2023</td>
<td>2,865,341</td>
<td>360,657</td>
<td>3,225,998</td>
</tr>
<tr>
<td>2024</td>
<td>597,775</td>
<td>47,606</td>
<td>645,381</td>
</tr>
</tbody>
</table>

$6,167,665 $1,299,316 $7,466,981
(7) Long-Term Obligations, Continued

Discretely Presented Component Units, Continued

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. $ 25,438,349

Loan payable to Chunghwa Telecom Company due July 2017, non-interest bearing, principal payable in monthly installments of $34,087 (net of unamortized discount of $191,816 at December 31, 2012). The loan is collateralized by earth station and ground common equipment. 1,341,769

Loan payable to National Information Solutions Cooperative (NISC), non-interest bearing, payable in monthly installments of $10,482 from January 2013 through March 2013, and thereafter $13,325 monthly, due October 2017 (net of unamortized discount of $100,875). The loan is uncollateralized. 563,202

$ 27,343,320

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

<table>
<thead>
<tr>
<th>Year Ending December 31</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$ 1,653,076</td>
<td>$1,515,221</td>
<td>$ 3,168,297</td>
</tr>
<tr>
<td>2015</td>
<td>1,729,458</td>
<td>1,474,030</td>
<td>3,203,488</td>
</tr>
<tr>
<td>2016</td>
<td>1,811,726</td>
<td>1,428,718</td>
<td>3,240,444</td>
</tr>
<tr>
<td>2017</td>
<td>1,699,378</td>
<td>1,209,563</td>
<td>2,908,941</td>
</tr>
<tr>
<td>2018</td>
<td>1,396,675</td>
<td>909,501</td>
<td>2,306,176</td>
</tr>
<tr>
<td>2019 - 2023</td>
<td>8,029,058</td>
<td>3,501,820</td>
<td>11,530,878</td>
</tr>
<tr>
<td>2024 - 2028</td>
<td>10,095,900</td>
<td>1,434,978</td>
<td>11,530,878</td>
</tr>
<tr>
<td>2029</td>
<td>928,049</td>
<td>10,507</td>
<td>938,556</td>
</tr>
<tr>
<td></td>
<td>$ 27,343,320</td>
<td>$11,484,338</td>
<td>$38,827,658</td>
</tr>
</tbody>
</table>
(7) Long-Term Obligations, Continued

Discretely Presented Component Units, Continued

Public Utilities Corporation (PUC):

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.

Loan payable to the National Development Bank of Palau in the amount of $3,000,000, due January 31, 2026 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.

$ 5,400,000

2,678,546

$ 8,078,546

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

<table>
<thead>
<tr>
<th>Year Ending</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 30, 2014</td>
<td>$537,508</td>
<td>$379,987</td>
<td>$917,495</td>
</tr>
<tr>
<td>2015</td>
<td>548,182</td>
<td>355,118</td>
<td>903,300</td>
</tr>
<tr>
<td>2016</td>
<td>559,183</td>
<td>330,350</td>
<td>889,533</td>
</tr>
<tr>
<td>2017</td>
<td>572,043</td>
<td>302,867</td>
<td>874,910</td>
</tr>
<tr>
<td>2018</td>
<td>585,399</td>
<td>275,317</td>
<td>860,716</td>
</tr>
<tr>
<td>2019 - 2023</td>
<td>3,166,150</td>
<td>924,786</td>
<td>4,090,936</td>
</tr>
<tr>
<td>2024 - 2026</td>
<td>2,110,081</td>
<td>150,481</td>
<td>2,260,562</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td><strong>$ 8,078,546</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td><strong>$2,718,906</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td><strong>$10,797,452</strong></td>
</tr>
</tbody>
</table>

Changes in long-term liabilities of the discretely presented component units for the year ended September 30, 2013, are as follows:

<table>
<thead>
<tr>
<th>Loans payable:</th>
<th>Balance October 1, 2012</th>
<th>Additions</th>
<th>Reductions</th>
<th>Balance September 30, 2013</th>
<th>Due Within One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>NDBP</td>
<td>$6,767,698</td>
<td>-</td>
<td>($600,033)</td>
<td>$6,167,665</td>
<td>$463,519</td>
</tr>
<tr>
<td>PNCC</td>
<td>28,703,631</td>
<td>-</td>
<td>($1,360,311)</td>
<td>27,343,320</td>
<td>1,653,076</td>
</tr>
<tr>
<td>PUC</td>
<td>8,606,048</td>
<td>-</td>
<td>($527,502)</td>
<td>8,078,546</td>
<td>537,508</td>
</tr>
<tr>
<td>Other liabilities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to primary government</td>
<td>4,000,000</td>
<td>-</td>
<td>(3,000,000)</td>
<td>1,000,000</td>
<td>-</td>
</tr>
<tr>
<td>Due to fiduciary funds</td>
<td>5,563,337</td>
<td>-</td>
<td>(307,411)</td>
<td>5,255,926</td>
<td>321,401</td>
</tr>
<tr>
<td></td>
<td><strong>$53,640,714</strong></td>
<td></td>
<td>(5,795,257)</td>
<td><strong>$47,845,457</strong></td>
<td><strong>$2,975,504</strong></td>
</tr>
</tbody>
</table>
(8) **Restricted Assets**

**Primary Government**

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

Deposit accounts established for the purpose of accounting of funds held by the Republic in a custodial capacity relating to court-ordered settlements. $304,154

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. $189,896,865

Investments held in a trust fund for the purpose of funding a liability to the United States government. 2,999,888

$192,896,753

**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. $452,959

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. 50,169

Deposit account collateralizing loans funded by Rural Housing Service. 525,148

Deposit account established for cash received from grantor agencies. 103,791

**Palau Community College:**

Deposit accounts established for library fund and endowment fund. 806,986

$1,939,053
(8) Restricted Assets, Continued

Discretely Presented Component Units, Continued

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

Palau Community College:
Investments held for endowment purposes. $ 3,139,341

Palau National Communications Corporation:
Investment account established in accordance with Rural Utilities Service loan agreement for the purposes of a reserve account. 3,854,182

$ 6,993,523

(9) 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, 2013, the Republic made no payments under this agreement. Please refer to Note 7 for matters involving potential release of this liability.

(10) 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, 2013, are as follows:

<table>
<thead>
<tr>
<th>Transfer Out</th>
<th>Transfer In</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund:</td>
<td></td>
</tr>
<tr>
<td>Grants Fund</td>
<td>$ 490,671</td>
</tr>
<tr>
<td>Compact Section 211(f) Fund</td>
<td>-</td>
</tr>
<tr>
<td>Other Governmental Funds</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>490,671</td>
</tr>
<tr>
<td>Grants Fund:</td>
<td></td>
</tr>
<tr>
<td>General Fund</td>
<td>3,237,823</td>
</tr>
<tr>
<td>Compact Section 211(f) Fund:</td>
<td></td>
</tr>
<tr>
<td>General Fund</td>
<td>5,000,000</td>
</tr>
</tbody>
</table>
(10) Transfers In/Out, Continued

Operating Fund Transfers, Continued

Other Governmental Funds:
General Fund  
914,258  -

$ 9,652,752  $ 9,652,752

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. During the year ended September 30, 2013, the Republic made a one-time transfer of $914,258 from other governmental funds representing budgetary support for General Fund operations.

(11) 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:

<table>
<thead>
<tr>
<th>Fund balances:</th>
<th>General</th>
<th>Grants</th>
<th>Compact Section 211 (f)</th>
<th>Nonmajor Governmental Funds</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonspendable:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UMDA investment</td>
<td>$1,185,575</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$1,185,575</td>
</tr>
<tr>
<td>Loan receivable - NDBP</td>
<td>1,000,000</td>
<td>$ -</td>
<td>$ -</td>
<td>-</td>
<td>1,000,000</td>
</tr>
<tr>
<td>ServMart Inventory</td>
<td>46,468</td>
<td>$ -</td>
<td>$ -</td>
<td>-</td>
<td>46,468</td>
</tr>
<tr>
<td>Prepayments</td>
<td>112,904</td>
<td>1,130,366</td>
<td>$ -</td>
<td>20,413</td>
<td>1,263,683</td>
</tr>
<tr>
<td>Permanent fund principal</td>
<td></td>
<td></td>
<td>189,648,021</td>
<td>-</td>
<td>189,648,021</td>
</tr>
<tr>
<td></td>
<td>2,344,947</td>
<td>1,130,366</td>
<td>189,648,021</td>
<td>20,413</td>
<td>193,143,747</td>
</tr>
<tr>
<td>Restricted:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Super Typhoon Bopha</td>
<td>1,587,795</td>
<td>$ -</td>
<td>$ -</td>
<td>-</td>
<td>1,587,795</td>
</tr>
<tr>
<td>Capital projects</td>
<td>$ -</td>
<td>8,484</td>
<td>$ -</td>
<td>-</td>
<td>8,484</td>
</tr>
<tr>
<td>Compact Section 211(b) Energy</td>
<td>$ -</td>
<td>$ -</td>
<td>-</td>
<td>3,041,516</td>
<td>3,041,516</td>
</tr>
<tr>
<td></td>
<td>1,587,795</td>
<td>8,484</td>
<td></td>
<td>-</td>
<td>3,041,516</td>
</tr>
<tr>
<td></td>
<td>1,587,795</td>
<td>8,484</td>
<td></td>
<td>-</td>
<td>4,637,795</td>
</tr>
<tr>
<td>Committed:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environment protection</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>79,695</td>
<td>79,695</td>
</tr>
<tr>
<td>Road maintenance</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>77,325</td>
<td>77,325</td>
</tr>
<tr>
<td>Public law access</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>15,176</td>
<td>15,176</td>
</tr>
<tr>
<td>Other</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>996</td>
<td>996</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>173,192</td>
<td>173,192</td>
</tr>
<tr>
<td>Unassigned:</td>
<td>(3,816,806)</td>
<td>(1,123,996)</td>
<td></td>
<td>(39,303)</td>
<td>(4,980,105)</td>
</tr>
<tr>
<td></td>
<td>115,936</td>
<td>14,854</td>
<td>189,648,021</td>
<td>3,195,818</td>
<td>192,974,629</td>
</tr>
</tbody>
</table>

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(12) 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, 2013, amounted to $7,389,534.

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, 2013, demand had not occurred. The notes are 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.

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 of $2,690,163 have been set forth in the Republic’s Single Audit Report for the year ended September 30, 2013. 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. Insurance Coverage

The Republic does not maintain insurance coverage for a significant amount of fixed assets or inventory. 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 $103,899,191 as of October 1, 2011. 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, 2013 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.
Commitments and Contingencies, Continued

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. Debt Commitments

Significant commitments of the primary government as of September 30, 2013, are as follows:

a) Guaranteed bank debt of the National Development Bank of Palau (NDBP) with letters of guarantee. At September 30, 2013, NDBP had guaranteed debt totaling $6,167,665.

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, 2013, NDBP had guaranteed debt associated with this loan totaling $5,255,926.

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, 2013, PNCC had guaranteed debt totaling $25,438,349.

d) Guaranteed bank debt of the Public Utilities Corporation (PUC) with a letter of guarantee. At September 30, 2013, PUC had guaranteed debt totaling $5,400,000.

e) Guaranteed a debt of PUC in respect of a loan from NDBP with a letter of guarantee. At September 30, 2013, PUC had guaranteed debt associated with this loan totaling $2,678,546.

H. Civil Service Pension Trust Fund

As of September 30, 2013, interest associated with delinquent payment of contributions to the Republic of Palau Civil Service Pension Trust Fund (the Pension Fund) has been accrued in the amount of $1,408,874. The Pension Fund has filed suit against the Republic for lost earnings as a result of failure to timely remit contributions. Unfavorable resolution of this matter could expose the Republic to additional penalties and interest. At September 30, 2013, the financial statements do not include any adjustments that might result from the outcome of this uncertainty. Management plans to negotiate a settlement agreement with the Pension Fund.

I. Budgetary Compliance

For the year ended September 30, 2013, significant over-expenditures exceeding appropriations within the General Fund were as follows:

- Ministry of Finance - bank fees $277,065
- Other Agencies and Activities - bad debts $441,000
- Other Country Grants Fund $340,772
- Other Grants Fund $180,992

These over-expenditures of the General Fund have not been funded by Legislative authorization.
(12) Commitments and Contingencies, Continued

J. 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, 2013, will not have a material impact on the accompanying financial statements.

(13) Republic of Palau Civil Service Pension Trust Fund

The Republic contributes to the Palau Civil Service Pension Trust Fund (the Pension Fund), a defined benefit, cost-sharing multi-employer pension plan established and administered by the Republic.

The Pension Fund provides retirement, security and other benefits to employees, and their spouses and dependents, of the Republic, Republic State Governments and Republic agencies, funds and public corporations, which are paid monthly and are two percent of each member's average monthly salary. Normal benefits are of credited total service up to a maximum of thirty years total service. Generally, benefits vest after three years of credited service. A member, who retires at or after age 60, or with 25 years of vesting service, is entitled to retirement benefits. RPPL No. 2-26 is the authority under which benefit provisions are established. Member contribution rates are established by RPPL No. 2-26 at six percent (6%) of total payroll and matched dollar for dollar by the employer. The Republic contributed $1,666,717, $1,554,455 and $1,765,740 to the Pension Fund during the years ended September 30, 2013, 2012 and 2011, respectively. Per the provisions of RPPL No. 2-26 and RPPL No. 3-21, the Republic shall from time to time contribute additional sums to the Pension Fund in order to keep the Pension Fund on a sound actuarial basis. The Pension Fund issues a stand-alone financial report, which is available at its office site.

Under the provisions of the RPPL No. 2-26, the Pension Fund’s Board of Trustees adopted a Trust Fund Operation Plan which has the force and effect of law and which sets forth the procedures for the administration and coverage of the Plan. Amendments to the Plan are subject to the requirements of Title 6 of the Palau National Code. The Republic’s payroll for fiscal year 2013 was covered in total by the Pension Fund’s pension plan.

The Pension Fund utilizes the actuarial cost method termed “aggregate cost method” with actuarial assumptions used to compute the pension benefit obligation as follows: (a) a rate of return of 10% per year on the investment of present and future assets, (b) a 3% increase in employee salaries until retirement, and (c) members are assumed to retire at their normal retirement date.

The pension benefit obligation, which is the actuarial present value of credited projected benefits, is a standardized disclosure measure of the present value of pension benefits, adjusted for the affects of projected salary increases and any step-rate benefits, estimated to be payable in the future as a result of employment service to date. The measure is intended to assist users to evaluate the Pension Fund’s funding status on a going-concern basis, and evaluate progress made in accumulating adequate assets to pay benefits when due.
(13) Republic of Palau Civil Service Pension Trust Fund, Continued

RPPL No. 5-45 earmarked $1,000,000 to the Pension Fund, to be derived from revenues generated from a Virtual Pachinko Business. Of this $1,000,000, RPPL No. 6-12, passed into law on September 30, 2002, allocated $500,000 to the Pension Fund for the employer contribution of the Palau Community College (PCC) for employees of PCC electing to participate. PCC employees opting to retroactively participate shall be enrolled in the Pension Fund effective as of their start date with PCC or October 1, 1987, whichever is later. These employees are required to pay into the Pension Fund their proportionate contribution for each year of retroactive participation. The Pension Fund did not receive funds related to RPPL No. 5-45 and RPPL No. 6-12 from the Republic during the year ended September 30, 2013.

The Republic has determined that remaining amounts earmarked to the Pension Fund through RPPL No. 5-45 and RPPL No. 6-12 will only be remitted as revenues are generated from the Virtual Pachinko Business.

As a result of the provisions of RPPL No. 6-12, PCC employees who opted to claim prior year’s service executed payment agreements with the Pension Fund totaling $978,907 for prior year’s service claimed. As these employees are not mandated to continue payment agreements and can elect to have contributions refunded upon termination of payment agreements, and due to the uncertainty of collection of the employee’s share through RPPL No. 6-12, the Pension Fund has elected not to record PCC employee receivables for prior year service. The Pension Fund received $14,250 from PCC employees during the year ended September 30, 2013.

The funded status as of October 1, 2011, the most recent actuarial valuation date, is as follows:

<table>
<thead>
<tr>
<th>Actuarial Value of Assets (a)</th>
<th>Actuarial Accrued Liability (AAL) - Entry Age Normal Cost Method (b)</th>
<th>Unfunded AAL (UAAL) (b - a)</th>
<th>Funded Ratio (a / b)</th>
<th>Covered Payroll (c)</th>
<th>UAAL as a Percentage of Covered Payroll (b - a / c)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$36,128,666</td>
<td>$140,027,857</td>
<td>$103,899,191</td>
<td>25.80%</td>
<td>$37,035,338</td>
<td>280.54%</td>
</tr>
</tbody>
</table>

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

Additional information as of the latest actuarial valuation follows:

Valuation Date: October 1, 2011
Actuarial Cost Method: Entry age normal cost method
Amortization Method: Level percent open
Remaining Amortization Period: 30 years
Asset Valuation Method: Market value, including accrued but unpaid contributions
(13) Republic of Palau Civil Service Pension Trust Fund, Continued

Actuarial Assumptions:

- Investment rate of return: 7.5% per year
- Projected salary increases: 3% per annum
- COLAS: 0%

(14) Subsequent Event

On October 1, 2013, RPPL 9-11 and RPPL 9-12 were enacted which amend Title 41 of the Palau National Code as follows:

a. Allows eligible individuals born before January 4, 1954 to receive the full amount of the surviving spouse’s insurance benefits along with other benefits;
b. Increases minimum monthly benefits to $148;
c. Revises the basic benefit formula. Benefit payments paid monthly are computed upon an annual basis of 27% of the first $11,000 of the cumulative covered earnings, plus 2.9% of the next $33,000, plus 1.5% of the next $44,000, plus 0.75% of the cumulative covered earnings in excess of $500,000;
d. Revises old age retirement insurance. A person who attains the age of sixty and retires prior to attaining the age at which that person becomes entitled to a monthly old age insurance benefit shall receive a monthly insurance benefit that is reduced by six percent for each year remaining before the person attains the age of entitlement. This provision shall apply to a person who is fully insured and has attained the age of sixty years by September 30, 2015, sixty-two years as of October 1, 2015, or sixty-three years as of October 1, 2020 and retired;
e. Increases the maximum amount of remuneration received during a quarter from one employer by any one employee upon which contributions must be deducted and contributed to the retirement fund to $3,000. The amount shall be increased to $6,000 on October 1, 2015, $8,000 on October 1, 2017 and on October 1, 2020, there will be no maximum amount of remuneration; and
f. Increases the maximum amount of remuneration that a person may earn and still remain entitled to a full benefit to $3,000.
REPUBLIC OF PALAU

REQUIRED SUPPLEMENTARY INFORMATION
- BUDGETARY REPORTING

YEAR ENDED SEPTEMBER 30, 2013
### Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

**General Fund (Fund 100100)**

**Year Ended September 30, 2013**

<table>
<thead>
<tr>
<th>Revenues:</th>
<th>Original Budget</th>
<th>Final Budget</th>
<th>Actual - Budgetary Basis (see note 1)</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local revenue</td>
<td>$44,866,100</td>
<td>$46,813,234</td>
<td>$43,182,039</td>
<td>($3,631,195)</td>
</tr>
<tr>
<td>Compact funding - Section 211(a)</td>
<td>6,000,000</td>
<td>6,000,000</td>
<td>6,000,000</td>
<td>-</td>
</tr>
<tr>
<td>Compact funding - Section 215 inflation adjustment</td>
<td>5,147,000</td>
<td>5,147,000</td>
<td>5,147,000</td>
<td>-</td>
</tr>
<tr>
<td>Net change in the fair value of investments</td>
<td>-</td>
<td>-</td>
<td>68,771</td>
<td>68,771</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td>122,344</td>
<td>555,308</td>
<td>432,964</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>56,013,100</td>
<td>58,082,578</td>
<td>54,953,118</td>
<td>($3,129,460)</td>
</tr>
</tbody>
</table>

| Expenditures - budgetary basis: | | | | |
| Office of the President | 1,086,732 | 1,209,076 | 1,205,143 | 3,933 |
| Office of the Vice-President | 373,769 | 373,769 | 343,648 | 30,121 |
| Ministry of Finance | 2,701,508 | 2,736,508 | 2,769,120 | 80,721 |
| Ministry of Community and Cultural Affairs | 982,776 | 982,776 | 955,028 | 27,748 |
| Ministry of Education | 7,059,700 | 7,059,700 | 6,761,564 | 298,136 |
| Ministry of Public Infrastructure, Industry and Commerce | 9,545,558 | 10,605,558 | 9,961,263 | 644,295 |
| Ministry of Justice | 3,925,581 | 3,925,581 | 3,794,200 | 131,381 |
| Ministry of Health | 8,531,424 | 9,380,424 | 9,245,364 | 135,060 |
| Ministry of Natural Resources, Environment and Tourism | 1,233,593 | 1,244,593 | 1,231,703 | 12,890 |
| Boards, Commissions and Authorities | 616,045 | 656,076 | 602,816 | 53,260 |
| Judicial Branch | 2,200,000 | 2,200,000 | 2,199,656 | 344 |
| Legislative Branch | 4,190,326 | 4,322,826 | 4,310,691 | 12,135 |
| State Block Grants | 5,163,600 | 5,374,303 | 5,362,553 | 11,750 |
| Independent Agencies | 1,878,031 | 1,891,931 | 1,812,388 | 79,543 |
| Other Agencies and Activities | 2,810,986 | 2,810,986 | 3,217,174 | (406,188) |
| Education Assistance | 3,171,000 | 3,171,000 | 3,171,000 | - |
| Other Appropriations | 5,636,171 | 6,216,171 | 4,374,538 | 1,841,633 |
| **Total expenditures** | 63,441,641 | 66,511,119 | 63,821,979 | 2,689,140 |

| Deficiency of revenues under expenditures | (7,428,541) | (8,428,541) | (8,868,861) | (440,320) |

| Other financing sources (uses): | | | | |
| Loan proceeds | 2,237,000 | 3,237,000 | - | ($3,237,000) |
| Operating transfers in | 8,300,000 | 8,300,000 | 11,332,534 | 3,032,534 |
| Operating transfers out | (3,668,000) | (3,668,000) | (4,020,956) | (352,956) |

| Total other financing sources (uses), net | 6,869,000 | 7,869,000 | 7,311,578 | (557,422) |

| 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 | 559,541 | 559,541 | 2,008,471 | 1,448,930 |

| Net change in fund balance | | | $451,188 | $451,188 |
(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**

<table>
<thead>
<tr>
<th>General Fund (Fund 100100): Budgetary basis</th>
<th>Net Change in Fund Balance</th>
<th>Encumbrances</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 451,188</td>
<td>$ 2,008,471</td>
</tr>
</tbody>
</table>

GASB 54 Funds included within the General Fund:

<table>
<thead>
<tr>
<th>Fund Description</th>
<th>Budgetary Basis</th>
<th>Encumbrances</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Institutions Commission Fund (Fund 100116)</td>
<td>(2,043)</td>
<td>1,311</td>
</tr>
<tr>
<td>Scholarship Fund (Fund 100150)</td>
<td>47,724</td>
<td>107</td>
</tr>
<tr>
<td>Non-Lapsing Fund (Fund 100200)</td>
<td>1,779,350</td>
<td>37,243</td>
</tr>
<tr>
<td>Receivable Fund (Fund 100900)</td>
<td>4,754</td>
<td>3,199</td>
</tr>
<tr>
<td>Compact Section 211(e) Fund (Fund 311500)</td>
<td>16</td>
<td>-</td>
</tr>
<tr>
<td>Compact Section 213 Fund (Fund 313000)</td>
<td>432,626</td>
<td>-</td>
</tr>
<tr>
<td>Local CIP Fund (Fund 410100)</td>
<td>(33,781)</td>
<td>20,252</td>
</tr>
<tr>
<td>DOI CIP Fund (Fund 430100)</td>
<td>(180,453)</td>
<td>-</td>
</tr>
<tr>
<td>Debt Service Fund (Fund 600000)</td>
<td>(2,767,959)</td>
<td>-</td>
</tr>
<tr>
<td>Judiciary Fund</td>
<td>(14,719)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>(734,485)</td>
<td>62,112</td>
</tr>
<tr>
<td></td>
<td>$ (283,297)</td>
<td>$ 2,070,583</td>
</tr>
</tbody>
</table>

See Accompanying Independent Auditors' Report.
REPUBLIC OF PALAU

OTHER SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2013
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.

Financial Institutions Commission Fund - This fund accounts for financial transactions related to the financial regulatory and supervisory system of financial institutions operating in the Republic.

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

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

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

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

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

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

Local Capital Projects Fund - 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.

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

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

See Accompanying Independent Auditors’ Report.
# REPUBLIC OF PALAU
## GENERAL FUND
### Combining Schedule of Balance Sheet Accounts
#### September 30, 2013

<table>
<thead>
<tr>
<th>100150</th>
<th>311300</th>
<th>311400</th>
<th>311500</th>
<th>313000</th>
<th>321000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$5,933,084</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Investments</td>
<td>1,193,148</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>448,213</td>
</tr>
<tr>
<td>Receivables, net:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td>4,226,030</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>General</td>
<td>240,492</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Accrued interest</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Due from component units</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Due from other funds</td>
<td>137,731,895</td>
<td>-</td>
<td>102,889</td>
<td>48,136</td>
<td>-</td>
</tr>
<tr>
<td>Advances</td>
<td>173,859</td>
<td>(584)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Inventory</td>
<td>46,468</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Prepaid items</td>
<td>112,904</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Restricted assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>304,154</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$149,962,034</td>
<td>$(584)</td>
<td>$102,889</td>
<td>$48,136</td>
<td>$448,213</td>
</tr>
</tbody>
</table>

| **LIABILITIES AND FUND BALANCES** | | | | | |
| **Liabilities:** | | | | | |
| Note payable | $198,142 | $ - | $ - | $ - | $ - | $ - |
| Accounts payable | 6,058,252 | 5,219 | - | - | - | - |
| Due to State governments | 2,981,242 | - | - | - | - | - |
| Due to component units | 1,617,010 | - | - | - | - | - |
| Due to other funds | 139,955,627 | 731,201 | - | - | - | - |
| Accrued payroll and others | 3,402,905 | 1,351 | - | - | - | - |
| Other liabilities and accruals | 1,421,925 | - | - | - | - | - |
| Unearned revenue | - | - | - | - | - | - |
| Income tax refunds | 817,561 | - | - | - | - | - |
| **Total liabilities** | 156,452,664 | 731,771 | - | - | - | - |

| **Fund balances (deficit):** | | | | | |
| Nonspendable | 1,344,947 | - | - | - | - | - |
| Restricted | 1,587,795 | - | - | - | - | - |
| Unassigned | (9,423,372) | (731,355) | 102,889 | 48,136 | 448,213 | 2,899,164 |
| **Total fund balances (deficit):** | (6,490,630) | (731,355) | 102,889 | 48,136 | 448,213 | 2,899,164 |

| **Total liabilities and fund balances (deficit):** | $149,962,034 | $(584) | $102,889 | $48,136 | $448,213 | $2,899,164 |

See Accompanying Independent Auditors' Report.
## Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>410100</th>
<th>430100</th>
<th>500100</th>
<th>600000</th>
<th>700100</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 5,933,084</td>
</tr>
<tr>
<td>Investments</td>
<td>10,200</td>
<td>-</td>
<td>44,320</td>
<td>-</td>
<td>4,592,111</td>
</tr>
<tr>
<td>Receivables, net:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>- 4,226,030</td>
</tr>
<tr>
<td>General</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>- 240,492</td>
</tr>
<tr>
<td>Accrued interest</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>- 2,934</td>
</tr>
<tr>
<td>Due from component units</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>- 1,000,000</td>
<td>- 1,000,000</td>
</tr>
<tr>
<td>Due from other funds</td>
<td>246,141</td>
<td>82,945</td>
<td>72,303</td>
<td>- 5,340,813</td>
<td>- 2,427,618</td>
</tr>
<tr>
<td>Advances</td>
<td>2,351</td>
<td>195</td>
<td>-</td>
<td>-</td>
<td>- 175,821</td>
</tr>
<tr>
<td>Inventory</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>- 46,468</td>
</tr>
<tr>
<td>Prepaid items</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>- 112,904</td>
</tr>
<tr>
<td>Restricted assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>- 304,154</td>
</tr>
<tr>
<td>Total assets</td>
<td>258,692</td>
<td>$ 83,140</td>
<td>116,623</td>
<td>- 6,340,813</td>
<td>(141,197,504)</td>
</tr>
</tbody>
</table>

## Liabilities and Fund Balances (Deficit)

### Liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th>410100</th>
<th>430100</th>
<th>500100</th>
<th>600000</th>
<th>700100</th>
</tr>
</thead>
<tbody>
<tr>
<td>Note payable</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ - 198,142</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>4,336</td>
<td>-</td>
<td>73,210</td>
<td>-</td>
<td>6,141,017</td>
</tr>
<tr>
<td>Due to State governments</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>- 2,981,242</td>
</tr>
<tr>
<td>Due to component units</td>
<td>-</td>
<td>-</td>
<td>991,625</td>
<td>-</td>
<td>2,608,635</td>
</tr>
<tr>
<td>Due to other funds</td>
<td>-</td>
<td>-</td>
<td>1,666,153</td>
<td>-</td>
<td>1,175,477</td>
</tr>
<tr>
<td>Accrued payroll and others</td>
<td>-</td>
<td>-</td>
<td>16,971</td>
<td>-</td>
<td>3,421,227</td>
</tr>
<tr>
<td>Other liabilities and accruals</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>- 1,421,925</td>
</tr>
<tr>
<td>Unearned revenue</td>
<td>-</td>
<td>180,454</td>
<td>-</td>
<td>-</td>
<td>180,454</td>
</tr>
<tr>
<td>Income tax refunds</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>- 817,561</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>4,336</td>
<td>180,454</td>
<td>-</td>
<td>2,767,959</td>
<td>(141,197,504)</td>
</tr>
</tbody>
</table>

### Fund Balances (deficit):

<table>
<thead>
<tr>
<th>Description</th>
<th>410100</th>
<th>430100</th>
<th>500100</th>
<th>600000</th>
<th>700100</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonspendable</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>- 1,000,000</td>
<td>- 2,344,947</td>
</tr>
<tr>
<td>Restricted</td>
<td>-</td>
<td>-</td>
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<td>-</td>
<td>- 1,587,795</td>
</tr>
<tr>
<td>Unassigned</td>
<td>254,356</td>
<td>(97,314)</td>
<td>116,623</td>
<td>(2,767,959)</td>
<td>5,340,813</td>
</tr>
<tr>
<td>Total fund balances (deficit)</td>
<td>254,356</td>
<td>(97,314)</td>
<td>116,623</td>
<td>(2,767,959)</td>
<td>6,340,813</td>
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### Total liabilities and fund balances (deficit)

<table>
<thead>
<tr>
<th>Description</th>
<th>410100</th>
<th>430100</th>
<th>500100</th>
<th>600000</th>
<th>700100</th>
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<tr>
<td>Total liabilities and fund balances (deficit)</td>
<td>258,692</td>
<td>$ 83,140</td>
<td>116,623</td>
<td>- 6,340,813</td>
<td>(141,197,504)</td>
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</table>

See Accompanying Independent Auditors' Report.
### REPUBLIC OF PALAU

**GENERAL FUND**

Combining Schedule of Revenues, Expenditures By Function, and Changes in Fund Balance (Deficit) Accounts

Year Ended September 30, 2013

<table>
<thead>
<tr>
<th></th>
<th>General</th>
<th>Scholarship</th>
<th>Compact Section 211 (c)</th>
<th>Compact Section 211 (d)</th>
<th>Compact Section 211 (e)</th>
<th>Compact Section 211 (f)</th>
<th>Compact Section 211 (g)</th>
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<td><strong>Revenues:</strong></td>
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<td>$-$</td>
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<tr>
<td>Net change in the fair value of investments</td>
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<td>-</td>
<td>-</td>
<td>232</td>
<td>447,361</td>
<td>2,000,000</td>
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<tr>
<td>Fees and charges</td>
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<td>Licenses and permits</td>
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<td>-</td>
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<td>-</td>
<td>-</td>
</tr>
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<td>Other</td>
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<td>-</td>
<td>232</td>
<td>447,361</td>
<td>2,000,000</td>
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<tr>
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<td>Other Agencies and Activities</td>
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<td>14,735</td>
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<td>Financial and Compliance Audit</td>
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<td>Uighur Detainees Settlement Assistance</td>
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<td>Pacific Mini Games</td>
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<td>Festival of Arts</td>
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<td>Debt service:</td>
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<tr>
<td>Interest</td>
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<tr>
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<td>64,389,602</td>
<td>1,210,599</td>
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<td>-</td>
<td>216</td>
<td>14,735</td>
<td>-</td>
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<tr>
<td><strong>Excess (deficiency) of revenues</strong></td>
<td><strong>(5,093,048)</strong></td>
<td><strong>(1,162,875)</strong></td>
<td>-</td>
<td>-</td>
<td>16</td>
<td>432,626</td>
<td><strong>2,000,000</strong></td>
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<tr>
<td><strong>Other financing sources (uses):</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Operating transfers in</td>
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<td>1,210,599</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Operating transfers out</td>
<td>(4,020,956)</td>
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<tr>
<td><strong>Total other financing sources (uses), net</strong></td>
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<td><strong>Net change in fund balances (deficit)</strong></td>
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<td>16</td>
<td>432,626</td>
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<tr>
<td><strong>Fund balances (deficit) at beginning of year</strong></td>
<td>(8,709,160)</td>
<td>(786,079)</td>
<td>102,889</td>
<td>48,136</td>
<td>448,197</td>
<td>2,466,538</td>
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<td><strong>Fund balances (deficit) at end of year</strong></td>
<td>(6,490,630)</td>
<td>(738,355)</td>
<td>102,889</td>
<td>48,136</td>
<td>448,213</td>
<td>2,899,164</td>
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</table>

See Accompanying Independent Auditors' Report.
## REPUBLIC OF PALAU

### GENERAL FUND

Combining Schedule of Revenues, Expenditures By Function, and Changes in Fund Balance (Deficit) Accounts, Continued

Year Ended September 30, 2013

<table>
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<tr>
<th>410100</th>
<th>430100</th>
<th>500100</th>
<th>600000</th>
<th>700100</th>
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<td>DOI CIP</td>
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<td>ADB Loan Proceeds</td>
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<td>$ -</td>
<td>$ -</td>
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<tr>
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<td>Fees and charges</td>
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</tr>
<tr>
<td>Licenses and permits</td>
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<td>-</td>
<td>-</td>
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</tr>
<tr>
<td>Other</td>
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<td>(4,661)</td>
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<tr>
<td>Total revenues</td>
<td>(908)</td>
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<td>21</td>
<td>(4,661)</td>
</tr>
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<td>Expenditures:</td>
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</tr>
<tr>
<td>Current:</td>
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<tr>
<td>Judicial Branch</td>
<td>-</td>
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</tr>
<tr>
<td>Legislative Branch</td>
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<tr>
<td>Office of the President</td>
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<tr>
<td>Office of the Vice-President</td>
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<td>Ministry of Finance</td>
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</tr>
<tr>
<td>Ministry of State</td>
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<tr>
<td>Ministry of Community and Cultural Affairs</td>
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</tr>
<tr>
<td>Ministry of Education</td>
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</tr>
<tr>
<td>Ministry of Public Infrastructure, Industry and Commerce</td>
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<tr>
<td>Ministry of Justice</td>
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<tr>
<td>Ministry of Health</td>
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<tr>
<td>Ministry of Natural Resources, Environment and Tourism</td>
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<td>Boards, Commissions, and Authorities</td>
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</tr>
<tr>
<td>State Block Grants</td>
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</tr>
<tr>
<td>Independent Agencies</td>
<td>-</td>
<td>-</td>
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<td>-</td>
</tr>
<tr>
<td>Other Agencies and Activities</td>
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</tr>
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<td>Pension plan interest</td>
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<tr>
<td>Financial and Compliance Audit</td>
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<tr>
<td>Compact Review Office</td>
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<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Health care fund contributions</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Low-income assistance</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Uighur Detainees Settlement Assistance</td>
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<td>-</td>
</tr>
<tr>
<td>Pacific Mini Games</td>
<td>-</td>
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<td>-</td>
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</tr>
<tr>
<td>Festival of Arts</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Claims and judgments</td>
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<tr>
<td>Bad debt</td>
<td>-</td>
<td>-</td>
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<td>-</td>
</tr>
<tr>
<td>Capital projects</td>
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<td>-</td>
<td>2,763,298</td>
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<td></td>
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<tr>
<td>Principal retirement</td>
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<td>-</td>
<td>-</td>
<td>1,599,998</td>
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<tr>
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<td>4,951,992</td>
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<td>Excess (deficiency) of revenues over (under) expenditures</td>
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<td>-</td>
<td>(4,956,653)</td>
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<td>Other financing sources (uses):</td>
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<td>Operating transfers in</td>
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<td>-</td>
<td>2,188,694</td>
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<td>-</td>
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<tr>
<td>Total other financing sources (uses), net</td>
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<td>(180,453)</td>
<td>-</td>
<td>2,188,694</td>
</tr>
<tr>
<td>Net change in fund balances (deficit)</td>
<td>(33,781)</td>
<td>(180,453)</td>
<td>-</td>
<td>(2,767,959)</td>
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<td>Fund balances (deficit) at beginning of year</td>
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<td>83,139</td>
<td>116,623</td>
<td>-</td>
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<td>Fund balances (deficit) at end of year</td>
<td>$ 254,356</td>
<td>$ (97,314)</td>
<td>$ 116,623</td>
<td>$ (2,767,959)</td>
</tr>
</tbody>
</table>

See Accompanying Independent Auditors' Report.
## REPUBLIC OF PALAU

### GENERAL FUND

Combining Schedule of Expenditures By Object  
Year Ended September 30, 2013

<table>
<thead>
<tr>
<th>Expenditures:</th>
<th>General</th>
<th>Scholarship</th>
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<th>Compact Section 211 (d)</th>
<th>Compact Section 211 (e)</th>
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Total expenditures                      | $64,389,602 | $1,210,599 | -           | -                       | -                       | $216             | $14,735                 | -          |

See Accompanying Independent Auditors' Report.
## REPUBLIC OF PALAU

### GENERAL FUND

Combining Schedule of Expenditures By Object, Continued  
Year Ended September 30, 2013

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<th>Local CIP</th>
<th>DOI CIP</th>
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Total expenditures $163,865 $21 $4,951,992 $ - $ - $70,731,030

See Accompanying Independent Auditors' Report.
## Schedule of Revenues

### Year Ended September 30, 2013

(With comparative totals for the year ended September 30, 2012)

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<td>$ 2,660,332</td>
<td>$ 2,193,544</td>
</tr>
<tr>
<td><strong>Fees and charges:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Green fees</td>
<td>$ 3,398,389</td>
<td>$ 1,847,920</td>
</tr>
<tr>
<td>Airport fees and rentals</td>
<td>$ 2,255,438</td>
<td>$ 1,924,676</td>
</tr>
<tr>
<td>Water utility charges</td>
<td>$ 816,706</td>
<td>$ 1,189,721</td>
</tr>
<tr>
<td>Sewer utility charges</td>
<td>$ 389,959</td>
<td>$ 511,046</td>
</tr>
<tr>
<td>Postal service</td>
<td>$ 352,279</td>
<td>$ 392,330</td>
</tr>
<tr>
<td>Banking fees</td>
<td>$ 132,250</td>
<td>$ 122,651</td>
</tr>
<tr>
<td>Palau passport fees</td>
<td>$ 78,160</td>
<td>$ 82,370</td>
</tr>
<tr>
<td>Seaport fees</td>
<td>$ 34,600</td>
<td>$ 31,250</td>
</tr>
<tr>
<td>Belau Mariculture Demonstration Center sales</td>
<td>$ 3,106</td>
<td>$ 3,271</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>$ 322,552</td>
<td>$ 493,448</td>
</tr>
<tr>
<td><strong>Total fees and charges</strong></td>
<td>$ 7,783,439</td>
<td>$ 6,598,683</td>
</tr>
<tr>
<td><strong>Net change in the fair value of investments</strong></td>
<td>$ 516,385</td>
<td>$ 849,188</td>
</tr>
<tr>
<td><strong>Other:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indirect cost recoveries</td>
<td>$ 122,344</td>
<td>$ 107,227</td>
</tr>
<tr>
<td><strong>Total other</strong></td>
<td>$ 850,618</td>
<td>$ 454,853</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>$ 61,786,323</td>
<td>$ 57,129,345</td>
</tr>
</tbody>
</table>

See Accompanying Independent Auditors' Report.
## Schedule of Revenues, Expenditures, and Changes in Fund Balance
### Budget and Actual - General Fund (Fund 100100)

#### Year Ended September 30, 2013

**Revenues:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Original</th>
<th>Final</th>
<th>Actual</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local revenue</td>
<td>44,866,100</td>
<td>46,813,234</td>
<td>43,182,039</td>
<td>(3,631,195)</td>
</tr>
<tr>
<td>Compact funding - Section 211(a)</td>
<td>6,000,000</td>
<td>6,000,000</td>
<td>6,000,000</td>
<td>-</td>
</tr>
<tr>
<td>Compact funding - Section 215 inflation adjustment</td>
<td>5,147,000</td>
<td>5,147,000</td>
<td>5,147,000</td>
<td>-</td>
</tr>
<tr>
<td>Net change in the fair value of investments</td>
<td>-</td>
<td>-</td>
<td>68,771</td>
<td>68,771</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td>122,344</td>
<td>555,308</td>
<td>432,964</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>56,013,100</td>
<td>58,082,578</td>
<td>54,953,118</td>
<td>(3,129,460)</td>
</tr>
</tbody>
</table>

**Expenditures - budgetary basis:**

**Office of the President:**

- President's Office                                  | 847,584           | 847,584           | 846,381           | 1,203            |
- Official Expenses                                   | 30,148            | 30,148            | 28,460            | 1,688            |
- Indirect Cost Recoveries                            | -                 | 122,344           | 122,344           | -                |
- Grants Coordinator Office                           | 73,000            | 73,000            | 72,572            | 428              |
- Council of Chiefs                                   | 103,000           | 103,000           | 102,578           | 422              |
- Presidential Stipend                                | 33,000            | 33,000            | 32,808            | 192              |
- **Total Office of the President**                   | 1,086,732         | 1,209,076         | 1,205,143         | 3,933            |

**Office of the Vice-President:**

- Vice-President's Office                             | 252,724           | 252,724           | 231,716           | 21,008           |
- National Emergency Management Office                | 121,045           | 121,045           | 111,932           | 9,113            |
- **Total Office of the Vice-President**              | 373,769           | 373,769           | 343,648           | 30,121           |

**Ministry of Finance:**

- Office of the Minister                              | 30,000            | 30,000            | 29,302            | 698              |
- Indirect Costs                                      | 927               | 927               | 927               | -                |
- Administrative Overhead                             | 516               | 516               | 516               | -                |
- Workmen's Compensation                              | 37,000            | 37,000            | 35,545            | 1,455            |
- Information System Support Service                  | 187,050           | 187,050           | 185,632           | 1,418            |
- Bureau of National Treasury                         | 743,353           | 743,353           | 743,017           | 336              |
- Bureau of Budget and Planning                       | 235,242           | 260,242           | 258,022           | 2,220            |
- Bureau of Public Service System Service             | 130,470           | 130,470           | 128,531           | 1,939            |
- Bureau of Revenue, Customs and Taxation             | 1,336,950         | 1,346,950         | 1,345,573         | 1,377            |
- Bank fees                                          | -                 | -                 | 277,065           | (277,065)        |
- **Total Ministry of Finance**                       | 2,701,508         | 2,736,508         | 3,004,130         | (267,622)        |

**Ministry of State:**

- Office of the Minister                              | 15,000            | 15,000            | 14,929            | 71               |
- Consulate Office in Guam                            | 87,000            | 87,000            | 84,751            | 2,249            |
- Consulate Office in Saipan                          | 15,000            | 15,000            | 14,832            | 168              |
- Embassy in Washington D.C.                          | 270,686           | 243,686           | 238,778           | 4,908            |
- Embassy in Japan                                    | 350,000           | 315,000           | 294,773           | 20,227           |
- Embassy in New Caledon                               | 79,000            | 79,000            | 77,509            | 1,491            |
- Embassy in Manila, Philippines                      | 100,000           | 105,000           | 98,789            | 6,211            |
- United Nations Representative Office                | 197,000           | 249,000           | 246,041           | 2,959            |
- Office of the Public Defender                       | 190,000           | 190,000           | 182,520           | 7,480            |
- Bureau of Trade and Foreign Affairs                | 388,000           | 443,000           | 442,445           | 555              |
- Bureau of Domestic Affairs                          | 268,155           | 258,155           | 256,324           | 1,831            |
- Office of the Administration, Passport and Protocol | 50,000            | 50,000            | 49,079            | 921              |
- International Organizations Obligations             | 250,000           | 225,000           | 216,450           | 8,550            |
- Southwest Islands Field Trips                       | 75,000            | 75,000            | 51,900            | 23,100           |
- **Total Ministry of State**                         | 2,334,841         | 2,349,841         | 2,269,120         | 80,721           |

**Ministry of Community and Cultural Affairs:**

- Office of the Minister                              | 55,500            | 61,500            | 61,018            | 482              |
- Bureau of National Archives                        | 78,040            | 75,040            | 73,883            | 1,157            |
- Bureau of Youth, Sports and Recreation              | 166,000           | 179,000           | 178,213           | 787              |
- Bureau of Aging and Gender                          | 215,373           | 194,373           | 185,205           | 9,168            |
- Sports Facilities Maintenance and Utilities         | 85,000            | 96,000            | 93,977            | 2,023            |
- Bureau of Arts and Culture                          | 140,863           | 131,863           | 127,305           | 4,558            |
- Olechotel Belau Fair                                | 20,000            | 20,000            | 20,000            | -                |
- Palau Severely Disabled Assistance Fund             | 225,000           | 225,000           | 215,427           | 9,573            |
- **Total Ministry of Community and Cultural Affairs** | 982,776           | 982,776           | 955,028           | 27,748           |

See Accompanying Independent Auditors' Report.
### Ministry of Education:

<table>
<thead>
<tr>
<th>Budgeted Amounts</th>
<th>Original</th>
<th>Final</th>
<th>Actual</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office of the Minister</td>
<td>45,000</td>
<td>45,000</td>
<td>16,750</td>
<td>28,250</td>
</tr>
<tr>
<td>School Books, Supplies and Instructional Equipment</td>
<td>311,426</td>
<td>311,426</td>
<td>284,627</td>
<td>26,799</td>
</tr>
<tr>
<td>Bureau of Curriculum and Instruction</td>
<td>383,213</td>
<td>373,213</td>
<td>307,856</td>
<td>65,357</td>
</tr>
<tr>
<td>Bureau of School Administration</td>
<td>5,620,061</td>
<td>5,620,061</td>
<td>5,461,685</td>
<td>158,376</td>
</tr>
<tr>
<td>Food Services Program</td>
<td>700,000</td>
<td>710,000</td>
<td>690,646</td>
<td>19,354</td>
</tr>
<tr>
<td><strong>Total Ministry of Education</strong></td>
<td>7,059,700</td>
<td>7,059,700</td>
<td>6,761,564</td>
<td>298,136</td>
</tr>
</tbody>
</table>

### Ministry of Public Infrastructure, Industry and Commerce:

<table>
<thead>
<tr>
<th>Budgeted Amounts</th>
<th>Original</th>
<th>Final</th>
<th>Actual</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office of the Minister</td>
<td>45,000</td>
<td>45,000</td>
<td>41,470</td>
<td>3,530</td>
</tr>
<tr>
<td>OMIP, UNDP and Other Match</td>
<td>415,000</td>
<td>374,000</td>
<td>307,856</td>
<td>65,357</td>
</tr>
<tr>
<td>PALARIS</td>
<td>127,039</td>
<td>127,039</td>
<td>117,658</td>
<td>9,381</td>
</tr>
<tr>
<td>Bureau of Commercial Development</td>
<td>208,000</td>
<td>208,000</td>
<td>206,343</td>
<td>1,657</td>
</tr>
<tr>
<td>Palau Small Business Development Center (UOG)</td>
<td>39,000</td>
<td>39,000</td>
<td>39,000</td>
<td></td>
</tr>
<tr>
<td>Pacific Business Center Program (UH)</td>
<td>8,000</td>
<td>9,000</td>
<td>9,000</td>
<td></td>
</tr>
<tr>
<td>Bureau of Aviation</td>
<td>1,505,135</td>
<td>1,543,135</td>
<td>1,514,894</td>
<td>28,241</td>
</tr>
<tr>
<td>Bureau of Lands and Survey</td>
<td>800,043</td>
<td>800,043</td>
<td>784,826</td>
<td>15,217</td>
</tr>
<tr>
<td>Bureau of Public Works</td>
<td>1,203,707</td>
<td>1,363,707</td>
<td>1,304,778</td>
<td>58,929</td>
</tr>
<tr>
<td>Water and Sewer Operations</td>
<td>3,529,142</td>
<td>4,432,142</td>
<td>3,298,097</td>
<td>1,134,045</td>
</tr>
<tr>
<td>Melekeok/Capitol Sewer System</td>
<td>222,000</td>
<td>200,000</td>
<td>38,545</td>
<td>161,455</td>
</tr>
<tr>
<td>Landfill Operations</td>
<td>36,249</td>
<td>36,249</td>
<td>33,570</td>
<td>2,679</td>
</tr>
<tr>
<td>Capital Improvement Office</td>
<td>100,143</td>
<td>107,143</td>
<td>105,909</td>
<td>1,234</td>
</tr>
<tr>
<td>Contribution to Public Utilities Corporation</td>
<td>107,143</td>
<td>107,143</td>
<td>105,909</td>
<td>1,234</td>
</tr>
<tr>
<td><strong>Total Ministry of Public Infrastructure, Industry and Commerce</strong></td>
<td>9,545,558</td>
<td>10,605,558</td>
<td>9,961,263</td>
<td>644,295</td>
</tr>
</tbody>
</table>

### Ministry of Justice:

<table>
<thead>
<tr>
<th>Budgeted Amounts</th>
<th>Original</th>
<th>Final</th>
<th>Actual</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office of the Minister</td>
<td>20,000</td>
<td>20,000</td>
<td>19,324</td>
<td>676</td>
</tr>
<tr>
<td>Office of the Attorney General</td>
<td>400,000</td>
<td>410,000</td>
<td>395,744</td>
<td>14,256</td>
</tr>
<tr>
<td>Bureau of Immigration</td>
<td>330,540</td>
<td>330,540</td>
<td>304,280</td>
<td>26,260</td>
</tr>
<tr>
<td>Bureau of Public Safety</td>
<td>2,544,656</td>
<td>2,534,656</td>
<td>2,483,600</td>
<td>51,056</td>
</tr>
<tr>
<td>Bureau of Marine Law Enforcement</td>
<td>630,385</td>
<td>630,385</td>
<td>591,252</td>
<td>39,133</td>
</tr>
<tr>
<td><strong>Total Ministry of Justice</strong></td>
<td>3,925,581</td>
<td>3,925,581</td>
<td>3,794,200</td>
<td>131,381</td>
</tr>
</tbody>
</table>

### Ministry of Health:

<table>
<thead>
<tr>
<th>Budgeted Amounts</th>
<th>Original</th>
<th>Final</th>
<th>Actual</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office of the Minister</td>
<td>55,500</td>
<td>55,500</td>
<td>54,667</td>
<td>833</td>
</tr>
<tr>
<td>National Cancer Control Prevention Administrative Cost</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Bureau of Public Health</td>
<td>1,046,000</td>
<td>1,046,000</td>
<td>994,615</td>
<td>51,385</td>
</tr>
<tr>
<td>Health Administration</td>
<td>2,595,000</td>
<td>2,795,000</td>
<td>2,792,355</td>
<td>2,645</td>
</tr>
<tr>
<td>Manila Medical Referral Office</td>
<td>97,000</td>
<td>97,000</td>
<td>83,089</td>
<td>13,911</td>
</tr>
<tr>
<td>Hawaii Medical Referral Office</td>
<td>105,000</td>
<td>105,000</td>
<td>199,384</td>
<td>5,616</td>
</tr>
<tr>
<td>Medical Supplies and Drugs</td>
<td>687,647</td>
<td>1,187,647</td>
<td>1,174,785</td>
<td>12,862</td>
</tr>
<tr>
<td>Hemodialysis</td>
<td>516,430</td>
<td>516,430</td>
<td>516,355</td>
<td>75</td>
</tr>
<tr>
<td>Hyperbaric Chamber</td>
<td>72,000</td>
<td>72,000</td>
<td>71,328</td>
<td>672</td>
</tr>
<tr>
<td>Medical Referrals</td>
<td>300,847</td>
<td>300,847</td>
<td>300,821</td>
<td>26</td>
</tr>
<tr>
<td>Bureau of Clinical Service</td>
<td>3,056,000</td>
<td>2,856,000</td>
<td>2,823,135</td>
<td>32,865</td>
</tr>
<tr>
<td>Hospital Oxygen and Ac System Improvements</td>
<td>-</td>
<td>100,000</td>
<td>100,000</td>
<td>-</td>
</tr>
<tr>
<td>Hospital CT Scan Repairs</td>
<td>-</td>
<td>19,000</td>
<td>105,000</td>
<td>14,000</td>
</tr>
<tr>
<td>Taiwan Medical Referral</td>
<td>-</td>
<td>30,000</td>
<td>29,830</td>
<td>170</td>
</tr>
<tr>
<td><strong>Total Ministry of Health</strong></td>
<td>8,531,424</td>
<td>9,380,424</td>
<td>9,245,364</td>
<td>135,060</td>
</tr>
</tbody>
</table>

### Ministry of Natural Resources, Environment and Tourism:

<table>
<thead>
<tr>
<th>Budgeted Amounts</th>
<th>Original</th>
<th>Final</th>
<th>Actual</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office of the Minister</td>
<td>55,500</td>
<td>55,500</td>
<td>55,268</td>
<td>232</td>
</tr>
<tr>
<td>Bureau of Marine Resources</td>
<td>527,142</td>
<td>509,142</td>
<td>502,845</td>
<td>6,297</td>
</tr>
<tr>
<td>Bureau of Agriculture</td>
<td>400,000</td>
<td>435,000</td>
<td>435,000</td>
<td></td>
</tr>
<tr>
<td>Bureau of Labor and Human Resources</td>
<td>250,951</td>
<td>244,951</td>
<td>238,590</td>
<td>6,361</td>
</tr>
<tr>
<td><strong>Total Ministry of Natural Resources, Environment and Tourism</strong></td>
<td>1,233,593</td>
<td>1,244,593</td>
<td>1,231,703</td>
<td>12,890</td>
</tr>
</tbody>
</table>

### Total Executive Branch

<table>
<thead>
<tr>
<th>Budgeted Amounts</th>
<th>Original</th>
<th>Final</th>
<th>Actual</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>37,775,482</td>
<td>39,867,826</td>
<td>38,771,163</td>
<td>1,096,663</td>
<td></td>
</tr>
</tbody>
</table>

See Accompanying Independent Auditors' Report.
<table>
<thead>
<tr>
<th>Boards, Commissions and Authorities:</th>
<th>Budgeted Amounts</th>
<th>Final</th>
<th>Actual</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Budgeted Amounts</strong></td>
<td><strong>2013</strong></td>
<td><strong>2013</strong></td>
<td><strong>2013</strong></td>
<td><strong>2013</strong></td>
</tr>
<tr>
<td>Foreign Investment Board</td>
<td>63,568</td>
<td>61,468</td>
<td>47,770</td>
<td>13,698</td>
</tr>
<tr>
<td>Palau Election Commission</td>
<td>180,434</td>
<td>188,834</td>
<td>185,408</td>
<td>3,426</td>
</tr>
<tr>
<td>Palau National Code Commission</td>
<td>34,000</td>
<td>30,900</td>
<td>21,337</td>
<td>9,563</td>
</tr>
<tr>
<td>Palau Public Lands Authority</td>
<td>100,774</td>
<td>118,774</td>
<td>117,300</td>
<td>1,474</td>
</tr>
<tr>
<td>Parole Board</td>
<td>25,500</td>
<td>26,400</td>
<td>20,671</td>
<td>5,729</td>
</tr>
<tr>
<td>Palau Housing Authority</td>
<td>59,000</td>
<td>59,000</td>
<td>59,000</td>
<td>-</td>
</tr>
<tr>
<td>Ethics Commission</td>
<td>33,000</td>
<td>30,400</td>
<td>18,413</td>
<td>11,987</td>
</tr>
<tr>
<td>Financial Intelligence Unit</td>
<td>50,110</td>
<td>50,110</td>
<td>49,236</td>
<td>874</td>
</tr>
<tr>
<td>Financial Institutions Commission</td>
<td>26,000</td>
<td>26,000</td>
<td>25,862</td>
<td>138</td>
</tr>
<tr>
<td>Ngardmau Free Trade Zone Authority</td>
<td>18,000</td>
<td>18,000</td>
<td>18,000</td>
<td>-</td>
</tr>
<tr>
<td>PSB Investigation</td>
<td>364</td>
<td>9,295</td>
<td>3,183</td>
<td>6,112</td>
</tr>
<tr>
<td>Language Commission</td>
<td>25,295</td>
<td>36,895</td>
<td>36,636</td>
<td>259</td>
</tr>
<tr>
<td><strong>Total Boards, Commissions and Authorities</strong></td>
<td><strong>616,045</strong></td>
<td><strong>656,076</strong></td>
<td><strong>602,816</strong></td>
<td><strong>53,260</strong></td>
</tr>
<tr>
<td><strong>Judicial Branch:</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Judiciary</td>
<td>2,200,000</td>
<td>2,200,000</td>
<td>2,199,656</td>
<td>344</td>
</tr>
<tr>
<td><strong>Total Judicial Branch</strong></td>
<td><strong>2,200,000</strong></td>
<td><strong>2,200,000</strong></td>
<td><strong>2,199,656</strong></td>
<td><strong>344</strong></td>
</tr>
<tr>
<td><strong>Olbiil Era Kelulau:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Senate</td>
<td>1,560,860</td>
<td>1,620,860</td>
<td>1,617,786</td>
<td>3,074</td>
</tr>
<tr>
<td>Senate Legal Counsel Office</td>
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See Accompanying Independent Auditors' Report.
## Republic of Palau

**Schedule of Revenues, Expenditures, and Changes in Fund Balance, Continued**

**Budget and Actual - General Fund (Fund 100100)**

**Year Ended September 30, 2013**

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<tr>
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<tr>
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<td>Other Non U.S. Federal</td>
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<td>(559,541)</td>
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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

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See Accompanying Independent Auditors' Report.
The grants fund is used to account for grants received from the United States government and other countries.

See Accompanying Independent Auditors’ Report.
### ASSETS

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#### Receivables, net:

- **General**
  - $1,277
- **Federal agencies**
  - 2,368,081
  - 450,479
  - 1,230,870
- **Due from other funds**
  - 712,453
- **Advances**
  - 77,842
- **Prepaid items**
  - 201,095
  - 62,472

**Total assets**

- $2,648,295
- 450,535
- 791,929
- 1,230,870
- 879,567
- 6,001,196

### LIABILITIES AND FUND BALANCES

#### Liabilities:

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<td>$112,188</td>
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<td>1,170,581</td>
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<td></td>
<td></td>
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</tr>
<tr>
<td>-</td>
<td>-</td>
<td>-</td>
<td>607,806</td>
<td>-</td>
<td>161,392</td>
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<tr>
<td>Other liabilities and accruals</td>
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<tr>
<td>-</td>
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<td>-</td>
<td>6,655</td>
<td>893</td>
<td>8,514</td>
<td>102,963</td>
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<td>Due to other funds</td>
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<tr>
<td>-</td>
<td>1,744,394</td>
<td>329,833</td>
<td>-</td>
<td>59,396</td>
<td>26,261</td>
<td>2,159,884</td>
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</table>

**Total liabilities**

- 2,641,955
- 442,021
- 791,929
- 1,230,870
- 879,567
- 5,986,342

#### Fund balances:

<table>
<thead>
<tr>
<th></th>
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<th>350100</th>
<th>350200</th>
<th>360100</th>
<th>420100</th>
<th>440100</th>
</tr>
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<tr>
<td><strong>Other</strong></td>
<td></td>
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<tr>
<td>Nonspendable</td>
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<tr>
<td>-</td>
<td>201,095</td>
<td>30</td>
<td>62,472</td>
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<td>866,769</td>
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<tr>
<td>-</td>
<td>8,484</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>8,484</td>
<td>-</td>
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<td>Unassigned</td>
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<td>-</td>
<td>(194,755)</td>
<td>-</td>
<td>(62,472)</td>
<td>-</td>
<td>(866,769)</td>
<td>(1,123,996)</td>
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</table>

**Total fund balances**

- 6,340
- 8,514
- -
- -
- -
- 14,854

**Total liabilities and fund balances**

- $2,648,295
- 450,535
- 791,929
- 1,230,870
- 879,567
- 6,001,196

See Accompanying Independent Auditors' Report.
## Combining Statement of Revenues, Expenditures By Function, and Changes in Fund Balances (Deficit)

**Year Ended September 30, 2013**

<table>
<thead>
<tr>
<th></th>
<th>34100</th>
<th>350100</th>
<th>350200</th>
<th>360100</th>
<th>420100</th>
<th>440100</th>
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<tbody>
<tr>
<td></td>
<td>Compact Direct</td>
<td>OTIA</td>
<td>U.S. Federal Direct</td>
<td>Non U.S. Federal Grants</td>
<td>Non-DOI Capital Projects</td>
<td>Other Country Grants</td>
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<td>Revenues:</td>
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<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Federal contributions</td>
<td>$ -</td>
<td>$ 9,425,005</td>
<td>$ 291,729</td>
<td>$ -</td>
<td>$ 3,516,887</td>
<td>$ -</td>
</tr>
<tr>
<td>Other grants</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 52,680</td>
<td>$ 1,828,469</td>
<td>$ -</td>
<td>$ 8,665,330</td>
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<tr>
<td>Total revenues</td>
<td>$ -</td>
<td>$ 9,425,005</td>
<td>$ 344,409</td>
<td>$ 1,828,469</td>
<td>$ 3,516,887</td>
<td>$ 8,665,330</td>
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<tr>
<td>Expenditures:</td>
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<td></td>
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<td></td>
<td></td>
<td></td>
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<td>Current:</td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Legislative Branch</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 35,251</td>
<td>$ -</td>
<td>$ 35,251</td>
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<tr>
<td>Office of the President</td>
<td>$ -</td>
<td>$ 294,304</td>
<td>$ 11,250</td>
<td>$ 104,064</td>
<td>$ -</td>
<td>$ 409,618</td>
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<tr>
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<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 272,970</td>
<td>$ -</td>
<td>$ 272,970</td>
</tr>
<tr>
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<td>$ -</td>
<td>$ 67,708</td>
<td>$ -</td>
<td>$ 67,708</td>
</tr>
<tr>
<td>Ministry of Community and Cultural Affairs</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 2,745</td>
<td>$ -</td>
<td>$ 2,745</td>
</tr>
<tr>
<td>Ministry of Education</td>
<td>$ -</td>
<td>$ 3,751,403</td>
<td>$ -</td>
<td>$ 53,385</td>
<td>$ -</td>
<td>$ 3,804,788</td>
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<tr>
<td>Ministry of Public Infrastructure, Industry and Commerce</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 626,668</td>
<td>$ -</td>
<td>$ 626,668</td>
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<tr>
<td>Ministry of Justice</td>
<td>$ -</td>
<td>$ 84,964</td>
<td>$ 25,947</td>
<td>$ 26,160</td>
<td>$ -</td>
<td>$ 137,071</td>
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<tr>
<td>Ministry of Health</td>
<td>$ -</td>
<td>$ 4,919,695</td>
<td>$ -</td>
<td>$ 326,569</td>
<td>$ -</td>
<td>$ 5,246,264</td>
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<tr>
<td>Independent Agencies</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 9,239</td>
<td>$ 156,609</td>
<td>$ -</td>
<td>$ 165,848</td>
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<td>Financial and Compliance Audit</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 245,293</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 245,293</td>
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<tr>
<td>Other</td>
<td>$ -</td>
<td>$ 286,562</td>
<td>$ -</td>
<td>$ 38,790</td>
<td>$ -</td>
<td>$ 325,352</td>
</tr>
<tr>
<td>Capital projects</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 3,516,887</td>
<td>$ -</td>
<td>$ 9,572,989</td>
</tr>
<tr>
<td>Total expenditures</td>
<td>$ -</td>
<td>$ 9,426,344</td>
<td>$ 291,729</td>
<td>$ 1,759,704</td>
<td>$ 3,516,887</td>
<td>$ 21,050,766</td>
</tr>
<tr>
<td>Excess (deficiency) of revenues over (under) expenditures</td>
<td>$ -</td>
<td>$ (1,339)</td>
<td>$ 52,680</td>
<td>$ 68,765</td>
<td>$ -</td>
<td>$ 2,609,228</td>
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<tr>
<td>Other financing uses:</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Operating transfers in</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 55,882</td>
<td>$ 44,017</td>
<td>$ 90,772</td>
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<tr>
<td>Operating transfers out</td>
<td>$ -</td>
<td>$ (27,017)</td>
<td>$ (53,156)</td>
<td>$ (124,647)</td>
<td>$ (33,003)</td>
<td>$ (3,000,000)</td>
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<tr>
<td>Net change in fund balances (deficit)</td>
<td>$ -</td>
<td>$ (28,356)</td>
<td>$ (476)</td>
<td>$ -</td>
<td>$ 11,014</td>
<td>$ (17,818)</td>
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<td>Fund balances (deficit) at beginning of year</td>
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<td>$ 34,696</td>
<td>$ 8,990</td>
<td>$ -</td>
<td>$ (11,014)</td>
<td>$ 32,672</td>
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<td>$ 6,340</td>
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<td>$ -</td>
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<td>$ 14,854</td>
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</tbody>
</table>

See Accompanying Independent Auditors' Report.
## Republic of Palau

### Grants Fund

Combining Schedule of Expenditures By Object  
Year Ended September 30, 2013

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and wages</td>
<td>$ -</td>
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<td>$ 405,820</td>
<td>$ 24,005</td>
<td>$ 447,847</td>
<td>$ 4,651,852</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>10,187</td>
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<tr>
<td>Rentals</td>
<td>-</td>
<td>169,198</td>
<td>-</td>
<td>90,288</td>
<td>-</td>
<td>16,155</td>
<td>275,641</td>
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<td>-</td>
<td>-</td>
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<td>1,293</td>
<td>17,543</td>
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<td>2,383</td>
<td>81,651</td>
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<td>264,489</td>
<td>490,833</td>
<td>-</td>
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<td>Supplies and materials</td>
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<td>-</td>
<td>101,410</td>
<td>-</td>
<td>111,087</td>
<td>781,678</td>
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<td>-</td>
<td>41,903</td>
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<td>49,425</td>
<td>228,015</td>
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<td>Food stuffs</td>
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<td>-</td>
<td>15,863</td>
<td>86,902</td>
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<td>Books and library materials</td>
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<td>-</td>
<td>-</td>
<td>137,811</td>
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<tr>
<td>Medical supplies</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>296,887</td>
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<td>112,831</td>
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<td>65,723</td>
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<td>726,842</td>
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<td>644</td>
<td>-</td>
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<td>1,288</td>
</tr>
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<td>Training</td>
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<td>26,100</td>
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<td>1,000</td>
<td>-</td>
<td>150</td>
<td>-</td>
<td>1,150</td>
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<td>-</td>
<td>255</td>
<td>-</td>
<td>1,550</td>
<td>37,472</td>
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<td>9,250</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>70</td>
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<td>Repairs and maintenance</td>
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<td>-</td>
<td>202,456</td>
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<td>3,613,568</td>
<td>7,317,150</td>
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<td>227,168</td>
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<td>227,168</td>
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<td>113,150</td>
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<td>-</td>
<td>-</td>
<td>12,935</td>
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<td>Utilities</td>
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<td>-</td>
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<td>-</td>
<td>128,352</td>
</tr>
<tr>
<td><strong>Total expenditures</strong></td>
<td>$ -</td>
<td>$ 9,432,303</td>
<td>$ 291,729</td>
<td>$ 1,753,745</td>
<td>$ 3,516,887</td>
<td>$ 6,056,102</td>
<td>$ 21,050,766</td>
</tr>
</tbody>
</table>

See Accompanying Independent Auditors' Report.
Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

**Palauan Ed Textbook Development and Sales Fund** - This fund accounts for the sales and purchase of education textbooks.

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

**Drug Fine Collection Fund** - 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.

**Sports Facilities Fund** – This fund accounts for receipt of sports facilities use fees to be used to maintain the sports facilities.

**Hospital Trust Fund** - 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.

**EQPB Trust Fund** - This fund accounts for receipt of fines and penalties for violations of the Environmental Quality Protection Act.

**Agrifund** – This fund accounts for sales and purchase of agriculture items.

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

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

See Accompanying Independent Auditors’ Report.
## REPUBLIC OF PALAU

### NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

**Combining Balance Sheet**  
September 30, 2013

<table>
<thead>
<tr>
<th>100115</th>
<th>100130</th>
<th>100140</th>
<th>100145</th>
<th>100147</th>
<th>100148</th>
<th>100160</th>
<th>100165</th>
<th>300100</th>
<th>311120</th>
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</thead>
<tbody>
<tr>
<td>Drug Fine</td>
<td>Hospital Trust</td>
<td>Textbook Development and Sales</td>
<td>Public and Law Access Unit</td>
<td>Sports Facilities Trust</td>
<td>Operator License</td>
<td>EQPB</td>
<td>Road Maintenance</td>
<td>Agrifund</td>
<td>Energy</td>
</tr>
<tr>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 29</td>
<td>$ 29</td>
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<tr>
<td>Receivables, net:</td>
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<td></td>
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<td></td>
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</tr>
<tr>
<td>General</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,226</td>
</tr>
<tr>
<td>Due from other funds</td>
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<td>229,434</td>
<td>50</td>
<td>16,383</td>
<td>416</td>
<td>8,306</td>
<td>90,737</td>
<td>77,325</td>
<td>-</td>
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<tr>
<td>Prepaid items</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Restricted assets:</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total assets</td>
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<td>$ 249,847</td>
<td>$ 50</td>
<td>$ 16,383</td>
<td>$ 416</td>
<td>$ 8,306</td>
<td>$ 90,737</td>
<td>$ 77,325</td>
<td>$ -</td>
</tr>
</tbody>
</table>

### LIABILITIES AND FUND BALANCES (DEFICIT)

| Liabilities: | | | | | | | | | |
| Accounts payable | $ - | $ 249,847 | $ - | $ 1,207 | $ - | $ 7,776 | $ 11,042 | $ - | $ - | $ 269,872 |
| Due to other funds | 16,391 | - | - | - | - | - | - | - | 2,499 | - | 18,890 |
| Total liabilities | 16,391 | 249,847 | - | 1,207 | - | 7,776 | 11,042 | - | - | 2,499 | 288,762 |

| Fund balances (deficit): | | | | | | | | | |
| Nonspendable | - | 20,413 | - | - | - | - | - | - | - | 20,413 |
| Restricted | - | - | - | 15,176 | - | 530 | 79,695 | 77,325 | - | - | 173,192 |
| Committed | - | - | 50 | 15,176 | 416 | 530 | 79,695 | 77,325 | - | (2,499) | 3,041,516 |
| Unassigned | (16,391) | (20,413) | - | - | - | - | - | - | (2,499) | - | (39,303) |
| Total fund balances (deficit) | (16,391) | - | 50 | 15,176 | 416 | 530 | 79,695 | 77,325 | (2,499) | 3,041,516 | 3,195,818 |
| Total liabilities and fund balances | $ - | $ 249,847 | $ 50 | $ 16,383 | $ 416 | $ 8,306 | $ 90,737 | $ 77,325 | $ - | $ 3,041,516 | $ 3,484,580 |

See Accompanying Independent Auditors’ Report.
## REPUBLIC OF PALAU
### NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
### Combining Statement of Revenues, Expenditures by Function, and Changes in Fund Balances (Deficit)
### Year Ended September 30, 2013

<table>
<thead>
<tr>
<th>100115</th>
<th>100130</th>
<th>100140</th>
<th>100145</th>
<th>100147</th>
<th>100148</th>
<th>100160</th>
<th>100165</th>
<th>300100</th>
<th>311120</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drug Fine Collection</td>
<td>Hospital Trust</td>
<td>Palauan Ed Textbook Development and Sales</td>
<td>Public and Law Access Unit</td>
<td>Sports Facilities Trust</td>
<td>Operator License Trust</td>
<td>EQPB Trust</td>
<td>Road Maintenance</td>
<td>Agrifund Energy</td>
<td>Compact Section 211(b)</td>
</tr>
<tr>
<td>Revenues:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 77,325</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Fees and charges</td>
<td>6,220</td>
<td>3,026,269</td>
<td>50</td>
<td>23,032</td>
<td>-</td>
<td>53,500</td>
<td>101,216</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Licenses and permits</td>
<td>-</td>
<td>7,976</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net change in the fair value of investments</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total revenues</td>
<td>6,220</td>
<td>3,034,245</td>
<td>50</td>
<td>23,032</td>
<td>-</td>
<td>53,500</td>
<td>101,216</td>
<td>77,325</td>
<td>-</td>
</tr>
<tr>
<td>Expenditures:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current:</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ministry of State</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>7,699</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Ministry of Justice</td>
<td>5,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>44,565</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Ministry of Health</td>
<td>-</td>
<td>2,375,409</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Independent Agencies</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>14,584</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Investment management fees</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total expenditures</td>
<td>5,000</td>
<td>2,375,409</td>
<td>-</td>
<td>7,699</td>
<td>-</td>
<td>44,565</td>
<td>14,584</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Excess of revenues over expenditures</td>
<td>1,220</td>
<td>658,836</td>
<td>50</td>
<td>15,333</td>
<td>-</td>
<td>8,935</td>
<td>86,632</td>
<td>77,325</td>
<td>-</td>
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<tr>
<td>Other financing uses:</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating transfers out</td>
<td>-</td>
<td>(914,258)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net change in fund balances (deficit)</td>
<td>1,220</td>
<td>(255,422)</td>
<td>50</td>
<td>15,333</td>
<td>-</td>
<td>8,935</td>
<td>86,632</td>
<td>77,325</td>
<td>-</td>
</tr>
<tr>
<td>Fund balances (deficit) at beginning of year</td>
<td>(17,611)</td>
<td>255,422</td>
<td>-</td>
<td>(157)</td>
<td>416</td>
<td>(8,405)</td>
<td>(6,937)</td>
<td>-</td>
<td>(2,499)</td>
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<tr>
<td>Fund balances (deficit) at end of year</td>
<td>$ (16,391)</td>
<td>$ -</td>
<td>50</td>
<td>$ 15,176</td>
<td>$ 416</td>
<td>$ 530</td>
<td>$ 79,695</td>
<td>$ 77,325</td>
<td>$ (2,499)</td>
</tr>
</tbody>
</table>

See Accompanying Independent Auditors' Report.
**REPUBLIC OF PALAU**

**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS**

Combining Schedule of Expenditures by Object  
Year Ended September 30, 2013

<table>
<thead>
<tr>
<th>Expenditures:</th>
<th>100115</th>
<th>100130</th>
<th>100140</th>
<th>100145</th>
<th>100147</th>
<th>100148</th>
<th>100160</th>
<th>100165</th>
<th>300100</th>
<th>311120</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and wages</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 1,074</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Freight</td>
<td>-</td>
<td>19,587</td>
<td>-</td>
<td>35</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Communications and postage</td>
<td>-</td>
<td>-</td>
<td>305</td>
<td>-</td>
<td>-</td>
<td>382</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Medical referrals</td>
<td>-</td>
<td>1,251,512</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Supplies and materials</td>
<td>-</td>
<td>22,776</td>
<td>-</td>
<td>3,628</td>
<td>-</td>
<td>21,833</td>
<td>11,470</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Petroleum products</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>935</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Food stuffs</td>
<td>-</td>
<td>913</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>432</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Medical supplies</td>
<td>-</td>
<td>1,043,806</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Travel</td>
<td>-</td>
<td>4,336</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Equipment</td>
<td>-</td>
<td>-</td>
<td>1,028</td>
<td>-</td>
<td>9,891</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Investment management fees</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Dues, fees and registration</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>140</td>
<td>-</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
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<td>32,371</td>
<td>-</td>
<td>-</td>
<td>12,841</td>
<td>70</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Utilities</td>
<td>-</td>
<td>-</td>
<td>2,563</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Bank service fee</td>
<td>-</td>
<td>108</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>5,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>221</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total expenditures</strong></td>
<td>$ 5,000</td>
<td>$ 2,375,409</td>
<td>$ -</td>
<td>$ 7,699</td>
<td>$ -</td>
<td>$ 44,565</td>
<td>$ 14,584</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
</tbody>
</table>

See Accompanying Independent Auditors' Report.
A brief discussion of other information presented for additional analysis as of September 30, 2013, 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

See Accompanying Independent Auditors’ Report.
# Republic of Palau

## Combining Schedule of Expenditures by Object

**Governmental Funds**

**Year Ended September 30, 2013**

<table>
<thead>
<tr>
<th>Expenditures:</th>
<th>General</th>
<th>Grants</th>
<th>Permanent</th>
<th>Other Governmental Funds</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and wages</td>
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<td>$4,651,852</td>
<td>$ -</td>
<td>$1,074</td>
<td>$36,196,656</td>
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<td>Freight</td>
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<td>10,187</td>
<td>-</td>
<td>19,622</td>
<td>51,210</td>
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<td>275,641</td>
<td>-</td>
<td>-</td>
<td>944,424</td>
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<tr>
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<td>165,582</td>
<td>-</td>
<td>687</td>
<td>1,045,142</td>
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<td>Advertising</td>
<td>51,776</td>
<td>81,651</td>
<td>-</td>
<td>-</td>
<td>133,427</td>
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<td>-</td>
<td>-</td>
<td>1,251,512</td>
<td>1,593,038</td>
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<td>Professional and contractual services</td>
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<td>2,738,428</td>
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<td>-</td>
<td>3,317,020</td>
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<td>Supplies and materials</td>
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<td>781,678</td>
<td>-</td>
<td>935</td>
<td>1,115,654</td>
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<tr>
<td>Petroleum products</td>
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<td>282,015</td>
<td>-</td>
<td>687</td>
<td>1,156,396</td>
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<td>88,902</td>
<td>-</td>
<td>1,345</td>
<td>855,850</td>
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<td>137,811</td>
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<td>-</td>
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<td>2,523,674</td>
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<td>1,170,858</td>
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<td>-</td>
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<td>-</td>
<td>-</td>
<td>49,109</td>
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<td>-</td>
<td>65,475</td>
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<td>-</td>
<td>69,657</td>
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<td>-</td>
<td>2,193,121</td>
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<td>-</td>
<td>-</td>
<td>8,949,018</td>
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<td>1,150</td>
<td>-</td>
<td>-</td>
<td>18,344</td>
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<td>1,059,468</td>
<td>-</td>
<td>1,074,440</td>
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<td>37,427</td>
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<td>140</td>
<td>306,636</td>
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<td>273,697</td>
<td>-</td>
<td>-</td>
<td>797,266</td>
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<td>Employee incentive awards</td>
<td>700</td>
<td>9,250</td>
<td>-</td>
<td>-</td>
<td>9,950</td>
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<td>Allowances</td>
<td>236,750</td>
<td>70</td>
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<td>-</td>
<td>236,820</td>
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<td>Repairs and maintenance</td>
<td>576,238</td>
<td>216,028</td>
<td>-</td>
<td>45,282</td>
<td>837,548</td>
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<td>7,317,150</td>
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<td>-</td>
<td>7,842,965</td>
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<td>Machinery</td>
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<td>-</td>
<td>-</td>
<td>227,168</td>
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<td>-</td>
<td>381,978</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>11,230</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>11,230</td>
</tr>
<tr>
<td>Computer software</td>
<td>26,248</td>
<td>12,935</td>
<td>-</td>
<td>-</td>
<td>39,183</td>
</tr>
<tr>
<td>Improvements</td>
<td>124,092</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>124,092</td>
</tr>
<tr>
<td>Utilities</td>
<td>5,408,225</td>
<td>86,615</td>
<td>-</td>
<td>-</td>
<td>5,494,840</td>
</tr>
<tr>
<td>Principal retirement</td>
<td>1,599,998</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,599,998</td>
</tr>
<tr>
<td>Interest charges</td>
<td>588,696</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>588,696</td>
</tr>
<tr>
<td>Bad debts</td>
<td>441,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>441,000</td>
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<td>Student loans</td>
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<td>-</td>
<td>-</td>
<td>309,673</td>
</tr>
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<td>Scholarships</td>
<td>392,080</td>
<td>602,366</td>
<td>-</td>
<td>-</td>
<td>994,446</td>
</tr>
<tr>
<td>Bank service fee</td>
<td>246,351</td>
<td>84</td>
<td>-</td>
<td>2,563</td>
<td>248,998</td>
</tr>
<tr>
<td>Grants and contributions</td>
<td>8,584,188</td>
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<td>-</td>
<td>108</td>
<td>8,584,296</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>58,288</td>
<td>128,352</td>
<td>-</td>
<td>5,221</td>
<td>191,861</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$70,731,030</strong></td>
<td><strong>$21,050,766</strong></td>
<td><strong>$1,059,468</strong></td>
<td><strong>$2,453,276</strong></td>
<td><strong>$95,294,540</strong></td>
</tr>
</tbody>
</table>

See Accompanying Independent Auditors’ Report.
## Republic of Palau

### Other Country Grants Fund

**Schedule of Expenditures of Other Country Grants**

**Year Ended September 30, 2013**

<table>
<thead>
<tr>
<th>Cost Center</th>
<th>Grantor Account Title</th>
<th>Budget Authorizations</th>
<th>Receipts at 9/30/12</th>
<th>Expenditures FY2013</th>
<th>Receivable from Grantor (Deferred Revenue) at 9/30/12</th>
<th>Receivable from Grantor (Deferred Revenue) at 9/30/13</th>
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<tbody>
<tr>
<td><strong>State Economic Stimulus Package 2006</strong></td>
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</tbody>
</table>
## Schedule of Expenditures of Other Country Grants

**Year Ended September 30, 2013**

<table>
<thead>
<tr>
<th>Cost Center</th>
<th>Grantor Account Title</th>
<th>Budget Authorizations</th>
<th>Receivable from Grantor (Deferred Revenue) at 9/30/12</th>
<th>Receivable from Grantor at 9/30/13</th>
<th>Cash Receipts FY2013</th>
<th>Expenditures FY2013</th>
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<tr>
<td><strong>STATE ECONOMIC STIMULUS PACKAGE 2010</strong></td>
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| **STATE ECONOMIC STIMULUS PACKAGE 2012** | | | | | | |
| B20104 KOKS-NEKN RD PH II FY2012 | | 500,000 | (206,951) | 75,000 | 382,859 | 100,908 |
| B20105 AIM CONN. ROAD PHI 2012 | | 150,000 | 5,646 | 100,000 | 84,219 | (10,135) |
| B20202 RBT FISH FLTING CAGE 2012 | | 600,000 | (6,000) | 54,000 | 50,000 | (10,000) |
| B20203 AIRAI RD REHAB PH VI 2012 | | 600,000 | (171,917) | 30,000 | 183,911 | (18,006) |
| B20204 OMIKOLL WATER LINE 2012 | | 50,000 | (9,498) | 40,000 | 43,750 | (5,748) |
| B20205 NGRKIL WTR DIST SYS 2012 | | 300,000 | (8,068) | 130,000 | 128,711 | (9,357) |
| B20305 ANGAUR BUCKHOE X2 FY2012 | | 100,000 | (50,000) | - | - | (50,000) |
| B20501 KAYANGEL SOLAR FY2012 | | 100,000 | 26,160 | 70,000 | 6,240 | (37,600) |

See Accompanying Independent Auditors' Report

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<table>
<thead>
<tr>
<th>Grantor Account Title</th>
<th>FY2012 STIMULUS GRANTS</th>
<th>Authorization Cost</th>
<th>Budget Receipts (Deferred Revenue) at 9/30/12</th>
<th>Expenditures FY2013</th>
<th>Receipts FY2013</th>
<th>Receivable from Grantor (Deferred Revenue) at 9/30/13</th>
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See Accompanying Independent Auditors' Report
## Schedule of Expenditures of Other Country Grants

**Year Ended September 30, 2013**

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<tr>
<th>Cost Center</th>
<th>Grantor Account Title</th>
<th>Budget Authorizations at 9/30/12</th>
<th>Receiving from Grantor (Deferred Revenue at 9/30/12)</th>
<th>Cash Receipts FY2013</th>
<th>Expenditures FY2013</th>
<th>Receiving from Grantor (Deferred Revenue at 9/30/13)</th>
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<td>JUNIOR STATESMEN CONTRIBU</td>
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<td>142,429</td>
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## Schedule of Expenditures of Other Non-U.S. Federal Grants

Year Ended September 30, 2013

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<th>Fund 360100</th>
<th>Grantor Account Title</th>
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<th>(Revenues) Cash Receipts FY 2013</th>
<th>Expenditures FY 2013</th>
<th>Receivable from Grantor (Deferred Revenue) at 9/30/13</th>
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### UN Pop Education Program

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<th>Receivable from Grantor (Deferred Revenue) at 9/30/12</th>
<th>(Revenues) Cash Receipts FY 2013</th>
<th>Expenditures FY 2013</th>
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<td>-</td>
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<td>(13,435)</td>
<td>29,724</td>
<td>73,968</td>
<td>30,809</td>
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<td>GENDER FHSS FY’12</td>
<td>H2FHSS</td>
<td>31,565</td>
<td>(5,387)</td>
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<td>78,979</td>
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### UNCCD Grant Committee

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<th>Expenditures FY 2013</th>
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### UNESCO-PALAU PUBLIC LIBRARY

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### WHO APW HEALTH CAREER TRNG

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### See Accompanying Independent Auditors' Report.
### Schedule of Expenditures of Other Non-U.S. Federal Grants

**Year Ended September 30, 2013**

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<th>Actual 2</th>
<th>Actual 3</th>
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See Accompanying Independent Auditors' Report.
## Schedule of Expenditures of Other Non-U.S. Federal Grants

**Year Ended September 30, 2013**

### UNDP (WSSD Grants)

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<th>Code</th>
<th>Amount</th>
<th>Expenditures</th>
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### SPREP

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<td>48,000</td>
</tr>
<tr>
<td><strong>Total SPREP</strong></td>
<td></td>
<td>211,421</td>
<td>(5,698)</td>
<td>60,000</td>
</tr>
</tbody>
</table>

### PADi Aware Foundation

<table>
<thead>
<tr>
<th>Project</th>
<th>Code</th>
<th>Amount</th>
<th>Expenditures</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Aware</td>
<td>A33937</td>
<td>1,500</td>
<td>21,284</td>
<td>21,284</td>
</tr>
</tbody>
</table>

### UN Pops Grants

<table>
<thead>
<tr>
<th>Project</th>
<th>Code</th>
<th>Amount</th>
<th>Expenditures</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.N. Pops Grant</td>
<td>A33938</td>
<td>346,400</td>
<td>11,816</td>
<td>11,816</td>
</tr>
<tr>
<td>EQPB- UNEP POP/NIP 2013</td>
<td>R33938</td>
<td>27,000</td>
<td>-</td>
<td>27,000</td>
</tr>
<tr>
<td><strong>Total SPREP</strong></td>
<td></td>
<td>373,400</td>
<td>11,816</td>
<td>38,816</td>
</tr>
</tbody>
</table>

### UNDP (NCSA) Global Env. Mgmt

<table>
<thead>
<tr>
<th>Project</th>
<th>Code</th>
<th>Amount</th>
<th>Expenditures</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNDP (Global Env. Mgmt.)</td>
<td>A33939</td>
<td>25,000</td>
<td>24,838</td>
<td>24,838</td>
</tr>
</tbody>
</table>

### UNICEF

<table>
<thead>
<tr>
<th>Project</th>
<th>Code</th>
<th>Amount</th>
<th>Expenditures</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Justice Program</td>
<td>J33940</td>
<td>6,200</td>
<td>(345)</td>
<td>-</td>
</tr>
<tr>
<td>UNICEF - PCPBR</td>
<td>H33940</td>
<td>22,450</td>
<td>-</td>
<td>28,510</td>
</tr>
<tr>
<td><strong>Total UNICEF</strong></td>
<td></td>
<td>28,650</td>
<td>(345)</td>
<td>28,510</td>
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</table>

### PALAU NCSA

<table>
<thead>
<tr>
<th>Project</th>
<th>Code</th>
<th>Amount</th>
<th>Expenditures</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>PALAU NCSA - TTP/03/G41</td>
<td>F43943</td>
<td>200,000</td>
<td>(29,792)</td>
<td>-</td>
</tr>
<tr>
<td>Access to Benefit Sharing</td>
<td>F43945</td>
<td>31,343</td>
<td>(19)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total PALAU NCSA</strong></td>
<td></td>
<td>222,000</td>
<td>(940)</td>
<td>40,000</td>
</tr>
<tr>
<td>Access to Benefit Sharing Program</td>
<td></td>
<td>35,251</td>
<td>(5,689)</td>
<td></td>
</tr>
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</table>

### FOOD & AGRICULTURE

<table>
<thead>
<tr>
<th>Project</th>
<th>Code</th>
<th>Amount</th>
<th>Expenditures</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Forest Policy</td>
<td>R53946</td>
<td>4,350</td>
<td>(833)</td>
<td>-</td>
</tr>
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</table>

### REPORT ON BIODIVERSITY

<table>
<thead>
<tr>
<th>Project</th>
<th>Code</th>
<th>Amount</th>
<th>Expenditures</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>NR4 GEF-CBD BTNA Phase II</td>
<td>A03947</td>
<td>15,000</td>
<td>22,818</td>
<td>-</td>
</tr>
<tr>
<td>3rd Report on Biodiversity</td>
<td>A63947</td>
<td>16,500</td>
<td>(199)</td>
<td>-</td>
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<tr>
<td><strong>Total Reportn on Biodiversity</strong></td>
<td></td>
<td>31,500</td>
<td>22,619</td>
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</table>

### 8th OEK Orientation & WRKS

<table>
<thead>
<tr>
<th>Project</th>
<th>Code</th>
<th>Amount</th>
<th>Expenditures</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>8th OEK Orentiation &amp; WRKS</td>
<td>K93948</td>
<td>22,000</td>
<td>(281)</td>
<td>-</td>
</tr>
<tr>
<td>Support to ROP Congress Projects</td>
<td>K13948</td>
<td>200,000</td>
<td>(659)</td>
<td>40,000</td>
</tr>
<tr>
<td><strong>Total Support to ROP Congress Projects</strong></td>
<td></td>
<td>222,000</td>
<td>(940)</td>
<td>40,000</td>
</tr>
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</table>

### UNEP / FNR-RIO

<table>
<thead>
<tr>
<th>Project</th>
<th>Code</th>
<th>Amount</th>
<th>Expenditures</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>FNR to Rio Convention</td>
<td>A03949</td>
<td>34,567</td>
<td>1,730</td>
<td>-</td>
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</tbody>
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See Accompanying Independent Auditors' Report.

- 100 -
## Schedule of Expenditures of Other Non-U.S. Federal Grants
### Year Ended September 30, 2013

<table>
<thead>
<tr>
<th>Program Description</th>
<th>Grant Code</th>
<th>Amount</th>
<th>Budgeted Amount</th>
<th>Expenditure</th>
<th>Balance</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SAICM - EQPB</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>QSP Trust Fund - SAICM</td>
<td>R93951</td>
<td>125,000</td>
<td>(14,664)</td>
<td>-</td>
<td>(14,664)</td>
<td></td>
</tr>
<tr>
<td><strong>TNC GRANTS</strong></td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>PAN LEGAL FRAMEWORK FY13</td>
<td>M3TNC1</td>
<td>5,000</td>
<td>-</td>
<td>5,000</td>
<td>-</td>
<td>(5,000)</td>
</tr>
<tr>
<td>FISHERY DATA COLLECTION</td>
<td>M3TNC2</td>
<td>10,000</td>
<td>-</td>
<td>10,000</td>
<td>600</td>
<td>(9,400)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>15,000</td>
<td>-</td>
<td>15,000</td>
<td>600</td>
<td>(14,400)</td>
</tr>
<tr>
<td><strong>PW Feasibility Study Energy</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PW Feasibility Study</td>
<td>R83953</td>
<td>17,000</td>
<td>(378)</td>
<td>-</td>
<td>378</td>
<td>-</td>
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<tr>
<td><strong>2ND FRANCE-OCEANIA SUMMIT</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2nd France-Oceania Summit</td>
<td>A63954</td>
<td>34,410</td>
<td>(1,307)</td>
<td>-</td>
<td>1,307</td>
<td>-</td>
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<tr>
<td>3RD FRANCE-OCEANIA SUMMIT</td>
<td>P93954</td>
<td>22,904</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>HUMAN RIGHTS ACT FY’12</td>
<td>S23954</td>
<td>40,000</td>
<td>(20,000)</td>
<td>(15,575)</td>
<td>13,712</td>
<td>9,287</td>
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<tr>
<td></td>
<td></td>
<td>97,314</td>
<td>(21,307)</td>
<td>(15,575)</td>
<td>15,019</td>
<td>9,287</td>
</tr>
<tr>
<td><strong>Watercourse Splash</strong></td>
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<td></td>
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<td></td>
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<tr>
<td>Watercourse Splash</td>
<td>A23955</td>
<td>6,000</td>
<td>(104)</td>
<td>-</td>
<td>104</td>
<td>-</td>
</tr>
<tr>
<td>Japan Grant (Horiguma Arima)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Japan Grant (Horiguma Arima)</td>
<td>A23956</td>
<td>70,809</td>
<td>5</td>
<td>5</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Ngchesar Elementary School Renovation</td>
<td>E43956</td>
<td>54,895</td>
<td>(52)</td>
<td>-</td>
<td>52</td>
<td>-</td>
</tr>
<tr>
<td>Nippon Foundation Grant</td>
<td>R63956</td>
<td>25,493</td>
<td>(6,898)</td>
<td>-</td>
<td>6,898</td>
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</tr>
<tr>
<td>Total Japan Grant</td>
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<td>151,197</td>
<td>(6,945)</td>
<td>5</td>
<td>6,950</td>
<td>-</td>
</tr>
<tr>
<td><strong>SPREP Grants (Fruit Fly)</strong></td>
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<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SPREP Grants (Fruit Fly)</td>
<td>R23957</td>
<td>4,495</td>
<td>(15)</td>
<td>-</td>
<td>15</td>
<td>-</td>
</tr>
<tr>
<td>National Invasive Species</td>
<td>R33957</td>
<td>15,102</td>
<td>-</td>
<td>23,248</td>
<td>28,753</td>
<td>5,505</td>
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<tr>
<td></td>
<td></td>
<td>19,597</td>
<td>(15)</td>
<td>23,248</td>
<td>28,768</td>
<td>5,505</td>
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<tr>
<td><strong>President (Korean Grant)</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>President (Korean Grant)</td>
<td>A23958</td>
<td>9,532</td>
<td>(509)</td>
<td>-</td>
<td>509</td>
<td>-</td>
</tr>
<tr>
<td>14th APPCED Conference</td>
<td>K03958</td>
<td>20,000</td>
<td>(69)</td>
<td>-</td>
<td>69</td>
<td>-</td>
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<tr>
<td>Palau Submarine Fiber Optic Cable Study</td>
<td>K13958</td>
<td>100,000</td>
<td>126</td>
<td>126</td>
<td>-</td>
<td>-</td>
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<tr>
<td></td>
<td></td>
<td>129,532</td>
<td>(452)</td>
<td>126</td>
<td>578</td>
<td>-</td>
</tr>
<tr>
<td><strong>Electronic Tech. Grants (Japan Grant)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electronic Tech. Grants (Japan Grant)</td>
<td>A23959</td>
<td>500,000</td>
<td>(27,208)</td>
<td>-</td>
<td>27,208</td>
<td>-</td>
</tr>
<tr>
<td><strong>Canada Funds</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Palau National Youth Policy</td>
<td>C43960</td>
<td>36,500</td>
<td>(8)</td>
<td>-</td>
<td>-</td>
<td>(8)</td>
</tr>
<tr>
<td><strong>Secretariat Pacific Comm</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secretariat Pacific Comm</td>
<td>R13961</td>
<td>6,000</td>
<td>2,837</td>
<td>2,837</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>GCCA/PSIS OERC 2013</td>
<td>A33961</td>
<td>107,352</td>
<td>-</td>
<td>54,164</td>
<td>5,759</td>
<td>(48,405)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>113,352</td>
<td>2,837</td>
<td>57,001</td>
<td>5,759</td>
<td>(48,405)</td>
</tr>
<tr>
<td><strong>Vanuatu Grants</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vanuatu Grants (NEMO)</td>
<td>A13962</td>
<td>8,269</td>
<td>(863)</td>
<td>-</td>
<td>863</td>
<td>-</td>
</tr>
<tr>
<td><strong>SPF Org. Comm - China Grants</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SPF Org. Comm - China Grants</td>
<td>A93963</td>
<td>231,000</td>
<td>(839)</td>
<td>-</td>
<td>839</td>
<td>-</td>
</tr>
</tbody>
</table>

See Accompanying Independent Auditors' Report.
# Schedule of Expenditures of Other Non-U.S. Federal Grants

**Year Ended September 30, 2013**

## AUSAID Small Grants

<table>
<thead>
<tr>
<th>Program Description</th>
<th>Grant ID</th>
<th>Expenditure 1</th>
<th>Expenditure 2</th>
<th>Expenditure 3</th>
<th>Expenditure 4</th>
<th>Expenditure 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>SGS-Educational Video Equipments</td>
<td>H23964</td>
<td>23,750</td>
<td>(23,750)</td>
<td>(23,750)</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

## Info Dev. Planning (IBRD)

<table>
<thead>
<tr>
<th>Program Description</th>
<th>Grant ID</th>
<th>Expenditure 1</th>
<th>Expenditure 2</th>
<th>Expenditure 3</th>
<th>Expenditure 4</th>
<th>Expenditure 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Info Dev. Implement (IBRD)</td>
<td>A93965</td>
<td>103,627</td>
<td>(23,750)</td>
<td>-</td>
<td>21,380</td>
<td>-</td>
</tr>
<tr>
<td>Info Dev. Implement (IBRD)</td>
<td>-</td>
<td>21,225</td>
<td>(21,225)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Info Dev. Planning (IBRD)</td>
<td>-</td>
<td>303,627</td>
<td>(155)</td>
<td>21,225</td>
<td>21,380</td>
<td>-</td>
</tr>
</tbody>
</table>

## Republic of China Grants

<table>
<thead>
<tr>
<th>Program Description</th>
<th>Grant ID</th>
<th>Expenditure 1</th>
<th>Expenditure 2</th>
<th>Expenditure 3</th>
<th>Expenditure 4</th>
<th>Expenditure 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>China Grants - Sport Comm</td>
<td>A83966</td>
<td>56,087</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>National Youth Policies Development</td>
<td>C43966</td>
<td>6,000</td>
<td>(2,296)</td>
<td>-</td>
<td>2,296</td>
<td>-</td>
</tr>
<tr>
<td>PM &amp; SP Capacity Building</td>
<td>F63966</td>
<td>200,000</td>
<td>(134)</td>
<td>-</td>
<td>134</td>
<td>-</td>
</tr>
<tr>
<td>PM &amp; SP Capacity Building</td>
<td>F73966</td>
<td>10,000</td>
<td>(10,000)</td>
<td>-</td>
<td>10,000</td>
<td>-</td>
</tr>
<tr>
<td>ROC-PAC Summit Security</td>
<td>J63966</td>
<td>30,000</td>
<td>(5,132)</td>
<td>-</td>
<td>5,132</td>
<td>-</td>
</tr>
<tr>
<td>Micronesia Chief Executive Summit</td>
<td>S13966</td>
<td>50,000</td>
<td>943</td>
<td>943</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>EMBASSY OF ROC - BOPHA</td>
<td>N33966</td>
<td>-</td>
<td>-</td>
<td>100,000</td>
<td>-</td>
<td>(100,000)</td>
</tr>
<tr>
<td>PRES UN/PIF MEETING</td>
<td>P33966</td>
<td>50,000</td>
<td>-</td>
<td>50,000</td>
<td>41,554</td>
<td>(8,446)</td>
</tr>
<tr>
<td>Total Republic of China Grants</td>
<td>-</td>
<td>402,087</td>
<td>(16,619)</td>
<td>150,943</td>
<td>59,116</td>
<td>(108,446)</td>
</tr>
</tbody>
</table>

## Forum Secretariat Grants

<table>
<thead>
<tr>
<th>Program Description</th>
<th>Grant ID</th>
<th>Expenditure 1</th>
<th>Expenditure 2</th>
<th>Expenditure 3</th>
<th>Expenditure 4</th>
<th>Expenditure 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forum Sect. Drought Relief 1998</td>
<td>A83967</td>
<td>10,180</td>
<td>(2,156)</td>
<td>-</td>
<td>2,156</td>
<td>-</td>
</tr>
<tr>
<td>Forum Import Mang Wkrshp 2001</td>
<td>A13967</td>
<td>2,300</td>
<td>2,028</td>
<td>2,028</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Chief Executive Summit</td>
<td>S13967</td>
<td>20,000</td>
<td>(126)</td>
<td>-</td>
<td>126</td>
<td>-</td>
</tr>
<tr>
<td>PIFS/SIDSF-TNP Program fy2012</td>
<td>S2SIS1</td>
<td>3,451</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>WTR SECT CLIMATE CHANGE VULN</td>
<td>Q33967</td>
<td>333,000</td>
<td>-</td>
<td>333,000</td>
<td>25</td>
<td>(332,975)</td>
</tr>
<tr>
<td>PIFS PELELIU DS &amp; PGS 2013</td>
<td>R33967</td>
<td>450,000</td>
<td>-</td>
<td>450,000</td>
<td>405,000</td>
<td>(45,000)</td>
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<tr>
<td>Total Forum Secretariat Grants</td>
<td>-</td>
<td>818,931</td>
<td>(254)</td>
<td>785,028</td>
<td>407,307</td>
<td>(377,975)</td>
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## Computerization

<table>
<thead>
<tr>
<th>Program Description</th>
<th>Grant ID</th>
<th>Expenditure 1</th>
<th>Expenditure 2</th>
<th>Expenditure 3</th>
<th>Expenditure 4</th>
<th>Expenditure 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computerization (State) 1998</td>
<td>S83968</td>
<td>10,000</td>
<td>(172)</td>
<td>-</td>
<td>172</td>
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## FFA - Grants (President's Office)

<table>
<thead>
<tr>
<th>Program Description</th>
<th>Grant ID</th>
<th>Expenditure 1</th>
<th>Expenditure 2</th>
<th>Expenditure 3</th>
<th>Expenditure 4</th>
<th>Expenditure 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>FAA - President's Office</td>
<td>A03969</td>
<td>19,941</td>
<td>(50)</td>
<td>-</td>
<td>50</td>
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<tr>
<td>FAA - President's Office</td>
<td>A13969</td>
<td>39,000</td>
<td>(70)</td>
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<td>70</td>
<td>-</td>
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<tr>
<td>FAA - President's Office</td>
<td>A23969</td>
<td>61,195</td>
<td>(50)</td>
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<tr>
<td>FAA - President's Office</td>
<td>A33969</td>
<td>71,194</td>
<td>(1,474)</td>
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<td>1,474</td>
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<tr>
<td>36TH PACIFIC ISLS FORUM</td>
<td>A53969</td>
<td>68,360</td>
<td>(47)</td>
<td>-</td>
<td>47</td>
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</tr>
<tr>
<td>FFA - President's Office</td>
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<td>86,100</td>
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<td>FFA - President's Office</td>
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<td>14,980</td>
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<td>14,980</td>
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<tr>
<td>FFA - Conferences</td>
<td>A93969</td>
<td>4,975</td>
<td>(727)</td>
<td>-</td>
<td>727</td>
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<tr>
<td>PALM 2000 (Tokyo Japan)</td>
<td>S03969</td>
<td>16,656</td>
<td>(495)</td>
<td>-</td>
<td>495</td>
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<tr>
<td>TRAVEL - FOC/ FORUM Meeting</td>
<td>P63969</td>
<td>65,000</td>
<td>(2,716)</td>
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<td>2,716</td>
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<tr>
<td>Annual Meeting of IWC</td>
<td>P73969</td>
<td>18,600</td>
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<td>5,192</td>
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<td>Total FFA - Grants</td>
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<td>(26,059)</td>
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## PMA Office Building/Infrastructure

<table>
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<tr>
<th>Program Description</th>
<th>Grant ID</th>
<th>Expenditure 1</th>
<th>Expenditure 2</th>
<th>Expenditure 3</th>
<th>Expenditure 4</th>
<th>Expenditure 5</th>
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<tbody>
<tr>
<td>PMA Office Building/Infrastructure 1995</td>
<td>A53970</td>
<td>39,994</td>
<td>(2,219)</td>
<td>-</td>
<td>2,219</td>
<td>-</td>
</tr>
<tr>
<td>PMA Observer &amp; Monitoring 1996</td>
<td>A63970</td>
<td>66,790</td>
<td>(2,605)</td>
<td>-</td>
<td>2,605</td>
<td>-</td>
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<tr>
<td>SPREP (CBEMP) Palau EQPB 2000</td>
<td>R03970</td>
<td>8,895</td>
<td>(397)</td>
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<td>397</td>
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<td>Total PMA Office Building/Infrastructure</td>
<td>-</td>
<td>115,679</td>
<td>(5,221)</td>
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<td>5,221</td>
<td>-</td>
</tr>
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See Accompanying Independent Auditors' Report.
# Schedule of Expenditures of Other Non-U.S. Federal Grants

**Year Ended September 30, 2013**

## Fisheries Forum Agency

<table>
<thead>
<tr>
<th>Program</th>
<th>Code</th>
<th>Amount</th>
<th>Budgeted</th>
<th>Used</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>FAA Recrut Quality Pers</td>
<td>A13971</td>
<td>30,000</td>
<td>(1,154)</td>
<td>1,154</td>
<td>-</td>
</tr>
<tr>
<td>TAIYO (TAOCH) CLEARING</td>
<td>B91401</td>
<td>25,000</td>
<td>25,000</td>
<td>25,000</td>
<td>-</td>
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<tr>
<td>Vessel Monitoring System</td>
<td>J13971</td>
<td>22,009</td>
<td>(34,027)</td>
<td>16,575</td>
<td>26,160</td>
</tr>
<tr>
<td>Marine Law Observer</td>
<td>J8FFA1</td>
<td>25,000</td>
<td>(2,765)</td>
<td>-</td>
<td>2,765</td>
</tr>
<tr>
<td>Palau PDF 15%</td>
<td>R03971</td>
<td>74,774</td>
<td>(6,790)</td>
<td>-</td>
<td>7,589</td>
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<tr>
<td>42nd PIF Leaders Meeting</td>
<td>R13971</td>
<td>63,842</td>
<td>(3,099)</td>
<td>-</td>
<td>3,099</td>
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<tr>
<td>Fisheries &amp; Maritime Cons.</td>
<td>R23971</td>
<td>30,000</td>
<td>25</td>
<td>25</td>
<td>-</td>
</tr>
<tr>
<td>5th Tuna Conference</td>
<td>R43971</td>
<td>16,203</td>
<td>(25)</td>
<td>-</td>
<td>25</td>
</tr>
<tr>
<td>FFC59 MEETING IN MAJURO</td>
<td>R53971</td>
<td>4,348</td>
<td>(27)</td>
<td>-</td>
<td>27</td>
</tr>
<tr>
<td>FFA-Palau PDF Fund- 15%</td>
<td>R83971</td>
<td>165,940</td>
<td>(71,282)</td>
<td>-</td>
<td>71,282</td>
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<tr>
<td>FFA Sonsool Fishing Boat</td>
<td>S53971</td>
<td>114,975</td>
<td>(362)</td>
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<td>362</td>
</tr>
<tr>
<td>Boundary Delimitation Pro</td>
<td>S73971</td>
<td>4,980</td>
<td>(9,159)</td>
<td>-</td>
<td>9,159</td>
</tr>
<tr>
<td>PI Forum Leaders Meeting</td>
<td>S8FFA1</td>
<td>100,000</td>
<td>(2,099)</td>
<td>-</td>
<td>2,099</td>
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<tr>
<td>FFA 2013</td>
<td>R33971</td>
<td>25,000</td>
<td>-</td>
<td>25</td>
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<td><strong>Total Fisheries Forum Agency</strong></td>
<td></td>
<td>719,056</td>
<td>(100,266)</td>
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<td>130,066</td>
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## Foreign Grants State

<table>
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<tr>
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<th>Code</th>
<th>Amount</th>
<th>Budgeted</th>
<th>Used</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office Equip - Australia Grant</td>
<td>S50301</td>
<td>38,027</td>
<td>(1,639)</td>
<td>-</td>
<td>1,639</td>
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<tr>
<td>SPC Youth Skills Training</td>
<td>S53972</td>
<td>5,000</td>
<td>(2,706)</td>
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<tr>
<td><strong>Total Foreign Grants State</strong></td>
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## SPREP (Ngermeduu Conservation)

<table>
<thead>
<tr>
<th>Program</th>
<th>Code</th>
<th>Amount</th>
<th>Budgeted</th>
<th>Used</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marine Project / Area Project</td>
<td>B23972</td>
<td>13,252</td>
<td>(5,303)</td>
<td>-</td>
<td>5,303</td>
</tr>
<tr>
<td>Ngermeduu Conservation Area</td>
<td>R23972</td>
<td>27,500</td>
<td>(3,718)</td>
<td>-</td>
<td>3,718</td>
</tr>
<tr>
<td>Ngermeduu Conservation Area</td>
<td>R33972</td>
<td>30,000</td>
<td>(6,305)</td>
<td>-</td>
<td>6,305</td>
</tr>
<tr>
<td>FFA Ngerarchelong Clam Project</td>
<td>S23972</td>
<td>20,000</td>
<td>25</td>
<td>25</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total SPREP (Ngermeduu Conservation)</strong></td>
<td></td>
<td>90,752</td>
<td>(15,301)</td>
<td>25</td>
<td>15,326</td>
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## GIS/GPS Training (SPREP)

<table>
<thead>
<tr>
<th>Program</th>
<th>Code</th>
<th>Amount</th>
<th>Budgeted</th>
<th>Used</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>GIS/GPS Training</td>
<td>R23973</td>
<td>32,296</td>
<td>(2,860)</td>
<td>-</td>
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</table>

## Tax Equipment Furniture & Supplies

<table>
<thead>
<tr>
<th>Program</th>
<th>Code</th>
<th>Amount</th>
<th>Budgeted</th>
<th>Used</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Equipment Furniture &amp; Supplies</td>
<td>A83973</td>
<td>25,000</td>
<td>(260)</td>
<td>-</td>
<td>260</td>
</tr>
<tr>
<td><strong>Total Tax Equipment Furniture &amp; Supplies</strong></td>
<td></td>
<td>25,000</td>
<td>(260)</td>
<td>-</td>
<td>260</td>
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</table>

## Palau Youth Empowerment Fund

<table>
<thead>
<tr>
<th>Program</th>
<th>Code</th>
<th>Amount</th>
<th>Budgeted</th>
<th>Used</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Palau Youth Empowerment Fund 1998</td>
<td>C83974</td>
<td>53,551</td>
<td>(12,773)</td>
<td>-</td>
<td>12,773</td>
</tr>
<tr>
<td>PMA Port Samplers (SPC)</td>
<td>R63974</td>
<td>14,790</td>
<td>(392)</td>
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<td>392</td>
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<tr>
<td><strong>Total Palau Youth Empowerment Fund</strong></td>
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<td>68,341</td>
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<td>13,165</td>
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## Australian Grants

<table>
<thead>
<tr>
<th>Program</th>
<th>Code</th>
<th>Amount</th>
<th>Budgeted</th>
<th>Used</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coral Reef Aware Program</td>
<td>A43975</td>
<td>2,000</td>
<td>(2,000)</td>
<td>-</td>
<td>2,000</td>
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<tr>
<td>Project 5/99</td>
<td>A93975</td>
<td>1,572</td>
<td>(19)</td>
<td>-</td>
<td>19</td>
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<tr>
<td>Equipment for Youth Program</td>
<td>C03975</td>
<td>1,984</td>
<td>(194)</td>
<td>-</td>
<td>194</td>
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<tr>
<td>MCCA-BPNA Palauan Language &amp; CASP</td>
<td>C1ARC1</td>
<td>10,725</td>
<td>(12,248)</td>
<td>-</td>
<td>-</td>
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<tr>
<td>MCCA-BPNA Survey Analysis</td>
<td>C1ARC2</td>
<td>12,558</td>
<td>-</td>
<td>-</td>
<td>2,745</td>
</tr>
<tr>
<td>Pur Microfilm Read/Printer</td>
<td>C65001</td>
<td>8,600</td>
<td>(298)</td>
<td>-</td>
<td>298</td>
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<tr>
<td>TESOL TRAINING 2013</td>
<td>E33975</td>
<td>34,800</td>
<td>-</td>
<td>34,800</td>
<td>11,000</td>
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<tr>
<td>Inventory Bar Code System</td>
<td>H43975</td>
<td>13,800</td>
<td>(4,143)</td>
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<td>4,143</td>
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<tr>
<td>AUSAID</td>
<td>H73975</td>
<td>4,800</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>CAP BLDG HUMAN RIGHTS FY’12</td>
<td>P23975</td>
<td>20,000</td>
<td>(20,000)</td>
<td>-</td>
<td>20,064</td>
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<tr>
<td>Ramsar Wet’ds Cons Fund</td>
<td>S70201</td>
<td>6,796</td>
<td>(5,721)</td>
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<td>5,721</td>
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<tr>
<td><strong>Total Australian Grants</strong></td>
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<td>117,635</td>
<td>(44,623)</td>
<td>34,800</td>
<td>46,184</td>
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</table>

See Accompanying Independent Auditors’ Report.
### Republic of Palau

**Other Non-U.S. Federal Grants Fund**

Schedule of Expenditures of Other Non-U.S. Federal Grants  
Year Ended September 30, 2013

<table>
<thead>
<tr>
<th>Grant Description</th>
<th>Reference</th>
<th>Amount (USD)</th>
<th>Notes (USD)</th>
<th>Notes (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan Rotary Club Donation</td>
<td>R63976</td>
<td>24,725</td>
<td>(106)</td>
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<tr>
<td>Japan Rotary Club Donation</td>
<td>R13976</td>
<td>18,013</td>
<td>(1,208)</td>
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<tr>
<td>Total Rotary Club Donation</td>
<td></td>
<td>42,738</td>
<td>(1,314)</td>
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</tr>
<tr>
<td>FFA - Kayangel Fishing Project</td>
<td>S03977</td>
<td>50,000</td>
<td>(1,208)</td>
<td>-</td>
</tr>
<tr>
<td>FFA - Kayangel Fishing Project</td>
<td>S13977</td>
<td>100,000</td>
<td>(2)</td>
<td>-</td>
</tr>
<tr>
<td>Total Kayangel Fishing Project</td>
<td></td>
<td>150,000</td>
<td>(1,208)</td>
<td>-</td>
</tr>
<tr>
<td>SPREP Grants</td>
<td>R73979</td>
<td>12,050</td>
<td>(287)</td>
<td>-</td>
</tr>
<tr>
<td>Pilot Project (Solid Waste)1999</td>
<td>R93979</td>
<td>39,998</td>
<td>(2)</td>
<td>-</td>
</tr>
<tr>
<td>CLEAN PACIFIC</td>
<td>R23979</td>
<td>2,000</td>
<td>(1,752)</td>
<td>(223)</td>
</tr>
<tr>
<td>Total SPREP Grants</td>
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<td>54,048</td>
<td>(2,264)</td>
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<tr>
<td>WildAid-Packard Foundation</td>
<td>J33980</td>
<td>72,867</td>
<td>(3,254)</td>
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</tr>
<tr>
<td>Packard EBM Project-EQPB</td>
<td>A63980</td>
<td>107,755</td>
<td>14,049</td>
<td>14,049</td>
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<tr>
<td>EQPB EBM Project Cycle II</td>
<td>A03980</td>
<td>85,012</td>
<td>6,748</td>
<td>8,978</td>
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<tr>
<td>Total WildAid-Packard Foundation</td>
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<td>265,634</td>
<td>17,543</td>
<td>12,232</td>
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<tr>
<td>Marine Res Conservation</td>
<td>R53980</td>
<td>38,900</td>
<td>(4,764)</td>
<td>-</td>
</tr>
<tr>
<td>CDC &amp; HIV Hepatitis Survey</td>
<td>H33981</td>
<td>5,472</td>
<td>(15)</td>
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<tr>
<td>FHP Foundation Grant</td>
<td>H63984</td>
<td>39,505</td>
<td>(2,840)</td>
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</tr>
<tr>
<td>RR &amp; TC Pacific Basin Grant</td>
<td>H63985</td>
<td>54,000</td>
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<td>9,900</td>
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<tr>
<td>RR &amp; TC Pacific Basin Grant</td>
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<td>22,000</td>
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<tr>
<td>SDSU Foundation</td>
<td>H93985</td>
<td>23,100</td>
<td>(178)</td>
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<td>9,243</td>
<td>9,900</td>
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<td>Pacific Basin Development Council</td>
<td>A63986</td>
<td>4,800</td>
<td>(1,011)</td>
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<tr>
<td>DNA Project (University of Utah)</td>
<td>H73987</td>
<td>22,000</td>
<td>(257)</td>
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<td>Palau Youth Project 2007</td>
<td>H83987</td>
<td>48,864</td>
<td>(74)</td>
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<tr>
<td>DNA Project (University of Utah)</td>
<td>H93987</td>
<td>16,700</td>
<td>(39)</td>
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<tr>
<td>Total DNA Project</td>
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<td>87,564</td>
<td>(370)</td>
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</tr>
<tr>
<td>Christa M. Fellowship Program</td>
<td>E73990</td>
<td>20,558</td>
<td>(4,179)</td>
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</tr>
<tr>
<td>Christa M. Fellowship Program 1997</td>
<td>E83990</td>
<td>10,279</td>
<td>(79)</td>
<td>-</td>
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<tr>
<td>Christa M. Fellowship Program 1998</td>
<td>E93990</td>
<td>10,279</td>
<td>(279)</td>
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<tr>
<td>Christa M. Fellowship Program 2000</td>
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<td>10,279</td>
<td>(4,405)</td>
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<tr>
<td>Christa M. Fellowship Program 2002</td>
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<td>10,003</td>
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</tr>
<tr>
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<td></td>
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<td>(14,415)</td>
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</tr>
</tbody>
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See Accompanying Independent Auditors' Report.
**REPUBLIC OF PALAU**

**OTHER NON-U.S. FEDERAL GRANTS FUND**

Schedule of Expenditures of Other Non-U.S. Federal Grants

Year Ended September 30, 2013

<table>
<thead>
<tr>
<th>MOH SMALL GRANTS - OTHERS</th>
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<th></th>
<th></th>
<th></th>
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</tr>
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<td>95,000</td>
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<td>47,500</td>
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<tr>
<td><strong>Total SEOW</strong></td>
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<td>85,000</td>
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</tbody>
</table>

| LSTA State Grants        |          |          |          |          |          |
| LSTA State Grants        | E13992   | 40,377   | 34,934   | 35,735   | -        | (801)   |
| LSTA State Grants        | E03992   | 63,473   | -        | -        | -        | -       |
| LSTA State Grants FY07   | E73992   | 54,349   | 41,115   | 41,115   | -        | -       |
| LSTA State Grants        | E93992   | 44,274   | (1,035)  | -        | -        | (1,035)|
| LSTA State Grant 2009    | E93992   | 41,983   | (40,011) | -        | 40,011   | -       |
| PALAU LSTA IMLS GRANT    | E23992   | 42,385   | -        | -        | 42,385   | 42,385  |
| IMLS LSTA 2013           | E33992   | 40,720   | -        | -        | -        | -       |
| **Total LSTA State Grants|**        | 327,561  | 35,003   | 76,850   | 82,396   | 40,549  |

| Genetic Study (MOH)      |          |          |          |          |          |
| Genetic Study            | H13993   | 405,000  | (593)    | -        | 593      | -       |
| **Total Genetic Study (MOH)|**        | 405,000  | (593)    | -        | 593      | -       |

| Palau Public Library Grants |          |          |          |          |          |
| Palau Public Library Grant| E23994   | 39,630   | (13,433) | -        | 13,433   | -       |

| Census (Rare Cr Trop Con)|          |          |          |          |          |
| Census                  | A33995   | 25,000   | (92)     | -        | 92       | -       |

| Protected Areas Network  |          |          |          |          |          |
| TNC MOU/ Assist to PAN   | A83997   | 6,000    | (57)     | -        | 57       | -       |
| Protected Areas Network  | R43997   | 39,700   | (535)    | -        | 535      | -       |
| **Total**                |          | 45,700   | (592)    | -        | 592      | -       |

| ADMINISTRATIVE COST ACCOUNT |          |          |          |          |          |
| Other Administrative Cost | F33999   | -        | -        | -        | 48,624   | 48,624 |

| National Assessment Report-BPOA |          |          |          |          |          |
| National Assessment Report     | R48920   | 5,000    | (2,102)  | -        | 2,102    | -       |

| ROP DONATIONS/RELIEF FUND    |          |          |          |          |          |
| DONATIONS / RELIEF FUNDS     | S28921   | 1,500    | 334      | 334      | -        | -       |

| UNDP (SEDREA) ENERGY         |          |          |          |          |          |
| UNDP (SEDREA) ENERGY         | A58922   | 25,000   | -        | -        | -        | -       |
| Renewable Energy (SEDREA)    | P98922   | 51,870   | (482)    | 5,001    | 18,365   | 12,882  |
| **Total UNDP SEDREA Energy** |          | 76,870   | (482)    | 5,001    | 18,365   | 12,882  |

| UN CEDAW                    |          |          |          |          |          |
| CEDAW CONSULTATION          | S18924   | 1,741    | (1,001)  | -        | -        | (1,001)|
| CEDAW LEGISLATIVE REVIEW    | S28924   | 11,095   | (35)     | -        | -        | (35)   |
| **Total UN CEDAW**          |          | 12,836   | (1,036)  | -        | -        | (1,036)|

| EQPB OTHER GRANTS           |          |          |          |          |          |
| EQPB other grants           | R28925   | 2,000    | -        | -        | -        | -      |

See Accompanying Independent Auditors' Report.
# REPUBLIC OF PALAU

## OTHER NON-U.S. FEDERAL GRANTS FUND

### Schedule of Expenditures of Other Non-U.S. Federal Grants

**Year Ended September 30, 2013**

### UNEP GRANTS

<table>
<thead>
<tr>
<th>Grant Description</th>
<th>Code</th>
<th>Budget</th>
<th>Spend</th>
<th>Recovery</th>
<th>Total</th>
<th>Expenditure</th>
<th>Recovery Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>NBSAP/ 5TH CBD RPT</td>
<td>R28926</td>
<td>50,000</td>
<td>(50,000)</td>
<td>-</td>
<td>-</td>
<td>(50,000)</td>
<td>-</td>
</tr>
<tr>
<td>2ND NATL COMM 2013</td>
<td>M38926</td>
<td>35,000</td>
<td>-</td>
<td>35,000</td>
<td>34,444</td>
<td>(56)</td>
<td>-</td>
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<tr>
<td>NBSAP/ 5TH RPT CBD</td>
<td>R38926</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>402</td>
<td>402</td>
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</tr>
</tbody>
</table>

**Total UNEP Grants**

85,000 (50,000) 35,000 34,846 (50,154)

### UOG GRANTS

<table>
<thead>
<tr>
<th>Grant Description</th>
<th>Code</th>
<th>Budget</th>
<th>Spend</th>
<th>Recovery</th>
<th>Total</th>
<th>Expenditure</th>
<th>Recovery Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>MECHESIL BELAU PROJECT 2012</td>
<td>C28950</td>
<td>20,000</td>
<td>(267)</td>
<td>-</td>
<td>135</td>
<td>(132)</td>
<td>-</td>
</tr>
<tr>
<td>SBDC-UOG SBJA Service Contract</td>
<td>P18950</td>
<td>16,000</td>
<td>9,600</td>
<td>12,000</td>
<td>2,400</td>
<td>-</td>
<td>-</td>
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<tr>
<td>SBDC-UOG PISBDCN 2012</td>
<td>P28950</td>
<td>30,000</td>
<td>8,285</td>
<td>10,541</td>
<td>27,040</td>
<td>24,784</td>
<td>24,652</td>
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</table>

**Total 2ND NAT’L COMM 2013**

66,000 17,618 22,541 29,575 24,652

### GENEVA GRANTS AND ASSISTANCE

<table>
<thead>
<tr>
<th>Grant Description</th>
<th>Code</th>
<th>Budget</th>
<th>Spend</th>
<th>Recovery</th>
<th>Total</th>
<th>Expenditure</th>
<th>Recovery Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>GENEVA- GICHD 2012</td>
<td>S38951</td>
<td>34,300</td>
<td>-</td>
<td>34,300</td>
<td>34,267</td>
<td>(33)</td>
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### UNDP/UNCCD/GEF

<table>
<thead>
<tr>
<th>Grant Description</th>
<th>Code</th>
<th>Budget</th>
<th>Spend</th>
<th>Recovery</th>
<th>Total</th>
<th>Expenditure</th>
<th>Recovery Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNDP (SEDREA) Energy</td>
<td>A68923</td>
<td>12,000</td>
<td>(113)</td>
<td>-</td>
<td>113</td>
<td>-</td>
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</table>

### SPAIN GRANTS

<table>
<thead>
<tr>
<th>Grant Description</th>
<th>Code</th>
<th>Budget</th>
<th>Spend</th>
<th>Recovery</th>
<th>Total</th>
<th>Expenditure</th>
<th>Recovery Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pacific Educatin Development Framework</td>
<td>E18960</td>
<td>42,980</td>
<td>1,676</td>
<td>1,676</td>
<td>-</td>
<td>-</td>
<td>-</td>
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</table>

### 10th International Coral Reef Sympo

<table>
<thead>
<tr>
<th>Grant Description</th>
<th>Code</th>
<th>Budget</th>
<th>Spend</th>
<th>Recovery</th>
<th>Total</th>
<th>Expenditure</th>
<th>Recovery Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>International Coral Reef Sympo</td>
<td>F48961</td>
<td>1,400</td>
<td>1,400</td>
<td>1,400</td>
<td>-</td>
<td>-</td>
<td>-</td>
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</tbody>
</table>

### Giant Clam Farming Project

<table>
<thead>
<tr>
<th>Grant Description</th>
<th>Code</th>
<th>Budget</th>
<th>Spend</th>
<th>Recovery</th>
<th>Total</th>
<th>Expenditure</th>
<th>Recovery Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Giant Clam Farming Project</td>
<td>T88962</td>
<td>14,967</td>
<td>(1,636)</td>
<td>-</td>
<td>1,636</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Giant Clam Farming Project</td>
<td>T48962</td>
<td>15,000</td>
<td>(89)</td>
<td>-</td>
<td>89</td>
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</table>

**Total Giant Clam Farming Project**

29,967 (1,725) - 1,725 -

### TUNA DATA COORDINATOR

<table>
<thead>
<tr>
<th>Grant Description</th>
<th>Code</th>
<th>Budget</th>
<th>Spend</th>
<th>Recovery</th>
<th>Total</th>
<th>Expenditure</th>
<th>Recovery Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuna DATA Entry Technician</td>
<td>R88963</td>
<td>8,756</td>
<td>(12)</td>
<td>-</td>
<td>12</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Tuan Data Coordinator</td>
<td>R68963</td>
<td>23,150</td>
<td>(7)</td>
<td>-</td>
<td>7</td>
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**Total Tuna Data Coordinator**

31,906 (19) - 19 -

### HOUSEHOLD INCOME/EXP SURVEY

<table>
<thead>
<tr>
<th>Grant Description</th>
<th>Code</th>
<th>Budget</th>
<th>Spend</th>
<th>Recovery</th>
<th>Total</th>
<th>Expenditure</th>
<th>Recovery Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Household Income/Expenditures Survey</td>
<td>F68964</td>
<td>26,684</td>
<td>(8)</td>
<td>-</td>
<td>8</td>
<td>-</td>
<td>-</td>
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</table>

### Fisheries Forum Association

<table>
<thead>
<tr>
<th>Grant Description</th>
<th>Code</th>
<th>Budget</th>
<th>Spend</th>
<th>Recovery</th>
<th>Total</th>
<th>Expenditure</th>
<th>Recovery Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hosting Consultants Negotiations</td>
<td>S5FFA1</td>
<td>7,081</td>
<td>(4,088)</td>
<td>-</td>
<td>4,088</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Foreign Dignitary Housing</td>
<td>S4FFA1</td>
<td>51,310</td>
<td>(2,645)</td>
<td>-</td>
<td>2,645</td>
<td>-</td>
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</table>

**Total FAA**

58,391 (6,733) - 6,733 -

### Korean Grants

<table>
<thead>
<tr>
<th>Grant Description</th>
<th>Code</th>
<th>Budget</th>
<th>Spend</th>
<th>Recovery</th>
<th>Total</th>
<th>Expenditure</th>
<th>Recovery Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bur.of INT'L EXPO</td>
<td>S88967</td>
<td>7,085</td>
<td>18</td>
<td>18</td>
<td>-</td>
<td>-</td>
<td>-</td>
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</table>

### HOSPITAL EQUIP - INDIA GRT

<table>
<thead>
<tr>
<th>Grant Description</th>
<th>Code</th>
<th>Budget</th>
<th>Spend</th>
<th>Recovery</th>
<th>Total</th>
<th>Expenditure</th>
<th>Recovery Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>HOSPITAL EQUIP - INDIA GRT</td>
<td>H58968</td>
<td>149,841</td>
<td>(90)</td>
<td>-</td>
<td>90</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Ministry of State Equipments</td>
<td>S08966</td>
<td>100,000</td>
<td>(4,636)</td>
<td>-</td>
<td>1,066</td>
<td>(3,570)</td>
<td>-</td>
</tr>
<tr>
<td>Submarine Cable Feasability</td>
<td>S18968</td>
<td>100,000</td>
<td>(1,005)</td>
<td>-</td>
<td>2,058</td>
<td>(947)</td>
<td>-</td>
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</tbody>
</table>

**Total India Grants**

349,841 (7,731) - 3,214 (4,517)

### PALAU DIGITAL ARCHIVING

<table>
<thead>
<tr>
<th>Grant Description</th>
<th>Code</th>
<th>Budget</th>
<th>Spend</th>
<th>Recovery</th>
<th>Total</th>
<th>Expenditure</th>
<th>Recovery Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>DIGITAL ARCHIVING</td>
<td>S58969</td>
<td>240,000</td>
<td>(426)</td>
<td>-</td>
<td>426</td>
<td>-</td>
<td>-</td>
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</table>

### DRUG DETECTOR DOG UNIT

<table>
<thead>
<tr>
<th>Grant Description</th>
<th>Code</th>
<th>Budget</th>
<th>Spend</th>
<th>Recovery</th>
<th>Total</th>
<th>Expenditure</th>
<th>Recovery Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>DRUG DETECTOR DOG UNIT</td>
<td>F58970</td>
<td>175,000</td>
<td>(71)</td>
<td>-</td>
<td>71</td>
<td>-</td>
<td>-</td>
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</table>

See Accompanying Independent Auditors' Report.
## INDEPENDENCE DAY (ROC)

<table>
<thead>
<tr>
<th>Description</th>
<th>Code</th>
<th>Amount</th>
<th>(Recieved)</th>
<th>FY'13</th>
<th>FY'14</th>
</tr>
</thead>
<tbody>
<tr>
<td>12th Independence Day P6ROC1</td>
<td>100,000</td>
<td>(1,940)</td>
<td>-</td>
<td>1,940</td>
<td>-</td>
</tr>
<tr>
<td>President's Expenses P6ROC2</td>
<td>200,000</td>
<td>(1,735)</td>
<td>-</td>
<td>1,735</td>
<td>-</td>
</tr>
<tr>
<td>13th Independence Day P7ROC1</td>
<td>50,000</td>
<td>(2,480)</td>
<td>-</td>
<td>2,480</td>
<td>-</td>
</tr>
<tr>
<td>Total Independence day</td>
<td>350,000</td>
<td>(6,155)</td>
<td>-</td>
<td>6,155</td>
<td>-</td>
</tr>
<tr>
<td>Total FAA</td>
<td></td>
<td></td>
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## CZECH REPUBLIC GRANT

<table>
<thead>
<tr>
<th>Description</th>
<th>Code</th>
<th>Amount</th>
<th>(Recieved)</th>
<th>FY'13</th>
<th>FY'14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Czech Dentist Dr. Palek H78973</td>
<td>23,953</td>
<td>4,211</td>
<td>-</td>
<td>4,211</td>
<td>-</td>
</tr>
<tr>
<td>Dental Health Care - CZK H98973</td>
<td>13,379</td>
<td>191</td>
<td>-</td>
<td>191</td>
<td>-</td>
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<tr>
<td>Total CZECH Republic Grant</td>
<td>37,332</td>
<td>4,402</td>
<td>-</td>
<td>4,402</td>
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## HUMANITARIAN ASSISTANCE TO PSB

<table>
<thead>
<tr>
<th>Description</th>
<th>Code</th>
<th>Amount</th>
<th>(Recieved)</th>
<th>FY'13</th>
<th>FY'14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Humanitarian Assistance to PSB F18974</td>
<td>-</td>
<td>115,166</td>
<td>-</td>
<td>(3,479)</td>
<td>111,687</td>
</tr>
<tr>
<td>Humanitarian Assistance to PSB F78974</td>
<td>3,355,000</td>
<td>(51,616)</td>
<td>-</td>
<td>-</td>
<td>(51,616)</td>
</tr>
<tr>
<td>Total HUMANITARIAN ASSISTANCE TO PSB</td>
<td>3,355,000</td>
<td>63,550</td>
<td>(3,479)</td>
<td>60,071</td>
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## IWRM Project (SOPAC)

<table>
<thead>
<tr>
<th>Description</th>
<th>Code</th>
<th>Amount</th>
<th>(Recieved)</th>
<th>FY'13</th>
<th>FY'14</th>
</tr>
</thead>
<tbody>
<tr>
<td>IWRM Project (SOPAC) A78975</td>
<td>31,300</td>
<td>8,612</td>
<td>-</td>
<td>-</td>
<td>8,612</td>
</tr>
<tr>
<td>SOPAC-Ngerikiil Watershed A98975</td>
<td>408,385</td>
<td>(61,964)</td>
<td>49,681</td>
<td>65,903</td>
<td>(45,742)</td>
</tr>
<tr>
<td>IWRM BOA M98975</td>
<td>10,000</td>
<td>(38,714)</td>
<td>-</td>
<td>24,688</td>
<td>(14,026)</td>
</tr>
<tr>
<td>Water Policy Activities P18975</td>
<td>42,900</td>
<td>7,754</td>
<td>-</td>
<td>(951)</td>
<td>6,803</td>
</tr>
<tr>
<td>IWRM Palais R98975</td>
<td>30,000</td>
<td>(9,202)</td>
<td>-</td>
<td>3,859</td>
<td>(5,343)</td>
</tr>
<tr>
<td>IWRM EQPB LAB R28975</td>
<td>-</td>
<td>(23,500)</td>
<td>-</td>
<td>753</td>
<td>(22,747)</td>
</tr>
<tr>
<td>Total IWRM Project (SOPAC)</td>
<td>522,585</td>
<td>(117,014)</td>
<td>49,681</td>
<td>94,252</td>
<td>(72,443)</td>
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## PROTECT MARINE BIODIVERSITY

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<thead>
<tr>
<th>Description</th>
<th>Code</th>
<th>Amount</th>
<th>(Recieved)</th>
<th>FY'13</th>
<th>FY'14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Protect Marine Biodiversity A78976</td>
<td>43,000</td>
<td>(3,156)</td>
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<td>3,156</td>
<td>-</td>
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## PRIDE GRANTS

<table>
<thead>
<tr>
<th>Description</th>
<th>Code</th>
<th>Amount</th>
<th>(Recieved)</th>
<th>FY'13</th>
<th>FY'14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Curriculum Frameworks E7PRI1</td>
<td>150,000</td>
<td>(1,053)</td>
<td>-</td>
<td>1,053</td>
<td>-</td>
</tr>
<tr>
<td>Palau Achievement Tests E7PRI2</td>
<td>150,000</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>-</td>
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<tr>
<td>Palauan Textbook E7PRI3</td>
<td>88,899</td>
<td>(3)</td>
<td>-</td>
<td>3</td>
<td>-</td>
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<tr>
<td>MOE School Handbook E8PRI1</td>
<td>43,000</td>
<td>(2)</td>
<td>-</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td>Total PRIDE</td>
<td>431,899</td>
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<td>3</td>
<td>1,058</td>
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## MICRONESIAN CHALANGE DONATION

<table>
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<tr>
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<th>Code</th>
<th>Amount</th>
<th>(Recieved)</th>
<th>FY'13</th>
<th>FY'14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micronesian Chalange Donation TRKY A78978</td>
<td>75,000</td>
<td>(3,322)</td>
<td>34</td>
<td>3,356</td>
<td>-</td>
</tr>
<tr>
<td>Micronesian Chalange Donation Guam A8GUM1</td>
<td>7,500</td>
<td>7,500</td>
<td>7,500</td>
<td>-</td>
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</tr>
<tr>
<td>Micronesian Chalange Donation PAN A9TNC1</td>
<td>50,000</td>
<td>5,592</td>
<td>4,992</td>
<td>(600)</td>
<td>-</td>
</tr>
<tr>
<td>MCT/PAN SUPPORT FY ’12 R2PAN1</td>
<td>4,500</td>
<td>(568)</td>
<td>-</td>
<td>568</td>
<td>-</td>
</tr>
<tr>
<td>Total MICRONESIAN CHALANGE DONATION</td>
<td>137,000</td>
<td>9,202</td>
<td>12,526</td>
<td>3,324</td>
<td>-</td>
</tr>
</tbody>
</table>

## ENERGY SECT IN 5 ACP ISLS

<table>
<thead>
<tr>
<th>Description</th>
<th>Code</th>
<th>Amount</th>
<th>(Recieved)</th>
<th>FY'13</th>
<th>FY'14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy Sect in 5 ACP Isls F88979</td>
<td>287,650</td>
<td>3,094</td>
<td>-</td>
<td>-</td>
<td>3,094</td>
</tr>
<tr>
<td>PAL renewable energy NPE2 F8PE02</td>
<td>430,170</td>
<td>(65,387)</td>
<td>-</td>
<td>-</td>
<td>(65,387)</td>
</tr>
<tr>
<td>Tech. Coop. Facility F0TFC1</td>
<td>147,000</td>
<td>26,867</td>
<td>-</td>
<td>26,867</td>
<td>-</td>
</tr>
<tr>
<td>TECH COOP FACILITY (2) F2TCF2</td>
<td>-</td>
<td>4,857</td>
<td>-</td>
<td>1,185</td>
<td>6,042</td>
</tr>
<tr>
<td>Total ENERGY SECT IN 5 ACP ISLS</td>
<td>864,820</td>
<td>(30,569)</td>
<td>-</td>
<td>1,185</td>
<td>(29,384)</td>
</tr>
</tbody>
</table>

See Accompanying Independent Auditors' Report.

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### Schedule of Expenditures of Other Non-U.S. Federal Grants

**Year Ended September 30, 2013**

#### NEMO PEACESAT ASSISTANCE

<table>
<thead>
<tr>
<th>Project</th>
<th>J68980</th>
<th>1,938</th>
<th>(217)</th>
<th>-</th>
<th>217</th>
<th>-</th>
</tr>
</thead>
</table>

#### NATIONAL FISH & WILDLIFE FOUNDATION

<table>
<thead>
<tr>
<th>Project</th>
<th>J68981</th>
<th>41,152</th>
<th>11,630</th>
<th>11,630</th>
<th>-</th>
<th>-</th>
</tr>
</thead>
</table>

#### Sustainable Land MGMT

<table>
<thead>
<tr>
<th>Project</th>
<th>A88983</th>
<th>475,000</th>
<th>10,947</th>
<th>18,489</th>
<th>-</th>
<th>(7,542)</th>
</tr>
</thead>
</table>

#### Taiwan (ROC) Grants

<table>
<thead>
<tr>
<th>Project</th>
<th>A18984</th>
<th>100,000</th>
<th>-</th>
<th>-</th>
<th>-</th>
<th>-</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy Support ASST-OPER</td>
<td>A88984</td>
<td>1,669,000</td>
<td>(231,000)</td>
<td>-</td>
<td>-</td>
<td>(231,000)</td>
</tr>
<tr>
<td>UN 64TH GEN ASSEMBLY</td>
<td>A98984</td>
<td>50,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>One Light TWN Project</td>
<td>A28984</td>
<td>200,000</td>
<td>-</td>
<td>200,000</td>
<td>200,000</td>
<td>-</td>
</tr>
<tr>
<td>Purchase X-Ray Machines</td>
<td>H08984</td>
<td>150,000</td>
<td>305</td>
<td>305</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>66th UN General Assembly</td>
<td>P18984</td>
<td>25,000</td>
<td>(461)</td>
<td>-</td>
<td>461</td>
<td>-</td>
</tr>
<tr>
<td>TAIWAN/PALAU UN TRAINING</td>
<td>S98984</td>
<td>30,000</td>
<td>820</td>
<td>820</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total</th>
<th>2,224,000</th>
<th>(230,336)</th>
<th>201,125</th>
<th>200,461</th>
<th>(231,000)</th>
</tr>
</thead>
</table>

#### RESEARCH CORP UH-RCUH

<table>
<thead>
<tr>
<th>Project</th>
<th>H38985</th>
<th>19,754</th>
<th>-</th>
<th>9,308</th>
<th>(106)</th>
<th>(9,414)</th>
</tr>
</thead>
<tbody>
<tr>
<td>RESEARCH CORP OF UH</td>
<td>R88985</td>
<td>10,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total</th>
<th>29,754</th>
<th>-</th>
<th>9,308</th>
<th>(106)</th>
<th>(9,414)</th>
</tr>
</thead>
</table>

#### TurkY Grants

<table>
<thead>
<tr>
<th>Project</th>
<th>R98986</th>
<th>150,000</th>
<th>(2,429)</th>
<th>-</th>
<th>3,277</th>
<th>848</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peleliu Multipurpose Gymnasium</td>
<td>S98686</td>
<td>150,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total</th>
<th>300,000</th>
<th>(2,429)</th>
<th>-</th>
<th>3,277</th>
<th>848</th>
</tr>
</thead>
</table>

#### STATISTICS

<table>
<thead>
<tr>
<th>Project</th>
<th>H18987</th>
<th>35,000</th>
<th>32,636</th>
<th>-</th>
<th>-</th>
<th>32,636</th>
</tr>
</thead>
</table>

#### Palau Conservatio Society Grants

<table>
<thead>
<tr>
<th>Project</th>
<th>R98988</th>
<th>154,765</th>
<th>(78,076)</th>
<th>-</th>
<th>-</th>
<th>(78,076)</th>
</tr>
</thead>
</table>

#### PICRC Assistance

<table>
<thead>
<tr>
<th>Project</th>
<th>R08990</th>
<th>10,000</th>
<th>(1,606)</th>
<th>-</th>
<th>1,606</th>
<th>-</th>
</tr>
</thead>
</table>

#### DUBAI GRANTS

<table>
<thead>
<tr>
<th>Project</th>
<th>S38991</th>
<th>-</th>
<th>-</th>
<th>-</th>
<th>2,500</th>
<th>2,500</th>
</tr>
</thead>
</table>

#### KINGDOM OF THAILAND GRANT

<table>
<thead>
<tr>
<th>Project</th>
<th>N38992</th>
<th>-</th>
<th>-</th>
<th>10,000</th>
<th>-</th>
<th>(10,000)</th>
</tr>
</thead>
</table>

#### UN Grants

<table>
<thead>
<tr>
<th>Project</th>
<th>9935-PR0001</th>
<th>111,449</th>
<th>(655)</th>
<th>-</th>
<th>655</th>
<th>-</th>
</tr>
</thead>
<tbody>
<tr>
<td>PALAU BSNR2 2011</td>
<td>A19935</td>
<td>15,000</td>
<td>5,000</td>
<td>(15,000)</td>
<td>5,000</td>
<td>25,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total</th>
<th>126,449</th>
<th>4,345</th>
<th>(15,000)</th>
<th>5,655</th>
<th>25,000</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Total Other Grants</th>
<th>$ 22,524,831</th>
<th>$ (690,650)</th>
<th>$ 2,074,969</th>
<th>$ 2,157,813</th>
<th>$ (607,806)</th>
</tr>
</thead>
</table>

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