

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

Statements of Receipts and Disbursements
and
Independent Auditors' Report

Years Ended September 30, 2019 and 2018



BURGER · COMER · MAGLIARI
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Honorable Huana K. Nestor
Governor
Hatohobei State Government:

We have audited the accompanying statement of receipts and disbursements of the Hatohobei State (the State), a State Government of the Republic of Palau for the years ended September 30, 2019 and 2018, and the related notes of the statements of receipts and disbursements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the statements of receipts and disbursements in accordance with the cash basis of accounting described in Note 2. This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the statements of receipts and disbursements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the statements receipts and disbursements referred to above present fairly, in all material respects, the receipts and disbursements of Hatohobei State Government for the years ended September 30, 2019 and 2018, in accordance with the cash basis of accounting described in Note 2.

Emphasis of Matter - Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. These statements of receipts and disbursements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated June 8, 2021 on our consideration of State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and considering State's internal control over financial reporting and compliance.



Tamuning, Guam
June 8, 2021

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

Statements of Receipts and Disbursements
September 30, 2019 and 2018

	2019	2018
Receipts:		
Republic of Palau block grant appropriation	\$ 369,633	\$ 391,171
Grants	181,775	143,100
Green fees	126,355	126,355
Entry permit fees	49,948	31,280
Fishing rights	80	227
Other revenues	527	196
Total receipts	728,318	692,329
Disbursements:		
Executive Branch	215,311	211,664
SW Island Field Trip	121,500	141,600
PAN Fund	126,355	126,355
Projects and community programs	105,251	77,259
NPDF Fund	13,742	-
Legislative Branch	68,942	61,266
Total disbursements	651,101	618,144
Receipts in excess of disbursements	\$ 77,217	\$ 74,185

See accompanying notes to statements of receipts and disbursements.

HATOHOBEL STATE GOVERNMENT
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Notes to Statements of Receipts and Disbursements
Years Ended September 30, 2019 and 2018

(1) Organization

Hatothobei State is one of the (16) sixteen States of the Republic of Palau. The State's Constitution, ratified on November 13, 1983, created the constitutional government of the State of Hatothobei. The Constitution established the primary branches of the government consisting of the Executive (Office of the Governor), the Legislature the Traditional Leaders.

The Executive power of the State government is vested in the Governor and Lieutenant Governor, who shall have the power to enforce the laws of the State, to spend money pursuant to appropriation laws, to collect taxes, and to propose an annual unified budget for the State Government, among other duties and responsibilities. The Governor shall be elected in a statewide election for a term of four (4) years and shall not serve more than two (2) consecutive terms.

The Legislative power of the State Government is vested in the Hatothobei State Legislature, composed of nine (9) members, elected at-large for a term of four (4) years. The Legislature shall have the following powers: to enact legislation, to levy taxes and duties, and excises appropriation to the State, to borrow money on credit of the State for public projects or to settle public obligations, to impeach the Governor or Lieutenant Governor, to promote the general welfare of the people of the State, to exercise such other duties and functions permitted by the state constitution and the constitution and laws of the Republic of Palau.

The Traditional Leaders Council is composed of Romohparuh, Heimong, and Heimah; and no one may become a member of the Traditional Leaders Council unless appointed and accepted pursuant to customs and traditions. It shall be the duty of the Council to safeguard and promote the traditional way of life of the people of Hatothobei and advise the Governor and the Lieutenant Governor and the Hatothobei State Legislature on matters relating to and affecting customs and traditions.

Compensation for the Governor, Lieutenant Governor, Council of Chiefs and the Legislators shall be established by law.

Article XI, Section 1 of the State's Constitution states in part: "There shall be a Hatothobei State Treasury into which shall be deposited revenues derived from taxes and other sources appropriated to the State. No funds shall be withdrawn from the treasury except by law."

(2) Basis of Accounting

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