

**KAYANGEL STATE GOVERNMENT**  
**(A State of the Republic of Palau)**

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**Statements of Receipts and Disbursements**  
**and**  
**Independent Auditors' Report**

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**Years Ended September 30, 2017 and 2016**



**BURGER · COMER · MAGLIARI**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**INDEPENDENT AUDITORS' REPORT**

Honorable Midas Ngiracheluolu  
Governor  
Kayangel State Government:

**Report on Financial Statements**

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

***Management's Responsibility for 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 the 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the statements of receipts and disbursements are free from material misstatement.

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

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

***Opinion***

In our opinion, the statements receipts and disbursements referred to above present fairly, in all material respects, of the State for the years ended September 30, 2017 and 2016, 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 statements of receipts and disbursements, which describes the basis of accounting. The statements of receipts and disbursements are prepared on the cash basis of accounting, which is a 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 25, 2020, 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 25, 2020

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Statements of Receipts and Disbursements  
September 30, 2017 and 2016

	2017	2016
Receipts:		
Republic of Palau block grant appropriations	\$ 369,237	\$ 332,718
Permit and fees	64,094	59,982
Fishing rights	21,226	61,924
Green fees	20,306	39,768
Other revenues	20,337	14,880
Total receipts	495,200	509,272
Disbursements:		
Executive Branch	357,856	282,714
Legislative Branch	156,515	154,968
Community programs	54,782	151,991
Other expenses	-	16,221
Total disbursements	569,153	605,894
Receipts (less than) in excess of disbursements	\$ (73,953)	\$ (96,622)

See accompanying notes to statements of receipts and disbursements.

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

(1) Organization

Kayangel State is one of the sixteen States of the Republic of Palau organized and structured pursuant to Article XI, Section I, of the Republic of Palau Constitution. On September 13, 1983, the Kayangel State Constitution was ratified, creating Kayangel State and its Government.

Under Article VI of the State Constitution, a Chief from the Council of Chiefs is the Head of State. The Chief exercises his functions and the traditional Council of Chiefs derives its authority as prescribed by Kayangel customs and traditions.

In addition to the roles fulfilled by the Chiefs, Article VII of the Kayangel State Constitution provides for the election at large of a Governor. The Governor, who is required to live in the State during his or her two-year term, is responsible for the implementation of all governmental functions. Among other duties and responsibilities, the Governor has the power to:

- Introduce legislative measures in the State Legislature,
- Execute and implement National and State laws,
- Collect fair and equitable taxes, and
- Prepare and submit the State's annual budget for submission to the Legislature.

Pursuant to Article X of the State Constitution, the legislative authority is vested in the Kayangel State Legislature composed of 12 members popularly elected at large for a two-year term. The Legislature, among other powers and functions, has the power to:

- Amend or modify the annual State budget submitted by the Governor,
- Enact legislation governing the expenditure of public funds,
- Provide for the imposition and collection of taxes, and
- Promote the economic development of Kayangel.

Article XIII of the State Constitution requires a State Treasury into which all public funds of the State of Kayangel shall be deposited. Article XIII further mandates that public funds may only be expended pursuant to law and that no person may expend or use any Kayangel State public funds until the appropriate breakdown of their use has been made.

(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.