

REPUBLIC OF PALAU
NATIONAL GOVERNMENT

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

YEAR ENDED SEPTEMBER 30, 2009

REPUBLIC OF PALAU
NATIONAL GOVERNMENT

BASIC FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION AND
INDEPENDENT AUDITORS' REPORT

YEAR ENDED SEPTEMBER 30, 2009

REPUBLIC OF PALAU
FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2009

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INDEPENDENT AUDITORS' REPORT

His Excellency Johnson Toribiong
President
Republic of Palau:

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, 2009, which collectively comprise the Republic's basic financial statements as set forth in Section II of the foregoing table of contents. These financial statements are the responsibility of the management of the Republic. Our responsibility is to express an opinion on the respective financial statements based on our audit. We did not audit the financial statements of the Palau Community College, the Palau National Communications Corporation and the Palau District Housing Authority, which represent 35%, 10% and 40%, respectively, of the assets, net assets and operating revenues of the Republic's discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for 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.

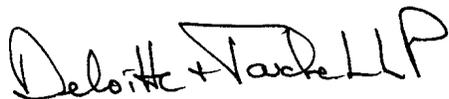
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Republic's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, such financial statements, as set forth in Section II of the foregoing table of contents, 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, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis, on pages 3 through 11, as well as the Schedule of Revenues, Expenditures, and Changes in Deficit - Budget and Actual - General Fund and notes thereto, as set forth in Section III of the foregoing table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the management of the Republic. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit such information and we do not express an opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Republic's respective financial statements that collectively comprise the Republic's basic financial statements. The Other Supplementary Information, as set forth in Section IV of the foregoing table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Republic. This supplementary information is the responsibility of the management of the Republic. Such additional information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2010, on our consideration of the Republic of Palau'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 should be considered in assessing the results of our audit.

A handwritten signature in black ink that reads "Deloitte + Touche LLP". The signature is written in a cursive, stylized font.

November 30, 2010

REPUBLIC OF PALAU

Management's Discussion and Analysis Year Ended September 30, 2009

This report represents the management discussion and analysis of the Republic of Palau (ROP) financial performance during fiscal year ended September 30, 2009.

FINANCIAL HIGHLIGHTS

- Total assets of the ROP exceeded its liabilities at the close of the fiscal year by \$392,460,869. Of this amount, \$258,621,251 was invested in capital assets, net of related debt, and \$148,623,070 was restricted. Unrestricted net assets, which is the amount that may be used to meet the government's ongoing responsibilities, was a deficiency of \$14,783,452.
- At end of the fiscal year, the unreserved fund balance deficit for the General Fund was \$13,079,102 or 24% of total general fund expenditures. This was mainly due to a local revenue collections shortfall of 14%. The general fund unreserved fund balance deficit increased by \$3,963,099 or 30% from last year. The increase was made up of a net change in the following: 1) an increase in the unreserved fund deficit of \$4,014,578; 2) an increase in the reserve for continuing appropriations of \$166,831; and 3) a decrease in the reserve for related assets of \$218,310.
- The Republic's long-term obligations as of September 30, 2009 include \$19,657,141 payable to the Mega International Commercial Bank and \$3,546,207 as compensated absences (accrued annual leave).

OVERVIEW OF THE FINANCIAL STATEMENT

The financial statements presented herein include all activities of the Republic of Palau. These statements are comprised of three components 1) Government-wide financial statements; 2) fund financial statements; and 3) Notes to the basic financial statements. Required and Other Supplementary Information are included in addition to the basic financial statements.

Government-wide Financial Statements

The Government-Wide Financial Statements present the financial picture of the ROP from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities in a manner similar to a private-sector business. These statements include all assets of the ROP (including infrastructure) as well as all liabilities (including long-term debt).

The Statement of Net Assets and the Statement of Activities and Changes in Net Assets report information about the ROP as a whole and about its activities. These statements include *all* assets and liabilities of the ROP using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the ROP's *net assets* and changes in them. Net assets are the difference between assets and liabilities, which is one way to measure the ROP's financial health, or *financial position*. Over time, *increases or decreases* in the ROP's net assets are one indicator of whether its *financial health* is improving or deteriorating.

REPUBLIC OF PALAU

Management's Discussion and Analysis Year Ended September 30, 2009

The statement of activities presents information showing how the ROP's net assets changed during the most recent fiscal year. All changes in the net assets are reported as soon as the underlying event giving rise to the change occurs regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. For example, uncollected taxes and earned but unused vacation leave result in cash flows for future periods.

The focus of the Statement of Activities is on both the gross and net cost of various activities that are provided by the government's general tax and other revenues. This is intended to summarize information and simplify the user's analysis of cost of various government services and/or subsidy to the component units.

The governmental activities reflect the ROP's basic services including but not limited to Public Safety, Public Education, Community and Cultural Affairs, Health Care, General Administration and Public Infrastructures, which include Water and Sewer Services. These services are financed primarily with taxes and grants. The component units reflect private sector type operations where the fee for service typically covers all or most of the cost of operations including depreciation.

Fund Financial Statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The ROP uses fund accounting to ensure and demonstrate finance-related legal compliances.

The fund financial statements provide detailed information about the most significant funds—not the ROP as a whole. Some funds are required to be established by law. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

Governmental funds - Most of the ROP's basic services are reported in governmental funds, which 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 statements provide a detailed *short-term view* of the ROP'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 ROP programs. The differences of results in the Governmental fund financial statements to those in the Government-Wide financial statements are explained in a reconciliation schedule following each Governmental Fund financial statement on page 16 of this report.

Fiduciary Funds are used to account for resources held by the ROP in a trustee capacity or as an agent for others. These funds are restricted in purpose and do not represent discretionary assets of the ROP. Therefore, these assets are not presented as part of the government-wide financial statements because the resources of these funds are not available to support the ROP's own programs.

Notes to the Financial Statement provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are a required part of the basic financial statements and can be found on pages 21 through 53 of this report.

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Management's Discussion and Analysis
Year Ended September 30, 2009

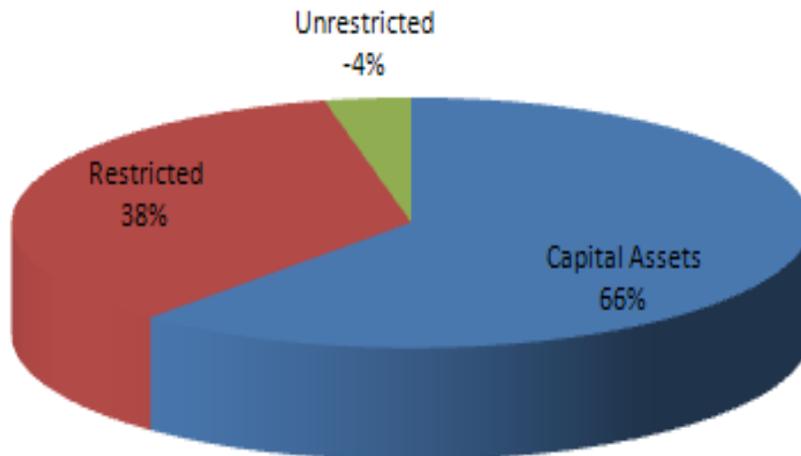
GOVERNMENT-WIDE FINANCIAL ANALYSIS

Republic of Palau assets exceeded its liabilities by \$392,460,869 at the close of this fiscal year as compared to \$414,752,843 at the close of the last fiscal year. This represents a 5% decrease. A comparative analysis of the changes is presented below:

STATEMENT OF NET ASSETS

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Assets:		
Current assets	\$ 13,990,139	\$ 17,305,910
Capital assets	274,026,961	291,115,887
Other noncurrent assets	<u>149,925,670</u>	<u>153,100,418</u>
Total assets	<u>437,942,770</u>	<u>461,522,215</u>
Liabilities:		
Current liabilities	22,696,206	22,530,310
Noncurrent liabilities	<u>22,785,695</u>	<u>24,239,062</u>
Total liabilities	<u>45,481,901</u>	<u>46,769,372</u>
Net assets:		
Invested in capital assets, net of related debt	258,621,251	272,287,317
Restricted	148,623,070	151,496,226
Unrestricted	<u>(14,783,452)</u>	<u>(9,030,700)</u>
Total net assets	<u>\$ 392,460,869</u>	<u>\$ 414,752,843</u>

2009 Net Assets



REPUBLIC OF PALAU

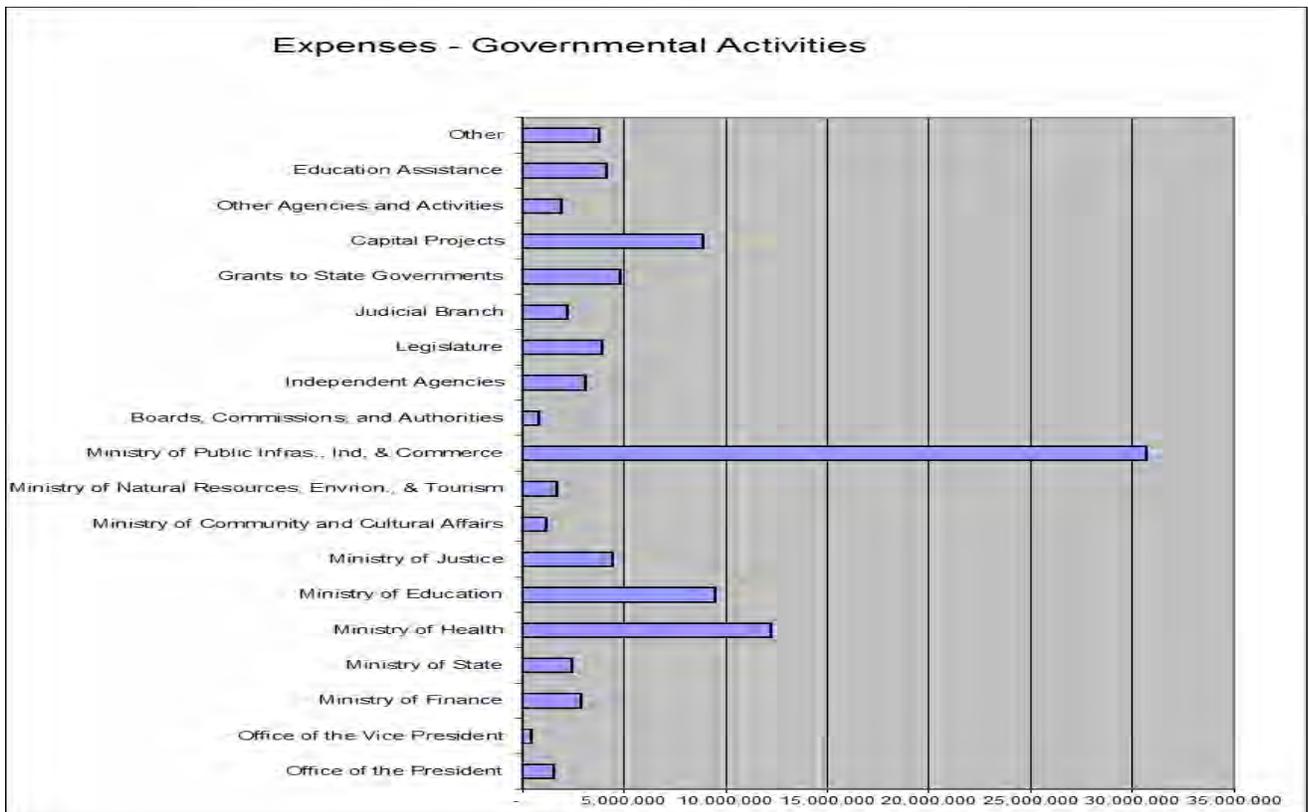
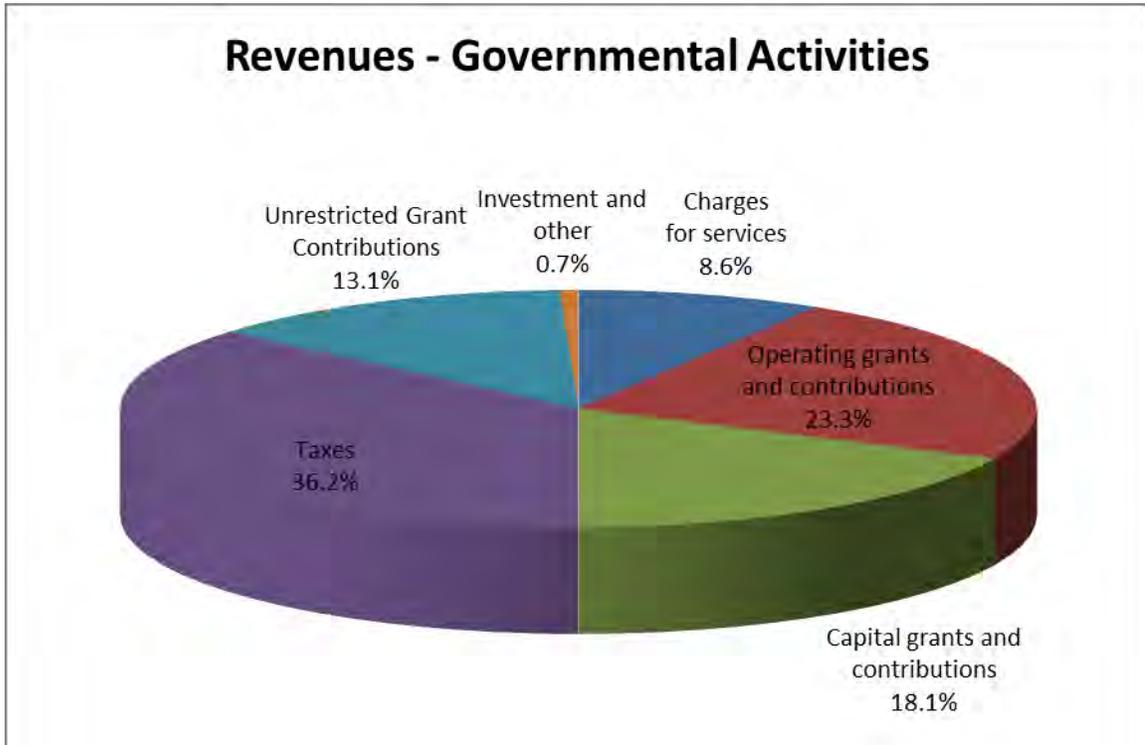
Management's Discussion and Analysis Year Ended September 30, 2009

Below is the summary of the changes in net assets for the year ended September 30, 2009 in comparison to fiscal year 2008:

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Revenues:		
Program revenues:		
Charges for services	\$ 6,768,142	\$ 7,678,854
Operating grants and contributions	18,184,363	(8,332,292)
Capital grants and contributions	14,151,789	15,740,156
	39,104,294	15,086,718
General revenues:		
Taxes	28,319,238	31,488,320
Unrestricted grant contributions	10,260,000	10,341,096
Unrestricted investment earnings	23,776	26,979
Other	490,357	612,998
	39,093,371	42,469,393
Total revenues	78,197,665	57,556,111
 Expenses:		
Office of the President	1,557,973	1,805,010
Office of the Vice President	406,154	501,358
Ministry of Finance	2,858,105	2,697,299
Ministry of State	2,467,462	2,506,981
Ministry of Health	12,197,565	14,880,013
Ministry of Education	9,488,601	9,079,926
Ministry of Justice	4,459,606	4,439,867
Ministry of Community and Cultural Affairs	1,187,621	1,294,421
Ministry of Resources and Development	30,667,186	27,910,642
Ministry of Commerce and Trade	1,717,648	4,206,371
Boards, Commissions and Authorities	776,209	679,223
Independent Agencies	3,078,991	7,440,549
Legislature Branch	3,935,803	3,528,414
Judicial Branch	2,211,226	2,240,287
State Block Grants	4,811,000	4,811,000
Capital Projects	8,872,386	6,694,455
Other Agencies and Activities	1,885,007	1,954,435
Education Assistance	4,147,475	2,957,607
Future operations	836,004	1,028,498
Unallocated interest – long term debt	782,636	810,265
Other	2,144,981	4,126,260
Total expenses	100,489,639	105,592,881
Change in net assets	(22,291,974)	(48,036,770)
Net assets at the beginning of the year	414,752,843	462,789,613
Net assets at the end of the year	\$ 392,460,869	\$ 414,752,843

REPUBLIC OF PALAU

Management's Discussion and Analysis
Year Ended September 30, 2009



REPUBLIC OF PALAU

Management's Discussion and Analysis Year Ended September 30, 2009

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

Overall revenues increased in the current year by \$20.6 million (or 36%) due to an increase in program revenues of \$24 million (or 159%) offset by a decrease in general revenues of \$3.4 million (or 8%) as compared with prior year. The increase in program revenues is primarily attributable to an increase in operating grants and contributions of \$26.5 million (or 318%), as compared with prior year, which was attributable primarily to the increase in investment earnings generated by the Compact Trust Fund. The decrease in general revenues is primarily attributable to an overall decrease in tax revenue collections.

Overall costs of governmental activities decreased in the current year by \$5.1 million (or 5%) compared with prior year. Besides depreciation expense associated with the Republic's infrastructure assets, education and health related expenses comprised of \$21.7 million (or 21.6%) of total expenses in the current year as compared with \$24 million (or 22.7%) in the prior year, which reflects the ROP's highest priorities in terms of expenditure appropriations.

Investment in capital assets (e.g. land, improvements, buildings, equipment, and infrastructure), less accumulated depreciation, less any related debt used to acquire those assets that is still outstanding, represents 66% of the ROP's net equity at the end of the fiscal year. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. The ROP's net investment in its capital assets is reported net of related debt, but it should be noted that resources needed to repay this debt must be internally provided from other sources. Liquidation of capital assets is not an alternative to providing funds to service debt and other related liabilities.

The ROP has fund equity in various grant programs, however, these funds are to be used to fund continual budgets related to specific programs. The special revenue funds that the ROP maintains were grants received from external sources and some created through the establishment of fees by the Legislature to serve specific purposes. Accordingly the revenues generated may only be used for functionality as directed by legislation and by the terms of the grants.

Unrestricted net assets had a negative balance of \$14,783,452 at the end of the current fiscal year.

FINANCIAL ANALYSIS OF FUNDS

Governmental Funds – ROP's major governmental funds this fiscal year are General Fund, Grants Fund, and Compact Trust Fund. The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources.

At September 30, 2009, ROP's governmental funds reported combined fund balances of \$144,637,256 and at September 30, 2008 the ROP reported \$151,570,718 a decrease of \$6,933,462 or 4.6%. The decrease is primarily the result of the current year operational deficit of the General Fund offset by an increase of the Compact Trust Fund due to investment earnings.

The General Fund is the chief operating fund of the ROP. At September 30, 2009, the General Fund reported revenues at \$46,334,119, a decrease of \$1,775,051 from last fiscal year or 3.7%, while reported expenditures was at \$54,660,481. The net total other financing sources (uses) of \$4,178,421 combined with revenues and expenditures of \$46,334,119 and \$54,660,481, respectively, resulted in a net change in fund balance deficit of \$4,147,941. The cumulative fund balance deficit at end of year was \$8,694,217.

REPUBLIC OF PALAU

Management's Discussion and Analysis Year Ended September 30, 2009

The Grants Fund (a Special Revenue Fund) includes U.S. Federal grants, Other Country grants (ROC funded), Non-DOI Capital Projects (FAA funded), Other Grants, and OTIA direct grants fund. They are grouped and categorized as a major governmental fund. Of the total revenues of \$21,323,680, the U.S. Federal Grants is 38.1%, Other Country grants (ROC) is 31.3%, Non-DOI Capital Projects is 20.2%, Other Grants (various countries and foundations) is 7.7%, and OTIA direct grants is 2.7% for the fiscal year ended September 30, 2009.

The Compact Trust Fund (a Permanent Fund) includes the Compact Section 211(f) Trust Fund. Market value of the fund at the end of the fiscal year was \$143,975,783, a decrease of \$3,038,077 or 2.1%. A reduction of \$5,000,000 from this fund was appropriated and withdrawn for the year ended September 30, 2009.

Other Governmental Funds are various funds grouped and categorized as Nonmajor Governmental Funds. They include Other Special Revenue Funds (miscellaneous non-General Fund and non-Trust Fund), Other Capital Projects Funds (mostly local), and Other Debt Service Funds.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the fiscal year, management and elected officials of the ROP revised the General Fund budget. The revised budget included an increase in overall budgetary appropriations of \$1.1 million. The primary reason for the upward revision was due to RPPL No. 8-6, which appropriated additional amounts to cover the ROP's increased utility costs.

For the current fiscal year, the General Fund reported appropriations (and transfers out) of \$58.2 million, \$4 million in excess of revenues (and transfers in) of \$54.2 million. General fund revenues were down \$2.7 million (or 4.8%) from prior year primarily due to a decrease in a one-time transfer from other governmental funds. Concurrently, General Fund appropriations were down \$0.4 million (or 0.6%) from prior year. Revenues collected, including transfers in, of \$54.2 million were lower than budgeted amounts of \$58.4 million. Additionally, charges to appropriations, including transfers out, of \$58.2 million were lower than budgeted amounts of \$59.5 million resulting in an overall net budgetary deficit for the current year of \$2.9 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The ROP investment in capital assets for its governmental activities as of September 30, 2009 amounted to \$274,026,961 (net of accumulated depreciation of \$125,898,640), as compared to \$291,115,887 (net of accumulated depreciation of \$99,786,563) for the year ended September 30, 2008. The total decrease in ROP's investment in capital assets for the current period was \$17,088,926.

REPUBLIC OF PALAU

Management's Discussion and Analysis
Year Ended September 30, 2009

Primary Government Capital Assets
(Net of accumulated depreciation, where applicable)

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Land	\$ 4,238,850	\$ 4,238,850
Buildings and improvements, net	89,544,433	91,166,081
Machinery and Equipment, net	10,821,580	6,857,992
Vehicles	560,733	576,359
Infrastructure	163,045,591	181,933,574
Construction in progress	<u>5,815,774</u>	<u>6,343,031</u>
Total	\$ <u>274,026,961</u>	\$ <u>291,115,887</u>

Major capital asset additions during the current year included ongoing construction in progress of \$3.8 million associated with improvements to the Palau International Airport, completion of the solar system in the amount of \$2.4 million and the acquisition of a new incinerator in the amount of \$1.5 million by the Ministry of Health, and improvements to the sewer system infrastructure in the amount of \$1.2 million.

Refer to Note 4 to the accompanying financial statements for additional information regarding capital assets.

Long-Term Debt

At September 30, 2009, the ROP had total long-term obligations outstanding of \$26,203,348 as compared to \$28,505,191 in the prior year.

The ROP's changes in long-term obligations by type are as follows:

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Accrued Vacation Leave	\$ 3,546,207	\$ 3,676,621
Loans payable	19,657,141	21,828,570
Due to U.S. Government	<u>3,000,000</u>	<u>3,000,000</u>
Total	\$ <u>26,203,348</u>	\$ <u>28,505,191</u>

Investment of \$3,000,000 recorded in the Compact Section 211(b) Energy Fund has been restricted to fund the above liability to the United States Government.

Refer to Note 6 to the accompanying financial statements for additional information regarding long-term obligations.

REPUBLIC OF PALAU

Management's Discussion and Analysis Year Ended September 30, 2009

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

During fiscal year 2009, actual local revenues collected declined by 11.9% to \$33.6 million from \$37.6 million collected in fiscal year 2008 whereas revenue projections for fiscal year 2009 was \$39.0 million, a shortfall of \$5.4 million or about 14%. In 2009, all local revenue categories saw declines particularly in tax revenues. In 2008, actual tax revenues collected was \$31.5 million while in 2009 tax revenues collected was \$28.3 million, a 10.2% decline or \$3.2 million drop in collections. In the license and permits revenue category, actual collections in 2008 was \$2.1 million while in 2009 actual collections stood at \$1.8 million, a decline of 14.3% or \$.3 million. Fees and charges collected in 2009 were \$3.2 million compared to \$3.6 million collected in 2008, a decline of 11.1% or \$.4 million. Compact revenues continue to be fairly constant while indirect cost recoveries are dependent on program sizes. Investment earnings continued to decline as a result of the continued global financial and economic crisis, and as the end of the Compact's economic provision agreement approaches while the principal value continues to be eroded by the government's tapping into the investment for budgetary support.

Local revenue shortfall continues to be partly due to continued fluctuating energy costs and other related costs which have resulted in continued rising business costs, prices goods and services and thus end consumers. Additionally, in the last few years, Palau had completed some major infrastructure projects that now require implementation of preventive maintenance, which costs are currently absorbed by government without new sources of revenues. The government needs to explore, identify, and implement new sources of revenue to fund these new costs, such as possibly raising water rates but the measures have yet to be enacted.

Palau recognizes the widening gap between the budgetary requirements and the revenue collection and continues to seek ways to narrow the gap. And with the present Compact agreement due to expire on September 30, 2010 and a new agreement to take effect on October 1, 2010, the government may need time to assess the new compact agreement to determine Palau's needs and what course of action to pursue.

For FY 2010, the OEK has appropriated \$58.5 million for the annual general operations of the ROP in accordance with RPPL 8-8, as amended by RPPL 8-15, which is similar to the amount appropriated for FY 2009 operations.

On a positive note, Palau has undertaken some major infrastructure development projects that were funded by stimulus funding from the Republic of China (Taiwan) for Fiscal Year 2009 of approximately \$11 million. The projects which included the inter-island connecting road, some state roads and a rehabilitation of a docking facility are all completed or near completion. Additionally, the Republic of China (Taiwan) has awarded various 2010 stimulus projects totaling \$10 million. These new projects have either started or in preparation to commence. Palau can expect additional revenue and other investment derivatives from expected operations of the proposed Ocean View Resorts, which is expected to begin construction soon with an approximate cost of \$20 million in Arkebesang, Koror and Amman Resorts that plans to invest \$24 million in their resort development at the old Nikko site in Ngermid, Koror.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Republic of Palau Consolidated Government's finances and to demonstrate accountability for monies received. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Vice President/Minister of Finance, P.O. Box 6011, Koror, Republic of Palau 96940.

REPUBLIC OF PALAU

Statement of Net Assets
September 30, 2009

	Primary Government	Component Units
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 1,750,236	\$ 6,117,132
Time certificates of deposit	-	619,015
Investments	4,661,058	4,814,319
Receivables, net of allowance for uncollectibles	6,274,345	10,174,080
Inventories	-	4,588,949
Other current assets	710,993	266,554
Restricted assets:		
Cash and cash equivalents	593,507	5,564,142
Time certificates of deposit	-	3,061,188
Investments held for Endowment Foundation	-	1,568,517
Total current assets	13,990,139	36,773,896
Noncurrent assets:		
Restricted assets:		
Investments	146,456,364	-
Cash and cash equivalents and time certificates of deposit	1,454,795	205,112
Investments	1,739,500	1,689,038
Receivables, net of allowance for uncollectibles	-	20,993,226
Capital assets, net of accumulated depreciation	274,026,961	54,334,342
Foreclosed real estate	-	271,078
Other noncurrent assets	275,011	798,904
Total noncurrent assets	423,952,631	78,291,700
Total assets	\$ 437,942,770	\$ 115,065,596
<u>LIABILITIES</u>		
Current liabilities:		
Note payable	\$ 198,142	\$ 2,667,132
Current portion of long-term obligations	1,599,998	2,069,660
Accounts payable	5,508,634	3,643,881
Contract payable	953,791	-
Due to state governments	2,330,970	-
Due to component units	2,616,550	-
Accrued payroll and others	4,196,566	1,211,508
Current portion of compensated absences payable	1,817,655	-
Other liabilities	793,577	628,580
Income tax refunds	1,004,336	-
Deferred revenue	1,675,987	1,126,787
Total current liabilities	22,696,206	11,347,548
Noncurrent liabilities:		
Noncurrent portion of long-term obligations	18,057,143	50,638,528
Compensated absences payable, net of current portion	1,728,552	-
Due to U.S. Government	3,000,000	-
Deposits	-	505,103
Deferred credit	-	16,147
Total noncurrent liabilities	22,785,695	51,159,778
Total liabilities	45,481,901	62,507,326
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	258,621,251	17,777,703
Restricted for:		
Nonexpendable:		
Future operations	143,975,783	5,436,905
Expendable:		
Compact related	2,815,989	-
Other purposes	1,831,298	17,099,094
Unrestricted	(14,783,452)	12,244,568
Total net assets	392,460,869	52,558,270
Total liabilities and net assets	\$ 437,942,770	\$ 115,065,596

See accompanying notes to basic financial statements.

REPUBLIC OF PALAU

Statement of Activities
For the Year Ended September 30, 2009

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government
Primary government:					
Governmental activities:					
Ministry of Health	\$ 12,197,565	\$ 1,662,485	\$ 4,740,022	\$ -	\$ (5,795,058)
Ministry of Education	9,488,601	-	3,094,248	-	(6,394,353)
Ministry of Resources and Development	30,667,186	1,573,667	2,023,644	-	(27,069,875)
State Block Grants	4,811,000	-	-	-	(4,811,000)
Education assistance	4,147,475	-	2,000,000	-	(2,147,475)
Ministry of Finance	2,858,105	1,069,883	307,219	-	(1,481,003)
Ministry of Justice	4,459,606	91,155	646,878	-	(3,721,573)
Legislative Branch	3,935,803	-	21,719	-	(3,914,084)
Ministry of State	2,467,462	76,524	390,892	-	(2,000,046)
Judicial Branch	2,211,226	197,319	-	-	(2,013,907)
Ministry of Commerce and Trade	1,717,648	1,205,757	146,784	-	(365,107)
Office of the President	1,557,973	-	579,135	-	(978,838)
Ministry of Community and Cultural Affairs	1,187,621	-	-	-	(1,187,621)
Office of the Vice-President	406,154	-	320	-	(405,834)
Boards, Commissions & Authorities	776,209	223,480	-	-	(552,729)
Independent Agencies	3,078,991	17,883	421,871	-	(2,639,237)
Other Agencies and Activities	1,885,007	-	-	-	(1,885,007)
Capital projects	8,872,386	-	-	14,151,789	5,279,403
Unallocated interest - long-term debt	782,636	-	-	-	(782,636)
Future operations	836,004	-	2,742,757	-	1,906,753
Depreciation - unallocated	1,531,991	-	-	-	(1,531,991)
Other	612,990	649,989	1,068,874	-	1,105,873
Total primary government	\$ 100,489,639	\$ 6,768,142	\$ 18,184,363	\$ 14,151,789	(61,385,345)
Component units:					
National Development Bank of Palau	\$ 1,274,712	\$ 1,756,596	\$ 37,743	\$ -	519,627
Palau Community College	9,479,523	2,581,375	3,462,059	-	(3,436,089)
Palau National Communications Corporation	10,095,259	8,690,478	-	-	(1,404,781)
Palau International Coral Reef Center	1,298,085	182,515	301,580	-	(813,990)
Palau Visitors Authority	765,592	24,892	-	725,000	(15,700)
Public Utilities Corporation	23,288,088	19,961,682	206,019	-	(3,120,387)
Palau District Housing Authority	130,049	95,831	16,200	30,375	12,357
Total component units	\$ 46,331,308	\$ 33,293,369	\$ 4,023,601	\$ 755,375	(8,258,963)
General revenues:					
Taxes:					
Business gross receipts				9,312,124	-
Salary and wage				6,643,962	-
Alcohol and tobacco				4,501,187	-
General import				1,661,313	-
Travelers head				1,525,761	-
Hotel occupancy				2,086,704	-
Other				2,588,187	-
Grants and contributions not restricted for specific programs				10,260,000	-
Unrestricted investment earnings				23,776	613,849
Contributions from primary government				-	2,833,150
Other				490,357	-
Total general revenues				39,093,371	3,446,999
Change in net assets				(22,291,974)	(4,811,964)
Net assets at the beginning of the year				414,752,843	57,370,234
Net assets at the end of the year				\$ 392,460,869	\$ 52,558,270

See accompanying notes to basic financial statements.

REPUBLIC OF PALAU

Balance Sheet
Governmental Funds
September 30, 2009

	General	Special Revenue Grants	Permanent Compact Section 211(f)	Other Governmental Funds	Total
<u>ASSETS</u>					
Cash and cash equivalents	\$ 1,855,134	\$ -	\$ -	\$ -	\$ 1,855,134
Time certificate of deposit	1,349,897	-	-	-	1,349,897
Investments	3,618,338	-	-	2,782,220	6,400,558
Receivables, net:					
Taxes	3,093,550	-	-	-	3,093,550
General	219,417	1,277	-	9,581	230,275
Federal agencies	-	2,408,006	-	-	2,408,006
Accrued interest	4,326	-	519,419	18,769	542,514
Due from other funds	1,752,913	2,431,148	-	4,025,251	8,209,312
Advances	195,667	194,833	-	302	390,802
Inventory	46,467	-	-	-	46,467
Prepaid items	25,918	488,469	-	34,348	548,735
Restricted assets:					
Cash and cash equivalents	593,507	-	-	-	593,507
Investments	-	-	143,456,364	3,000,000	146,456,364
	<u>\$ 12,755,134</u>	<u>\$ 5,523,733</u>	<u>\$ 143,975,783</u>	<u>\$ 9,870,471</u>	<u>\$ 172,125,121</u>

LIABILITIES AND FUND BALANCES

<u>LIABILITIES</u>					
Liabilities:					
Note payable	\$ 198,142	\$ -	\$ -	\$ -	\$ 198,142
Accounts payable	4,132,110	1,028,092	-	348,432	5,508,634
Contract payable	-	953,791	-	-	953,791
Due to state governments	2,228,820	102,150	-	-	2,330,970
Due to component units	2,485,887	130,663	-	-	2,616,550
Accrued payroll and others	3,985,900	-	-	-	3,985,900
Other liabilities	747,091	45,874	-	612	793,577
Deferred revenues	-	1,495,534	-	180,453	1,675,987
Due to other funds	6,456,399	1,748,204	-	4,709	8,209,312
Income tax refunds	1,004,336	-	-	-	1,004,336
Total liabilities	<u>21,238,685</u>	<u>5,504,308</u>	<u>-</u>	<u>534,206</u>	<u>27,277,199</u>
<u>FUND BALANCES (DEFICIT)</u>					
Fund balances (deficit):					
Reserved for:					
Continuing appropriations	761,329	-	-	1,713,112	2,474,441
Related assets	3,242,268	233,978	143,975,783	3,005,000	150,457,029
Encumbrances	381,288	16,648,525	-	382,142	17,411,955
Unreserved (deficit):					
General fund	(12,868,436)	-	-	-	(12,868,436)
Special revenue funds	-	(16,863,078)	-	4,037,698	(12,825,380)
Capital projects funds	-	-	-	198,313	198,313
Total fund balances (deficit)	<u>(8,483,551)</u>	<u>19,425</u>	<u>143,975,783</u>	<u>9,336,265</u>	<u>144,847,922</u>
	<u>\$ 12,755,134</u>	<u>\$ 5,523,733</u>	<u>\$ 143,975,783</u>	<u>\$ 9,870,471</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	274,026,961
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	(19,657,141)
Compensated absences	(3,546,207)
Accrued interest payable	(210,666)
Due to U.S. Government	(3,000,000)
	<u>(26,414,014)</u>
Net assets of governmental activities	<u>\$ 392,460,869</u>

See accompanying notes to basic financial statements.

REPUBLIC OF PALAU

Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)
Governmental Funds
Year Ended September 30, 2009

	Special Revenue		Permanent	Other Governmental Funds	Total
	General	Grants	Compact Section 211(f)		
Revenues:					
Taxes	\$ 28,319,238	\$ -	\$ -	\$ -	\$ 28,319,238
Federal and other grants	-	21,323,680	-	-	21,323,680
Compact funding	10,260,000	-	-	2,887,500	13,147,500
Net change in the fair value of investments	23,776	-	2,742,757	(110,521)	2,656,012
Fees and charges	3,213,138	-	-	1,743,251	4,956,389
Licenses and permits	1,811,753	-	-	-	1,811,753
Contributions from component unit	2,323,871	-	-	-	2,323,871
Other	382,343	-	-	108,014	490,357
Total revenues	46,334,119	21,323,680	2,742,757	4,628,244	75,028,800
Expenditures:					
Current:					
Ministry of Health	7,464,650	4,389,179	-	1,242,894	13,096,723
Ministry of Education	6,251,975	3,094,248	-	-	9,346,223
Ministry of Infrastructure, Industry and Commerce	8,892,070	996,603	-	-	9,888,673
State Block Grants	4,811,000	-	-	-	4,811,000
Education assistance	2,957,607	-	-	1,189,868	4,147,475
Ministry of Finance/Administration	2,501,415	307,219	-	-	2,808,634
Ministry of Justice	4,098,749	15,878	-	32,775	4,147,402
Legislative Branch	3,891,514	21,719	-	-	3,913,233
Investment management fees	-	-	825,834	10,170	836,004
Ministry of State	2,304,916	134,392	-	-	2,439,308
Judicial Branch	2,208,860	-	-	-	2,208,860
Ministry of Natural Resources, Environment and Tourism	1,292,889	146,784	-	-	1,439,673
Office of the President	964,002	579,135	-	-	1,543,137
Ministry of Community and Cultural Affairs	950,962	-	-	-	950,962
Office of the Vice-President	403,854	320	-	-	404,174
Boards, Commissions and Authorities	764,094	-	-	-	764,094
Office of the Public Auditor	321,801	421,871	-	-	743,672
Office of the Special Prosecutor	208,242	-	-	-	208,242
Environmental Quality Protection Board	367,356	-	-	-	367,356
National Postal Service	283,950	-	-	-	283,950
Palau Visitors Authority	725,000	-	-	-	725,000
Compact Review Fund	490,504	-	-	-	490,504
National Aviation Administration	130,743	-	-	-	130,743
Household Income Survey	43,947	-	-	-	43,947
Other agencies and activities	1,885,007	-	-	-	1,885,007
Other	445,374	283,408	-	6,965	735,747
Capital outlay:					
Capital projects	-	10,982,924	-	236,959	11,219,883
Debt service:					
Principal retirement	-	-	-	1,600,000	1,600,000
Interest	-	-	-	571,970	571,970
Total expenditures	54,660,481	21,373,680	825,834	4,891,601	81,751,596
Excess (deficiency) of revenues over (under) expenditures	(8,326,362)	(50,000)	1,916,923	(263,357)	(6,722,796)
Other financing sources (uses):					
Operating transfers in	7,880,000	50,000	-	3,440,913	11,370,913
Operating transfers out	(3,490,913)	-	(5,000,000)	(2,880,000)	(11,370,913)
Total other financing sources (uses), net	4,389,087	50,000	(5,000,000)	560,913	-
Net change in fund balances (deficit)	(3,937,275)	-	(3,083,077)	297,556	(6,722,796)
Fund balances (deficit) at beginning of year	(4,546,276)	19,425	147,058,860	9,038,709	151,570,718
Fund balances (deficit) at end of year	\$ (8,483,551)	\$ 19,425	\$ 143,975,783	\$ 9,336,265	\$ 144,847,922

See accompanying notes to basic financial statements.

REPUBLIC OF PALAU

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended September 30, 2009

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 \$ (6,722,796)

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 capital outlays exceeded depreciation in the current period, including decreases to construction in progress and transfers from construction in progress to infrastructure. For the current year, these activities consist of:

Capital outlays, net of disposals	\$ 9,023,151	
Depreciation expense, net	<u>(26,112,077)</u>	
		(17,088,926)

The repayment of principal of long-term debt consumes the current financial resources of governmental funds which has no effect on net assets. 1,600,000

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 accrued interest payable	\$ (210,666)	
Change in compensated absences payable	<u>130,414</u>	
		<u>(80,252)</u>

Change in net assets of governmental activities. \$ (22,291,974)

See accompanying notes to basic financial statements.

REPUBLIC OF PALAU

Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2009

	Private Purpose Trust	Pension (and Other Employee Benefit) Trust	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 426,998	\$ 96,518	\$ 523,516
Receivables, net:			
Contributions	2,573,361	1,600,235	4,173,596
Loan	4,500,000	-	4,500,000
Accrued interest and dividends	368,995	-	368,995
Other	34,350	93,163	127,513
Investments:			
Common stock	32,117,514	21,356,183	53,473,697
U.S. Government obligations	21,232,727	10,678,978	31,911,705
Corporate bonds	8,671,198	5,055,746	13,726,944
Money market funds	1,954,459	791,619	2,746,078
Fixed Income	-	200,848	200,848
Time certificate of deposit with an uninsured bank	-	1,452,609	1,452,609
Prepaid expense	6,101	-	6,101
Capital assets, net	337,700	63,292	400,992
Total assets	<u>72,223,403</u>	<u>41,389,191</u>	<u>113,612,594</u>
<u>LIABILITIES</u>			
Benefits payable	301,089	-	301,089
Other liabilities and accruals	79,946	134,872	214,818
Total liabilities	<u>381,035</u>	<u>134,872</u>	<u>515,907</u>
<u>NET ASSETS</u>			
Held in trust for:			
Social security benefits	71,842,368	-	71,842,368
Pension benefits	-	41,254,319	41,254,319
Total net assets	<u>\$ 71,842,368</u>	<u>\$ 41,254,319</u>	<u>\$ 113,096,687</u>

See accompanying notes to basic financial statements.

REPUBLIC OF PALAU

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended September 30, 2009

	Private Purpose Trust	Pension (and Other Employee Benefit) Trust	Total
	<u>Trust</u>	<u>Trust</u>	<u>Trust</u>
Additions:			
Contributions:			
Employer	\$ -	\$ 2,510,211	\$ 2,510,211
Employee	9,533,416	2,535,002	12,068,418
Other	295,973	-	295,973
Total contributions	<u>9,829,389</u>	<u>5,045,213</u>	<u>14,874,602</u>
Investment earnings:			
Net change in the fair value of investments	2,369,598	710,896	3,080,494
Interest and dividends	<u>2,043,023</u>	<u>2,392,515</u>	<u>4,435,538</u>
Total investment earnings	4,412,621	3,103,411	7,516,032
Less investment expense	<u>259,310</u>	<u>197,656</u>	<u>456,966</u>
Net investment earnings	<u>4,153,311</u>	<u>2,905,755</u>	<u>7,059,066</u>
Other	<u>343,119</u>	<u>-</u>	<u>343,119</u>
Total additions	<u>14,325,819</u>	<u>7,950,968</u>	<u>22,276,787</u>
Deductions:			
Benefits	8,419,498	7,167,658	15,587,156
General and administrative	<u>966,141</u>	<u>295,443</u>	<u>1,261,584</u>
Total deductions	<u>9,385,639</u>	<u>7,463,101</u>	<u>16,848,740</u>
Change in net assets	4,940,180	487,867	5,428,047
Net assets at the beginning of the year	<u>66,902,188</u>	<u>40,766,452</u>	<u>107,668,640</u>
Net assets at the end of the year	<u>\$ 71,842,368</u>	<u>\$ 41,254,319</u>	<u>\$ 113,096,687</u>

See accompanying notes to basic financial statements.

REPUBLIC OF PALAU

Combining Statement of Net Assets
Component Units
September 30, 2009

	National Development Bank of Palau	Palau Community College	Palau National Communications Corporation	Palau International Coral Reef Center	Palau Visitors Authority	Public Utilities Corporation	Palau District Housing Authority	Total
<u>Assets</u>								
Current assets:								
Cash and cash equivalents	\$ 1,701,090	\$ 655,518	\$ 1,141,660	\$ 163,480	\$ 74,949	\$ 1,451,410	\$ 929,025	\$ 6,117,132
Time certificates of deposit	-	-	619,015	-	-	-	-	619,015
Investments	-	-	-	-	-	4,814,319	-	4,814,319
Receivables, net:								
General	214,130	1,305,194	766,807	12,006	-	850,581	51,886	3,200,604
Receivable from primary government	-	513,399	198,037	-	124,633	2,681,435	-	3,517,504
Grantor agency	-	-	-	61,911	-	29,390	30,375	121,676
Loans	2,707,480	-	-	-	-	-	195,261	2,902,741
Accrued interest	421,965	-	-	-	-	-	9,590	431,555
Inventories	8,716	200,630	333,168	92,344	-	3,954,091	-	4,588,949
Deposits	-	48,644	-	-	-	-	-	48,644
Prepaid items	43,216	-	37,820	9,032	736	127,106	-	217,910
Total current assets	5,096,597	2,723,385	3,096,507	338,773	200,318	13,908,332	1,216,137	26,580,049
Other assets, restricted:								
Cash and cash equivalents	598,301	323,091	3,878,620	-	-	764,130	-	5,564,142
Time certificates of deposit	3,061,188	-	-	-	-	-	-	3,061,188
Investments held for Endowment Foundation	-	1,568,517	-	-	-	-	-	1,568,517
Total other assets, restricted	3,659,489	1,891,608	3,878,620	-	-	764,130	-	10,193,847
Noncurrent assets:								
Time certificates of deposit	205,112	-	-	-	-	-	-	205,112
Loans receivable	19,466,114	-	-	-	-	-	1,527,112	20,993,226
Investments	-	-	-	-	-	1,689,038	-	1,689,038
Capital assets, net of accumulated depreciation	579,722	1,756,422	23,972,839	2,342,148	96,800	25,546,856	39,555	54,334,342
Foreclosed real estate	271,078	-	-	-	-	-	-	271,078
Discount on notes payable	-	-	504,891	-	-	-	-	504,891
Other	-	-	50,972	-	-	200,000	43,041	294,013
Total noncurrent assets	20,522,026	1,756,422	24,528,702	2,342,148	96,800	27,435,894	1,609,708	78,291,700
Total assets	\$ 29,278,112	\$ 6,371,415	\$ 31,503,829	\$ 2,680,921	\$ 297,118	\$ 42,108,356	\$ 2,825,845	\$ 115,065,596
<u>Liabilities and Net Assets</u>								
Current liabilities:								
Current portion of long-term debt	\$ 285,716	\$ -	\$ 1,383,944	\$ -	\$ -	\$ 400,000	\$ -	\$ 2,069,660
Short-term loan payable	-	-	-	-	-	2,667,132	-	2,667,132
Accounts payable	96,442	751,952	38,863	84,891	44,235	2,627,498	-	3,643,881
Due to grantor	182,456	-	-	-	-	-	-	182,456
Accrued payroll and others	108,677	308,298	349,232	71,884	26,453	328,801	18,163	1,211,508
Deferred revenue	-	640,918	88,364	212,026	-	3,023	-	944,331
Other liabilities	-	100,049	-	-	-	528,531	-	628,580
Total current liabilities	673,291	1,801,217	1,860,403	368,801	70,688	6,554,985	18,163	11,347,548
Noncurrent liabilities:								
Notes payable, net of current portion	12,907,774	-	31,130,754	-	-	6,600,000	-	50,638,528
Deposits	-	-	505,103	-	-	-	-	505,103
Deferred credit	-	-	-	-	-	16,147	-	16,147
Total noncurrent liabilities	12,907,774	-	31,635,857	-	-	6,616,147	-	51,159,778
Total liabilities	13,581,065	1,801,217	33,496,260	368,801	70,688	13,171,132	18,163	62,507,326
Net assets:								
Invested in capital assets, net of related debt	579,722	1,756,422	(8,036,968)	2,342,148	96,800	21,000,024	39,555	17,777,703
Restricted								
Nonexpendable	-	1,558,285	3,878,620	-	-	-	-	5,436,905
Expendable	15,117,325	(392,729)	-	-	-	-	2,374,498	17,099,094
Unrestricted	-	1,648,220	2,165,917	(30,028)	129,630	7,937,200	393,629	12,244,568
Total net assets	15,697,047	4,570,198	(1,992,431)	2,312,120	226,430	28,937,224	2,807,682	52,558,270
	\$ 29,278,112	\$ 6,371,415	\$ 31,503,829	\$ 2,680,921	\$ 297,118	\$ 42,108,356	\$ 2,825,845	\$ 115,065,596

See accompanying notes to basic financial statements.

REPUBLIC OF PALAU

Combining Statement of Revenues, Expenses, and Changes in Net Assets
Component Units
Year Ended September 30, 2009

	National Development Bank of Palau	Palau Community College	Palau National Communications Corporation	Palau International Coral Reef Center	Palau Visitors Authority	Public Utilities Corporation	Palau District Housing Authority	Total
Operating revenues:								
Charges for services	\$ 1,997,254	\$ 2,312,636	\$ 8,295,722	\$ 181,910	\$ -	\$ 19,498,745	\$ 83,975	\$ 32,370,242
Grants and contributions	-	3,462,059	-	301,580	-	-	16,200	3,779,839
Other	(240,658)	268,739	394,756	605	24,892	462,937	11,856	923,127
Total operating revenues	1,756,596	6,043,434	8,690,478	484,095	24,892	19,961,682	112,031	37,073,208
Operating expenses:								42,845,000
Cost of services	628,837	7,586,847	4,484,883	852,448	674,810	19,506,517	84,550	33,818,892
Depreciation	35,297	288,710	2,937,478	299,358	17,175	2,537,663	14,153	6,129,834
Administration costs	193,343	1,603,966	1,235,011	113,835	73,607	920,602	31,346	4,171,710
Total operating expenses	857,477	9,479,523	8,657,372	1,265,641	765,592	22,964,782	130,049	44,120,436
Operating income (loss)	899,119	(3,436,089)	33,106	(781,546)	(740,700)	(3,003,100)	(18,018)	(7,047,228)
Nonoperating revenues (expenses):								
Contributions from primary government	-	2,341,505	-	425,000	-	-	66,645	2,833,150
Net change in the fair value of investments	-	81,118	-	-	-	396,731	-	477,849
Interest income	78,547	-	15,475	1,215	-	24,159	16,604	136,000
Grant revenues	37,743	-	-	-	-	206,019	-	243,762
Interest expense	(447,402)	-	(1,372,457)	-	-	(309,114)	-	(2,128,973)
Other, net	30,167	-	(65,430)	(32,444)	-	(14,192)	-	(81,899)
Total nonoperating revenues (expenses), net	(300,945)	2,422,623	(1,422,412)	393,771	-	303,603	83,249	1,479,889
Capital contributions	-	-	-	-	725,000	-	30,375	755,375
Change in net assets	598,174	(1,013,466)	(1,389,306)	(387,775)	(15,700)	(2,699,497)	95,606	(4,811,964)
Net assets at the beginning of the year	15,098,873	5,583,664	(603,125)	2,699,895	242,130	31,636,721	2,712,076	57,370,234
Net assets at the end of the year	\$ 15,697,047	\$ 4,570,198	\$ (1,992,431)	\$ 2,312,120	\$ 226,430	\$ 28,937,224	\$ 2,807,682	\$ 52,558,270

See accompanying notes to basic financial statements.

REPUBLIC OF PALAU

Notes to Financial Statements
September 30, 2009

(1) Summary of Significant Accounting Policies

The accompanying basic financial statements of the Republic of Palau (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 of Palau is a constitutional government comprised of three branches: the Legislative Branch (Olbiil Era Kelulau (OEK)); the Executive Branch, with the President as the chief executive officer; and the Judicial Branch.

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 blended and discretely presented 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.

Once financial accountability has been determined for a potential component unit, that component unit is either blended into the primary government or discretely presented from the primary government. The nature and relationship of the Republic's component units are disclosed in the following section.

Blended component units are entities that are legally separate from the Republic, but are so related to the Republic that they are, in substance, the same as the Republic or entities providing services entirely or almost entirely to the Republic. The net assets and results of operations of the following legally separate entities are presented as part of the Republic's operations:

REPUBLIC OF PALAU

Notes to Financial Statements
September 30, 2009

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

1. Blended Component Units

The following Component Units are blended within the Primary Government:

A. Republic of Palau Social Security Retirement Fund

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 in a transition phase 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.

B. Republic of Palau Civil Service Pension Trust Fund

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 and RPPL No. 4-40, RPPL No. 4-49, RPPL No. 5-30 and RPPL 6-37. 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.

2. Discretely Presented Component Units

Discretely presented component units are entities which are legally separate from the Republic, but are financially accountable to the Republic, or whose relationships with the Republic are such that exclusion would cause the Republic's basic financial statements to be misleading or incomplete. The component units' column of the basic financial statements includes the financial data of the following major component units:

A. National Development Bank of Palau

The National Development Bank of Palau (the Bank) 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 the Bank is to be the central financial institution responsible for initiating and promoting economic development within the Republic.

REPUBLIC OF PALAU

Notes to Financial Statements
September 30, 2009

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

2. Discretely Presented Component Units, Continued

B. Palau Community College

The Palau Community College (PCC) is a nonprofit 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 member 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 post secondary 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.

C. Palau District Housing Authority

The Palau District Housing Authority (the Authority) was created by an act of the Congress of Micronesia in 1973, the "Territory Community Housing Act". The Authority 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. The Authority is authorized to finance and construct homes as needed.

D. Palau National Communications Corporation

The Palau National Communications Corporation (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.

E. Palau International Coral Reef Center

The Palau International Coral Reef Center (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.

REPUBLIC OF PALAU

Notes to Financial Statements
September 30, 2009

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

2. Discretely Presented Component Units, Continued

F. Palau Visitors Authority

The Palau Visitors Authority (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.

G. Public Utilities Corporation

The Public Utilities Corporation (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.

3. Omitted Component Units

Funding for the following entity derives from its activities and Republic assistance. The entity does not receive or administer U.S. federal awards.

A. Belau National Museum

The Belau National Museum was incorporated in September 26, 1973. Financial statements for this omitted component unit are not considered material to the basic financial statements.

Complete financial statements for each of the individual component units may be obtained at the respective component units' administrative offices.

B. Government-Wide Financial Statements

The Statement of Net Assets 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.

REPUBLIC OF PALAU

Notes to Financial Statements September 30, 2009

(1) Summary of Significant Accounting Policies, Continued

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 similarly 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 Assets presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

- *Invested in capital assets, net of related debt* 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 assets – nonexpendable* consists of permanent funds in which donors or other outside sources have stipulated that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to the principal.
- *Restricted net assets – expendable* 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 assets* consist of net assets, which do not meet the definition of the two preceding categories. Unrestricted net assets often are designated, (for example, internally restricted) to indicate that management does not consider them to be available for general operations. They often have restrictions that are imposed by management, but can be removed or modified.

The government-wide Statement of Net Assets reports \$148,623,070 of restricted net assets, of which \$1,728,734 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.

REPUBLIC OF PALAU

Notes to Financial Statements September 30, 2009

(1) Summary of Significant Accounting Policies, Continued

C. Fund Financial Statements

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.

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

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.

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.

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.

REPUBLIC OF PALAU

Notes to Financial Statements
September 30, 2009

(1) Summary of Significant Accounting Policies, Continued

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 proprietary fund'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.

The Republic reports the following fund types:

a. Governmental Fund Types

i. General Fund

This fund is the primary operating fund of the Republic. It is used to account for all governmental transactions, except for those required to be accounted for in another fund.

ii. Special Revenue Funds

These funds account for specific revenue sources that have been aggregated according to enabling legislation to support specific governmental activities.

iii. Capital Projects Funds

These funds account for the acquisition or construction of major Republic capital facilities financed primarily from loans and federal reimbursements.

iv. Debt Service Fund

This fund accounts for the accumulation of resources, principally transfers from the General Fund for the payment of long-term debt principal and interest.

v. Permanent Fund

This fund accounts for resources that are legally restricted to the extent that only earnings, and not principal, may be used to support programs for the benefit of the government.

b. Fiduciary Fund Types

i. 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.

REPUBLIC OF PALAU

Notes to Financial Statements
September 30, 2009

(1) Summary of Significant Accounting Policies, Continued

D. Measurement Focus and Basis of Accounting, Continued

b. Fiduciary Fund Types, Continued

ii. 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.

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:

Grants Fund, a Governmental Fund Type – Special Revenue Fund, is utilized to account for grants received from the United States and other countries.

Compact Section 211(f) Fund, a Governmental Fund Type - Permanent Fund, is utilized to account 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.

E. Reporting Standards

As allowed by GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Republic's discretely presented component units follow all GASB pronouncements and those Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins that were issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

F. 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.

REPUBLIC OF PALAU

Notes to Financial Statements
September 30, 2009

(1) Summary of Significant Accounting Policies, Continued

G. Cash and Cash Equivalents and Time Certificates of Deposit

GASB Statement No. 3 previously required government entities to present deposit risks in terms of whether the deposits fell into the following categories:

- Category 1 Deposits that are federally insured or collateralized with securities held by the Republic or its agent in the Republic's name;
- Category 2 Deposits that are uninsured but fully collateralized with securities held by the pledging financial institution's trust department or agent in the Republic's name; or
- Category 3 Deposits that are collateralized with securities held by the pledging financial institution's trust department or agent but not in the Republic's name and non-collateralized deposits.

GASB Statement No. 40 amended GASB Statement No. 3 to in effect eliminate disclosure for deposits falling into categories 1 and 2 but retained disclosures for deposits falling under category 3. Category 3 deposits are those deposits that have exposure to custodial credit risk. 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.

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 on the statement of net assets/balance sheet.

As of September 30, 2009, the carrying amount of the primary government's total cash and cash equivalents and time certificates of deposit were \$3,798,538 and the corresponding bank balances were \$5,022,140. Of the bank balance amounts, \$3,166,558 are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2009, bank deposits in the amount of \$1,032,971 were FDIC insured.

As of September 30, 2009, the carrying amount of the fiduciary funds total cash and cash equivalents and time certificates of deposit were \$1,976,125 and the corresponding bank balances were \$2,086,805. Of the bank balance amounts, \$886,874 is maintained in financial institutions subject to FDIC insurance. As of September 30, 2009, bank deposits in the amount of \$500,000 were FDIC insured.

REPUBLIC OF PALAU

Notes to Financial Statements
September 30, 2009

(1) Summary of Significant Accounting Policies, Continued

G. Cash and Cash Equivalents and Time Certificates of Deposit, Continued

At September 30, 2009, the carrying amount of the discretely presented component units total cash and cash equivalents and time certificate of deposits were \$15,566,589 and the corresponding bank balances were \$19,166,820. Of the bank balance amounts, \$11,710,003 is maintained in financial institutions subject to FDIC insurance. As of September 30, 2009, bank deposits in the amount of \$2,900,548 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 risk.

Financial instruments which potentially subject the Republic to concentrations of credit risk consist principally of cash demand deposits and investments.

At September 30, 2009 the Republic has cash deposits and investments in bank accounts that exceed federal depository insurance limits.

H. 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.

I. Receivables

In general, tax revenue is recognized on the government-wide 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 funds balance sheet.

Receivables of the primary government 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.

J. Inventories

Inventories of materials and supplies are determined by physical count and are valued at the lower-of-cost or market.

K. 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.

REPUBLIC OF PALAU

Notes to Financial Statements
September 30, 2009

(1) Summary of Significant Accounting Policies, Continued

L. 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.

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.

M. Restricted Assets

Certain assets of the primary government are classified as restricted assets because their use is completely restricted through trust arrangements or enabling legislation. Specifically, the Republic has recorded cash and cash equivalents of \$593,507, which is maintained by the primary government and administered on behalf of designated beneficiaries. Furthermore, investments of \$143,456,364, recorded in the Compact Section 211(f) Trust Fund is restricted in that it is not available to be used in current operations; and investments of \$3,000,000 recorded in Compact Section 211(b) Energy Fund is restricted to fund a liability to the United States government pursuant to the Compact of Free Association subsidiary agreement (Refer note 7).

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.

N. Fixed 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.

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at fair market value at the date of donation.

All 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.

All vehicles have been grouped together regardless of cost and depreciated on a composite basis.

REPUBLIC OF PALAU

Notes to Financial Statements
September 30, 2009

(1) Summary of Significant Accounting Policies, Continued

N. Fixed Assets, Continued

Management has elected to present only assets acquired subsequent to 1980, except for buildings. Accordingly, fixed assets records consist of additions commencing 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, 2009.

Applicable capital assets 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:

	<u>Estimated Useful Life</u>
Buildings and other improvements	15 - 50 years
Infrastructure	10 - 20 years
Vehicles	5 years
Machinery and equipment	4 - 20 years

O. Deferred Revenue

In the government-wide financial statements, deferred revenue is recognized when cash, receivables or other assets are recorded prior to being earned. In the governmental fund financial statements deferred 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 deferred revenue in the governmental fund types has primarily resulted as federal funds are received in advance of eligible expenditures.

P. Interfund/Intrafund Transactions

As a general rule, the effect of interfund activity has been eliminated in the government-wide 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.

Q. 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.

Sick leave accumulates at the rate of 4 hours biweekly, or 13 days per year.

REPUBLIC OF PALAU

Notes to Financial Statements
September 30, 2009

(1) Summary of Significant Accounting Policies, Continued

R. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

The unreserved fund balances for the governmental funds represent the amount available for budgeting future operations. The reserve for related assets as of September 30, 2009, is represented by the following assets:

	<u>General</u>	<u>Grants</u>	<u>Compact Section 211(f)</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Investments	\$ 1,739,500	\$ -	\$ -	\$ -	\$ 1,739,500
Cash and time certificate of deposit	1,399,786	-	-	-	1,399,786
Accrued interest	-	-	519,419	-	519,419
Inventory	46,467	-	-	-	46,467
Prepaid items	1,506	233,978	-	5,000	240,484
Restricted assets:					
Cash and cash equivalents	55,009	-	-	-	55,009
Investments	-	-	143,456,364	3,000,000	146,456,364
	<u>\$ 3,242,268</u>	<u>\$233,978</u>	<u>\$ 143,975,783</u>	<u>\$ 3,005,000</u>	<u>\$150,457,029</u>

S. Fund Balance Reserves and Designation

The Republic's fund balance reserves represent those portions of fund balance (1) not appropriable for expenditures or (2) legally segregated for a specific future use. In the accompanying combined balance sheet, reserves for related assets such as inventories, petty cash and long-term receivables are examples of the former. Reserves for encumbrances, contracts and continuing appropriations are examples of the latter.

T. New Accounting Standards

During fiscal year 2009, the Republic implemented the following pronouncements:

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which establishes standards for the measurement, recognition, and display of other postemployment benefits expense/expenditures and related liabilities, note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers.

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which provides guidance and consistency under which a governmental entity would be required to report a liability related to pollution remediation.

GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, which improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income.

REPUBLIC OF PALAU

Notes to Financial Statements
September 30, 2009

(1) Summary of Significant Accounting Policies, Continued

T. New Accounting Standards, Continued

GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which improves financial reporting by contributing to the GASB's efforts to codify all GAAP for state and local governments so that they derive from a single source.

GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*, which incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants (AICPA) auditing literature into the GASB's accounting and financial reporting literature for state and local governments, and addresses three issues from the AICPA's literature - related party transactions, going concern considerations, and subsequent events.

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

In June 2007, GASB issued statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. GASB Statement No. 51 addresses whether and when intangible assets should be considered capital assets for financial reporting purposes. The provisions of this statement are effective for periods beginning after June 15, 2009. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the Republic.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. GASB Statement No. 53 is intended to improve how state and local governments report information about derivative instruments - financial arrangements used by governments to manage specific risks or make investments - in their financial statements. The provisions of this statement are effective for periods beginning after June 15, 2009. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the Republic.

In December 2008, GASB issued Technical Bulletin No. 2008-1, *Determining the Annual Required Contribution Adjustment for Postemployment Benefits*, which clarifies the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for calculating the annual required contribution (ARC) adjustment. The provisions of this statement are effective for periods beginning after December 15, 2008. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the Republic.

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The provisions of this statement are effective for periods beginning after June 15, 2010. Management has not evaluated the effect that the implementation of this statement will have on the financial statements of the Republic.

REPUBLIC OF PALAU

Notes to Financial Statements
September 30, 2009

(1) Summary of Significant Accounting Policies, Continued

U. 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 as a result of these risks have occurred.

V. 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, 2008 from which summarized information was derived.

(2) Investments

GASB Statement No. 3 previously required government entities to present investment risks in terms of whether the investments fell into the following categories:

- Category 1 Investments that are insured or registered, or securities held by the Republic or its agent in the Republic's name;
- Category 2 Investments that are uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in the Republic's name; or
- Category 3 Investments that are uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Republic's name.

GASB Statement No. 40 amended GASB Statement No. 3 to in effect eliminate disclosure for investments falling into categories 1 and 2, and provided for disclosure requirements addressing other common risks of investments such as credit risk, interest rate risk, concentration of credit risk, and foreign currency risk. GASB Statement No. 40 did retain and expand the element of custodial credit risk in GASB Statement No. 3.

The following investment policy governs the investment of assets of the Republic:

- A. Wherever feasible, incoming cash shall be deposited to, or invested in an account which is earning a return.

REPUBLIC OF PALAU

Notes to Financial Statements
September 30, 2009

(2) Investments, Continued

- B. There is no limit on the amount of cash equivalents which may be held. Minimum standards of quality for investment at the time of purchase for the U.S. investment portfolios shall be:
1. Equities. At least 90% of the cost basis of the equity portfolio shall be rated “B” or better by a national rating service. Non-rated stocks, such as banks (Keefe rating or equivalent) or insurance companies (Best rating or equivalent), must be equal or higher in quality, or fall within the 10% allowance.
 - a. The equity portfolio shall be diversified among issues and industry classifications. No more than 25% of each activity investment manager’s portfolio may be invested in any single classification as described by the Standard and Poor’s 500 Index unless prior approval is received from the Republic.
 - b. The beta coefficient for the equity investment managers in total shall not exceed 1.35.
 2. Bonds, mortgage backed securities and other Evidence of Indebtedness. Corporate issues must be rated “A” or better by a national rating service. There is no limit on direct obligations of the U.S. Treasury or Agency Securities.
 3. Cash equivalents. The manager may engage in all short-term investment practices including but not limited to: U.S. Treasury and Agency Securities, banker’s acceptances, certificates of deposit, commercial paper and repurchase agreements using any of the foregoing as collateral. The following restrictions apply:
 - a. Commercial paper must be rate A1/P1 or higher by Standard & Poor’s Corporation or Moody’s Investor Services.
 - b. Certificates of deposit must be with FDIC insured institutions. Deposits in institutions with less than \$100,000,000 in assets are acceptable, but may not exceed the amount of the deposit insurance unless fully collateralized by U.S. Treasury Securities.
 4. No investment may be made in a single corporate entity which exceeds 15% of the total assets invested by the investment manager at the time of purchase without prior approval of the Republic. Total assets shall be determined by the market value of the last quarterly appraisal.

Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. With the exception of investments in U.S. government securities, which are explicitly or implicitly guaranteed by the United States government, all other investments must be rated in accordance with the Republic’s investment policy.

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. 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, 2009.

REPUBLIC OF PALAU

Notes to Financial Statements
September 30, 2009

(2) Investments, Continued

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. GASB Statement No. 40 requires disclosure by issuer and amount of investments in any one issuer that represents five percent (5%) or more of total investments for the Republic. As of September 30, 2009, the Republic did not hold an investment in any one issuer that represented more than 5% of the Republic's total investments.

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.

Primary Government

Investments of the primary government are as follows:

General Fund:	
Mutual funds	\$ 77,053
Money market funds	<u>1,801,785</u>
	\$ <u>1,878,838</u>
Compact Section 211(f) Trust Fund:	
Fixed income securities	\$ 49,881,549
Equities	88,618,955
Money market funds	<u>4,955,860</u>
	\$ <u>143,456,364</u>
Nonmajor Governmental Funds:	
Common stock	\$ 1,697,594
Money market funds	<u>4,084,626</u>
	\$ <u>5,782,220</u>

Additionally, the General Fund holds approximately 8% of the shares of the United Micronesia Development Association, Inc., in the amount of \$1,739,500. As the fair market value of this investment is not readily available, such has been recorded at cost.

REPUBLIC OF PALAU

Notes to Financial Statements
September 30, 2009

(2) Investments, Continued

Primary Government, Continued

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments.

As of September 30, 2009, the Compact Trust Fund investments in debt securities were as follows:

Investment Type	Fair Value	Investment Maturities (In Years)				Ratings
		Less than 1 year	1 - 5 years	6 - 10 years	more than 10 years	
US Treasury Obligations	\$ 6,139,797	\$ -	\$ 1,226,783	\$ 3,266,044	\$ 1,646,970	Aaa
US Government Agencies	20,499,990	772,973	2,074,539	1,049,947	16,602,531	Aaa
Municipal Obligations	184,532	-	139,645	-	44,887	A
Municipal Obligations	689,558	-	-	-	689,558	Aa
Municipal Obligations	70,452	-	-	-	70,452	Aaa
Corporate Bonds	6,777,034	-	2,376,568	2,612,513	1,787,953	A
Corporate Bonds	3,264,969	-	1,733,331	861,189	670,449	Aa
Corporate Bonds	1,862,637	-	-	-	1,862,637	AAA
Corporate Bonds	2,808,014	-	710,784	211,094	1,886,136	Aaa
Corporate Bonds	673,547	24,419	157,096	-	492,032	B
Corporate Bonds	331,078	-	-	108,099	222,979	BB
Corporate Bonds	5,281,685	14,993	1,075,245	2,149,483	2,041,964	BBB
Corporate Bonds	182,567	-	-	-	182,567	CC
Corporate Bonds	<u>1,115,689</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,115,689</u>	CCC
	\$ <u>49,881,549</u>	\$ <u>812,385</u>	\$ <u>9,493,991</u>	\$ <u>10,258,369</u>	\$ <u>29,316,804</u>	

Fiduciary Funds

Investments of the fiduciary funds are as follows:

Republic of Palau Social Security Retirement Fund:	
Fixed income securities	\$ 29,903,925
Equities	32,117,514
Money market funds	<u>1,954,459</u>
	<u>63,975,898</u>
Republic of Palau Civil Service Pension Trust Fund:	
Fixed income securities	15,935,572
Equities	21,356,183
Money market funds	<u>791,619</u>
	<u>38,083,374</u>
	\$ <u>102,059,272</u>

REPUBLIC OF PALAU

Notes to Financial Statements
September 30, 2009

(2) Investments, Continued

Fiduciary Funds, Continued

As of September 30, 2009, the Republic of Palau Social Security Retirement Fund investments in debt securities were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>				<u>Rating</u>
		<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>	
U.S. Treasury notes	\$ 6,599,655	\$ -	\$ 2,895,574	\$ 1,759,882	\$ 1,944,199	AAA
Other U.S. government obligations	4,992,104	51,515	3,280,638	509,849	1,150,102	AAA
Mortgage pass throughs	8,993,814	-	61,447	145,312	8,787,055	AAA
Collateralized mortgage obligations	535,360	-	-	-	535,360	AAA
Municipal obligations	111,794	-	-	-	111,794	AA
Corporate bonds	1,802,952	-	816,195	309,939	676,818	AAA
Corporate bonds	2,126,003	-	1,119,035	715,190	291,778	AA
Corporate bonds	2,793,292	-	735,888	1,104,647	952,757	A
Corporate bonds	1,948,951	341,859	443,773	897,377	265,942	BBB
	<u>\$ 29,903,925</u>	<u>\$ 393,374</u>	<u>\$ 9,352,550</u>	<u>\$ 5,442,196</u>	<u>\$ 14,715,805</u>	

As of September 30, 2009, the Republic of Palau Civil Service Pension Trust Fund investments in debt securities were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>				<u>Rating</u>
		<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>	
Mortgage and asset backed Securities	\$ 5,520,908	\$ -	\$ 40,684	\$ 71,304	\$ 5,408,920	AAA
Government bonds	5,158,070	-	2,928,589	1,025,915	1,203,566	AAA
International obligations	200,848	-	200,848	-	-	AAA
Corporate bonds	806,581	-	488,721	-	317,860	AAA
Corporate bonds	368,515	-	164,271	-	204,244	AA
Corporate bonds	120,795	-	-	120,795	-	AA-
Corporate bonds	517,403	-	-	336,605	180,798	AA+
Corporate bonds	703,919	-	111,947	377,323	214,649	A+
Corporate bonds	1,144,367	-	306,224	510,597	327,546	A
Corporate bonds	552,674	-	-	162,806	389,868	A-
Corporate bonds	672,012	102,558	112,525	456,929	-	BBB+
Corporate bonds	169,480	-	92,834	76,646	-	BBB
	<u>\$ 15,935,572</u>	<u>\$ 102,558</u>	<u>\$ 4,446,643</u>	<u>\$ 3,138,920</u>	<u>\$ 8,247,451</u>	

REPUBLIC OF PALAU

Notes to Financial Statements
September 30, 2009

(2) Investments, Continued

Discretely Presented Component Units

Investments of the discretely presented component units are as follows:

Palau Community College (PCC):	
Fixed income	\$ 598,313
Domestic equities	776,885
International equities	<u>193,319</u>
	1,568,517
Public Utilities Corporation (PUC):	
Fixed income	3,771,071
Domestic equities	<u>2,732,286</u>
	6,503,357
	<u>\$ 8,071,874</u>

As of September 30, 2009, the maturities of PCC's fixed income (money market funds) investments by percentage of its portfolio, are presented in the following table:

<u>Investment Maturities</u>	<u>Percentage of Portfolio</u>
Less than 1 year	9.0%
1 – 3 years	1.1%
4 – 5 years	21.6%
5 – 7 years	8.4%
7 – 9 years	2.4%
9 or more years	<u>57.5%</u>
	<u>100.0%</u>

PCC's fixed income investments at September 30, 2009, were rated as follows:

<u>Rating</u>	<u>Percentage of Portfolio</u>
Government Agency	44.4%
AAA	1.1%
AA	8.4%
A	10.2%
BAA	15.2%
BA	1.2%
BBB	2.5%
Other	<u>17.0%</u>
	<u>100.0%</u>

REPUBLIC OF PALAU

Notes to Financial Statements
September 30, 2009

(2) Investments, Continued

Discretely Presented Component Units, Continued

As of September 30, 2009, the PUC investments in debt securities were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>				<u>Rating</u>
		<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>	
U.S. Treasury Notes and Bonds	\$ 1,643,479	\$ 208,002	\$ 605,284	\$ 659,457	\$ 170,736	AAA
Mortgage and Asset Back Securities	668,367	-	52,802	123,783	491,782	AAA
Corporate Bonds	54,855	-	54,855	-	-	AA+
Corporate Bonds	138,438	-	45,403	-	93,035	AA
Corporate Bonds	46,843	-	46,843	-	-	AA-
Corporate Bonds	139,489	-	92,768	46,721	-	A+
Corporate Bonds	253,738	-	93,043	160,695	-	A
Corporate Bonds	47,312	-	-	-	47,312	A-
Corporate Bonds	282,390	-	45,461	90,029	146,900	BBB+
Corporate Bonds	118,867	-	118,867	-	-	BBB
Corporate Bonds	146,393	-	-	54,102	92,291	BBB-
International Bonds	45,889	-	-	-	45,889	AA-
International Bonds	136,589	-	91,531	-	45,058	A-
International Bonds	48,422	-	-	48,422	-	BBB+
	<u>\$ 3,771,071</u>	<u>\$ 208,002</u>	<u>\$ 1,246,857</u>	<u>\$ 1,183,209</u>	<u>\$ 1,133,003</u>	

(3) Receivables

Primary Government

Receivables as of September 30, 2009, 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:

	<u>General</u>	<u>Grants</u>	<u>Compact Section 211(f)</u>	<u>Nonmajor Governmental Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Receivables:						
Taxes	\$ 3,093,550	\$ -	\$ -	\$ -	\$ -	\$ 3,093,550
General	1,086,417	1,277	-	12,700,498	4,998,709	18,786,901
Federal agencies	-	2,408,006	-	-	-	2,408,006
Loan	-	-	-	-	4,500,000	4,500,000
Accrued interest	4,326	-	519,419	18,769	368,995	911,509
Other	-	-	-	-	127,513	127,513
	<u>4,184,293</u>	<u>2,409,283</u>	<u>519,419</u>	<u>12,719,267</u>	<u>9,995,217</u>	<u>29,827,479</u>
Less: allowance for uncollectibles	<u>(867,000)</u>	<u>-</u>	<u>-</u>	<u>(12,690,917)</u>	<u>(825,113)</u>	<u>(14,383,030)</u>
Net receivables	<u>\$ 3,317,293</u>	<u>\$ 2,409,283</u>	<u>\$ 519,419</u>	<u>\$ 28,350</u>	<u>\$ 9,170,104</u>	<u>\$ 15,444,449</u>

Loans receivable of the Fiduciary Funds represents a loan of the Republic of Palau Social Security Retirement Fund due from the National Development Bank of Palau. The loan bears interest based on the Wall Street Journal prime rate plus 0.5%, provided it is not less than 4.5% nor more than 7.5%, is due semi-annually, with the principal balance due on or before August 27, 2018. The loan is collateralized by the full faith and credit of the Republic.

REPUBLIC OF PALAU

Notes to Financial Statements
September 30, 2009

(3) Receivables, Continued

Discretely Presented Component Units

	National Development Bank of Palau	Palau Community College	Palau National Communications Corporation	Palau International Coral Reef Center	Palau Visitors Authority	Public Utilities Corporation	Palau District Housing Authority	Total
General	\$ 214,130	\$1,239,485	\$3,961,921	\$ 106,330	\$ 12,926	\$ 2,296,581	\$ 51,886	\$ 7,883,259
Primary government	-	513,399	198,037	-	128,900	2,681,435	-	3,521,771
Loans	24,178,921	-	-	-	-	-	1,800,929	25,979,850
Grantor agency	-	669,392	-	61,911	-	29,390	30,375	791,068
Accrued interest	<u>421,965</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,590</u>	<u>431,555</u>
	24,815,016	2,422,276	4,159,958	168,241	141,826	5,007,406	1,892,780	38,607,503
Less allowance for uncollectible	<u>(2,005,327)</u>	<u>(603,683)</u>	<u>(3,195,114)</u>	<u>(94,324)</u>	<u>(17,193)</u>	<u>(1,446,000)</u>	<u>(78,556)</u>	<u>(7,440,197)</u>
	<u>\$22,809,689</u>	<u>\$1,818,593</u>	<u>\$ 964,844</u>	<u>\$ 73,917</u>	<u>\$124,633</u>	<u>\$ 3,561,406</u>	<u>\$1,814,224</u>	<u>\$ 31,167,306</u>

Differences in component unit receivables due from the primary government of \$3,521,771 and the primary government's liability due to component units of \$2,616,550 results primarily from timing differences and the difference in year-end for the Palau National Communications Corporation.

(4) Fixed Assets

Capital asset activities for the year ended September 30, 2009, are as follows:

Governmental Activities

	Balance at October 1, 2008	Additions	Deletions and Transfers	Balance at September 30, 2009
Depreciable capital assets:				
Buildings and other improvements	\$ 120,793,661	\$ 3,610,084	\$ -	\$ 124,403,745
Machinery and equipment	17,636,259	6,806,321	(2,827,508)	21,615,072
Vehicles	4,512,057	273,257	(59,186)	4,726,128
Infrastructure	<u>237,378,592</u>	<u>1,747,440</u>	<u>-</u>	<u>239,126,032</u>
Total capital assets being depreciated	<u>380,320,569</u>	<u>12,437,102</u>	<u>(2,886,694)</u>	<u>389,870,977</u>
Accumulated depreciation:				
Buildings and other improvements	(29,627,580)	(5,231,732)	-	(34,859,312)
Machinery and equipment	(10,778,267)	(2,842,733)	2,827,508	(10,793,492)
Vehicles	(3,935,698)	(286,865)	57,168	(4,165,395)
Infrastructure	<u>(55,445,018)</u>	<u>(20,635,423)</u>	<u>-</u>	<u>(76,080,441)</u>
Total accumulated depreciation	<u>(99,786,563)</u>	<u>(28,996,753)</u>	<u>2,884,676</u>	<u>(125,898,640)</u>
Total depreciable capital assets, net	<u>280,534,006</u>	<u>(16,559,651)</u>	<u>(2,018)</u>	<u>263,972,337</u>
Non-depreciable capital assets:				
Land	4,238,850	-	-	4,238,850
Construction in progress	<u>6,343,031</u>	<u>4,356,345</u>	<u>(4,883,602)</u>	<u>5,815,774</u>
Total non-depreciable capital assets	<u>10,581,881</u>	<u>4,356,345</u>	<u>(4,883,602)</u>	<u>10,054,624</u>
Capital assets, net	<u>\$ 291,115,887</u>	<u>\$ (12,203,306)</u>	<u>\$ (4,885,620)</u>	<u>\$ 274,026,961</u>

REPUBLIC OF PALAU

Notes to Financial Statements
September 30, 2009

(4) Fixed Assets, Continued

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

Ministry of Health	\$ 1,562,218
Ministry of Education	159,673
Ministry of Infrastructure, Industry and Commerce	24,635,895
Ministry of Finance	49,471
Ministry of Justice	317,799
Legislative Branch	30,960
Ministry of State	28,154
Judicial Branch	34,361
Ministry of Natural Resources, Environment and Tourism	287,925
Office of the President	14,836
Ministry of Community and Cultural Affairs	236,659
Office of the Vice-President	1,980
Independent Agencies	85,577
Other Agencies and Activities	19,254
Unallocated	<u>1,531,991</u>
 Total depreciation expense	 \$ <u><u>28,996,753</u></u>

Fiduciary Funds

	Balance at October <u>1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	Balance at September <u>30, 2009</u>
Depreciable capital assets:				
Office equipment and furniture	\$ 324,181	\$ 36,422	\$ (1,500)	\$ 359,103
Building and improvements	132,315	-	-	132,315
Vehicles	<u>125,382</u>	<u>24,649</u>	<u>(42,630)</u>	<u>107,401</u>
	581,878	61,071	(44,130)	598,819
Less accumulated depreciation	<u>(345,932)</u>	<u>(79,758)</u>	<u>20,845</u>	<u>(404,845)</u>
Total depreciable capital assets, net	235,946	(18,687)	(23,285)	193,974
Non-depreciable capital assets:				
Land	<u>207,018</u>	-	-	<u>207,018</u>
	\$ <u>442,964</u>	\$ <u>(18,687)</u>	\$ <u>(23,285)</u>	\$ <u>400,992</u>

(5) 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, 2009. This loan is in noncompliance with local requirements since only the President of the Republic is authorized to enter into debt agreements.

REPUBLIC OF PALAU

Notes to Financial Statements
September 30, 2009

(5) Notes Payable, Continued

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 \$446,172 in TCDs.

Changes in short-term loans payable of NDBP for the year ended September 30, 2009, are as follows:

	Balance October <u>1, 2008</u>	<u>Additions</u>	<u>Reductions</u>	Balance September <u>30, 2009</u>
Short-term loans payable	\$ <u>300,000</u>	\$ <u>600,000</u>	\$ <u>(900,000)</u>	\$ <u> -</u>

Public Utilities Corporation (PUC)

PUC entered into a portfolio credit line agreement in March 2008 under which a commercial bank will extend credit to PUC in the form of drawings from time to time in such sums as PUC may request for the purpose of financing short-term working capital. Interest is 3.75% as of September 30, 2009. The loan is collateralized with PUC's unrestricted investments of \$4,814,319.

Changes in short-term loans payable of PUC for the year ended September 30, 2009, are as follows:

	Balance at October <u>1, 2008</u>	<u>Additions</u>	<u>Repayments</u>	Balance at September <u>30, 2009</u>
Portfolio credit line	\$ <u>1,041,065</u>	\$ <u>2,476,067</u>	\$ <u>(850,000)</u>	\$ <u>2,667,132</u>

(6) Long-Term Obligations

Primary Government

As of September 30, 2009, the primary government had the following long-term debt outstanding:

Loan payable to the Mega International Commercial Bank (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. \$ 12,571,423

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. 7,085,718

\$ 19,657,141

REPUBLIC OF PALAU

Notes to Financial Statements
September 30, 2009

(6) Long-Term Obligations, Continued

Primary Government, Continued

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

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 1,599,998	\$ 656,351	\$ 2,256,349
2011	1,599,998	600,340	2,200,338
2012	1,599,998	544,395	2,144,393
2013	1,599,998	488,395	2,088,393
2014	1,599,998	432,395	2,032,393
2015 - 2019	7,999,990	1,250,610	9,250,600
2020 - 2024	3,199,973	278,866	3,478,839
2025	<u>457,188</u>	<u>11,991</u>	<u>469,179</u>
	<u>\$ 19,657,141</u>	<u>\$ 4,263,343</u>	<u>\$ 23,920,484</u>

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, 2009 and therefore has restricted assets of \$3,000,000 in the Compact Section 211(b) Energy special reserve 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 7).

Changes in long-term liabilities of the primary government for the year ended September 30, 2009, are as follows:

	<u>Balance October 1, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 2009</u>	<u>Due Within One Year</u>
Loans payable:					
MICB loans	\$ 21,828,570	\$ -	\$ (2,171,429)	\$ 19,657,141	\$ 1,599,998
Other:					
Compensated absences	3,676,621	2,412,936	(2,543,350)	3,546,207	1,817,655
Due to U.S. Government	<u>3,000,000</u>	<u>-</u>	<u>-</u>	<u>3,000,000</u>	<u>-</u>
	<u>\$ 28,505,191</u>	<u>\$ 2,412,936</u>	<u>\$ (4,714,779)</u>	<u>\$ 26,203,348</u>	<u>\$ 3,417,653</u>

As of September 30, 2008, the Republic was delinquent in certain debt service payments relative to the abovementioned MICB loan. Specifically, these delinquent payments amounted to \$835,818, representing \$571,429 in principal payments and \$264,389 in interest. As these delinquent amounts represented matured debt that was currently due and payable, the delinquent portion was reported as a governmental fund liability within the General Fund at September 30, 2008. On April 28, 2009, the Republic remitted payment of MICB satisfying these delinquent amounts.

REPUBLIC OF PALAU

Notes to Financial Statements
September 30, 2009

(6) Long-Term Obligations, Continued

Discretely Presented Component Units

National Development Bank of Palau (NDBP)

Loan payable to the MICB, with interest at 3.5% per annum, principal payable in semi-annual installments of \$142,858 plus interest, due July 1, 2024. This loan was used to fund various loan programs of NDBP and is collateralized by a guarantee of the Republic. \$ 4,285,740

Loan payable to the Republic of Palau Social Security Retirement Fund (the Fund) with interest at a variable annual rate equal to the Funds's Fixed Income Fund Return Rate as reported monthly by the Fund's investment consultant, plus 0.5%, provided it is not less than 4.5% or more than 7.5%. Interest is payable semi-annually, with the principal balance due on or before December 31, 2025. The loan is collateralized by the full faith and credit of the Republic. 4,500,000

Loan payable to the European Investment Bank (EIB) in two tranches of \$3,016,465 and \$1,391,285 with interest at 3.679% and 5.175%, respectively. Interest and principal are payable semi-annually until October 9, 2021 with expected annual principal repayment in 2011 of \$290,273. The loan is collateralized by the full faith and credit of the Republic. 4,407,750

\$ 13,193,490

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

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 285,716	\$ 500,075	\$ 785,791
2011	725,989	509,928	1,235,917
2012	888,084	476,300	1,364,384
2013	900,698	439,405	1,340,103
2014	913,852	402,476	1,316,328
2015 - 2019	4,787,251	1,437,692	6,224,943
2020 - 2024	4,242,370	465,905	4,708,275
2025	<u>449,530</u>	<u>12,501</u>	<u>462,031</u>
	<u>\$ 13,193,490</u>	<u>\$ 4,244,282</u>	<u>\$ 17,437,772</u>

Palau National Communications Corporation (PNCC)

Loan payable to the Rural Utilities Services (RUS), interest at 4.59%, due October 2029, payable in monthly installments of \$192,181, including interest. The loan is collateralized by substantially all PNCC assets and a pledge of its revenues. \$ 29,446,868

REPUBLIC OF PALAU

Notes to Financial Statements
September 30, 2009

(6) Long-Term Obligations, Continued

Discretely Presented Component Units, Continued

Palau National Communications Corporation (PNCC), Continued

Loan payable to Chunghwa Telecom Company, non-interest bearing (discounted at imputed interest rate of 4.9% at December 31, 2009), due July 2017. The loan is collateralized by earth station and ground common equipment.

3,067,830

\$ 32,514,698

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

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 1,383,944	\$ 1,331,272	\$ 2,715,216
2011	1,429,646	1,285,570	2,715,216
2012	1,477,490	1,237,726	2,715,216
2013	1,527,576	1,187,640	2,715,216
2014	1,580,011	1,135,205	2,715,216
2015 - 2019	7,140,578	4,799,326	11,939,904
2020 - 2024	8,873,411	3,066,493	11,939,904
2025 - 2029	<u>9,102,042</u>	<u>913,976</u>	<u>10,016,018</u>
	\$ <u>32,514,698</u>	\$ <u>14,957,208</u>	\$ <u>47,471,906</u>

Public Utilities Corporation (PUC)

On September 4, 2006, PUC entered into a loan agreement with a foreign bank not to exceed \$7,000,000 with interest at 3.5% per annum to finance the purchase of portable generators, a crankshaft assembly and other necessary equipment to facilitate the overhaul of aging generators. The loan is guaranteed by the Republic and is to be repaid in thirty-five consecutive semi-annual installments in the principal amount of \$200,000 plus interest; the first installment being repaid on the last day of the thirty-sixth month from the date of the initial advance and thereafter semi-annually on the last day of each successive six-month period, until fully paid.

On April 22, 2008, PUC entered into a promissory note with a commercial bank in the amount of \$182,496 for the purpose of financing working capital. The loan was to be repaid in forty-seven monthly installments until April 22, 2012; however, the loan was fully repaid in December 2008.

REPUBLIC OF PALAU

Notes to Financial Statements
September 30, 2009

(6) Long-Term Obligations, Continued

Discretely Presented Component Units, Continued

Public Utilities Corporation (PUC), Continued

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

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 400,000	\$ 240,547	\$ 640,547
2011	400,000	226,353	626,353
2012	400,000	212,742	612,742
2013	400,000	197,964	597,964
2014	400,000	183,769	583,769
2015 - 2019	2,000,000	706,358	2,706,358
2020 - 2024	2,000,000	351,458	2,351,458
2025 - 2027	<u>1,000,000</u>	<u>42,467</u>	<u>1,042,467</u>
	<u>\$ 7,000,000</u>	<u>\$ 2,161,658</u>	<u>\$ 9,161,658</u>

Changes in long-term liabilities of the discretely presented component units for the year ended September 30, 2009, are as follows:

	<u>Balance October 1, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 2009</u>	<u>Due Within One Year</u>
Loans payable:					
NDBP	\$ 8,071,456	\$ 5,407,750	\$ (285,716)	\$ 13,193,490	\$ 285,716
PNCC	30,380,586	3,164,352	(1,030,240)	32,514,698	1,383,944
PUC	7,163,486	-	(163,486)	7,000,000	400,000
Other:					
Customer deposits	530,698	53,896	(79,491)	505,103	-
Deferred credit	<u>16,147</u>	<u>-</u>	<u>-</u>	<u>16,147</u>	<u>-</u>
	<u>\$ 46,162,373</u>	<u>\$ 8,625,998</u>	<u>\$ (1,558,933)</u>	<u>\$ 53,229,438</u>	<u>\$ 2,069,660</u>

(7) 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, 2009, the Republic made no payments under this agreement. Please refer to note 6 for matters involving potential release of this liability.

REPUBLIC OF PALAU

Notes to Financial Statements
September 30, 2009

(8) Interfund Receivables and Payables

Receivables and payables between funds reflected as due to/from other funds in the governmental fund balance sheet at September 30, 2009, are summarized as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental funds	\$ 4,709
General	Grants	1,748,204
Grants	General	2,431,148
Nonmajor governmental funds	General	<u>4,025,251</u>
		<u>\$ 8,209,312</u>

(9) 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, 2009, are as follows:

	<u>Transfer Out</u>	<u>Transfer In</u>
General Fund:		
Grants Fund	\$ 50,000	\$ -
Compact Section 211(f) Fund	-	5,000,000
Other Governmental Funds	<u>3,440,913</u>	<u>2,880,000</u>
	<u>3,490,913</u>	<u>7,880,000</u>
Grants Fund:		
General Fund	<u>-</u>	<u>50,000</u>
Compact Section 211(f) Fund:		
General Fund	<u>5,000,000</u>	<u>-</u>
Other Governmental Funds:		
General Fund	<u>2,880,000</u>	<u>3,651,579</u>
	<u>\$ 11,370,913</u>	<u>\$ 11,370,913</u>

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. There were no one-time transfers of funds during the year ended September 30, 2009.

REPUBLIC OF PALAU

Notes to Financial Statements
September 30, 2009

(10) 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, 2009, amounted to \$6,773,943.

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, 2009, 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 (DOI) is to phase out over the period of the Compact.

Questioned Costs Under Federally Funded Programs

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 \$2,352,870 have been set forth in the Republic's Single Audit Report for the year ended September 30, 2009. 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.

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 \$63,311,000 as of October 1, 2008. This actuarial valuation does not include the effects of changes in contribution and benefit calculations of RPPL no. 7-32. 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, 2009 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.

REPUBLIC OF PALAU

Notes to Financial Statements
September 30, 2009

(10) 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. 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, 2009, will not have a material impact on the accompanying financial statements.

H. Going Concern

The Republic's general fund has sustained operating deficits and has an unreserved fund deficit of \$12,868,436. Due to this condition, management of the Republic reduced the budget in fiscal years 2010 and 2011 to gradually reduce expenditures and better manage the deficit. The U.S. Government has agreed to offer assistance to reduce the deficit and retire arrears in fiscal years 2011 and 2012 with \$10,000,000 and \$5,000,000, respectively, to be available in each year. The Republic is currently negotiating a loan with the Asian Development Bank for a low interest concession loan to ease the burden of the prior year debts and manageable payment schedule to be spread over several years. Management of the Republic believes that actions presently being taken and considered provide an opportunity to commence the process of reducing the abovementioned General Fund deficit position.

(11) 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. Members who retire at or after age 60, or with 25 years of vesting service, are 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 \$2,363,020, \$2,461,486 and \$2,510,211 to the Pension Fund during fiscal years 2007, 2008 and 2009, 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.

REPUBLIC OF PALAU

Notes to Financial Statements
September 30, 2009

(11) Republic of Palau Civil Service Pension Trust Fund, Continued

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 2009 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.

RPPL No. 5-45 earmarked \$1,000,000 to the 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. 6-12 from the Republic during the year ended September 30, 2009.

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 \$64,733 from PCC employees during the year ended September 30, 2009.

The funded status as of October 1, 2007, the most recent actuarial valuation date, is as follows:

Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Cost Method (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b - a / c)
\$ 48,358,000	\$ 107,579,000	\$ 59,221,000	44.95%	\$ 34,763,000	170.4%

REPUBLIC OF PALAU

Notes to Financial Statements
September 30, 2009

(11) Republic of Palau Civil Service Pension Trust Fund, Continued

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. The Plan uses the aggregate actuarial cost method which does not identify or separately amortize unfunded actuarial liabilities. As such, information about the Plan's funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and the information presented is intended to serve as a surrogate for the funded status and funding progress of the plan.

Additional information as of the latest actuarial valuation follows:

Valuation Date:	October 1, 2007
Actuarial Cost Method:	Aggregate cost method
Amortization Method:	Level percent open
Remaining Amortization Period:	30 years
Asset Valuation Method:	Market value, including accrued but unpaid contributions
Actuarial Assumptions:	
Investment rate of return:	8.5% per year
Projected salary increases:	3% per annum
COLAS:	0%

REPUBLIC OF PALAU

REQUIRED SUPPLEMENTARY INFORMATION
- BUDGETARY REPORTING

YEAR ENDED SEPTEMBER 30, 2009

REPUBLIC OF PALAU

Schedule of Revenues, Expenditures, and Changes
in Deficit - Budget and Actual - General Fund
Year Ended September 30, 2009

	Original Budget	Final Budget	Actual - Budgetary Basis (see note 1)	Variance
Revenues:				
Local revenue	\$ 38,810,987	\$ 39,035,610	\$ 33,607,890	\$ (5,427,720)
Compact funding - Section 211(a)	6,000,000	6,000,000	6,000,000	-
Compact funding - Section 215 inflation adjustment	3,960,000	3,960,000	4,260,000	300,000
Contributions from component unit	-	1,377,884	2,323,871	945,987
Indirect cost recoveries	-	118,582	118,582	-
Net change in the fair value of investments	-	1,765	23,776	22,011
Total revenues	48,770,987	50,493,841	46,334,119	(4,159,722)
Expenditures - budgetary basis:				
Office of the President	879,825	976,725	957,694	19,031
Office of the Vice-President	391,492	409,092	400,736	8,356
Ministry of Finance/Administration	2,176,703	2,554,550	2,507,892	46,658
Ministry of State	2,348,936	2,325,736	2,305,566	20,170
Ministry of Community and Cultural Affairs	955,893	957,993	957,954	39
Ministry of Education	6,398,793	6,178,893	6,178,614	279
Ministry of Infrastructure, Industry and Commerce	7,961,133	8,790,074	8,830,231	(40,157) *
Ministry of Justice	4,108,093	3,962,993	4,098,053	(135,060) **
Ministry of Health	6,957,258	7,623,924	7,521,673	102,251
Ministry of Natural Resources, Environment and Tourism	1,312,010	1,308,810	1,292,870	15,940
Boards, Commissions and Authorities	757,074	883,791	716,667	167,124
Judicial Branch	2,219,000	2,219,000	2,208,860	10,140
Legislative Branch	3,983,000	3,983,000	3,905,413	77,587
State Block Grants	4,811,000	4,811,000	4,811,000	-
Independent Agencies	2,202,131	2,122,847	2,036,816	86,031
Other Agencies and Activities	1,633,538	2,280,878	2,188,130	92,748
PSB Investigation	-	225,518	119,193	106,325
Household Income Survey	46,000	46,000	43,947	2,053
Compact Review Fund	500,000	778,610	488,202	290,408
Education Assistance	2,957,607	2,957,607	2,957,607	-
Total expenditures	52,599,486	55,397,041	54,527,118	869,923
Deficiency of revenues under expenditures	(3,828,499)	(4,903,200)	(8,192,999)	(3,289,799)
Other financing sources (uses):				
Operating transfers in	7,880,000	7,880,000	7,880,000	-
Operating transfers out	(4,051,501)	(4,106,501)	(3,490,913)	615,588
Total other financing sources (uses), net	3,828,499	3,773,499	4,389,087	615,588
Net change in unreserved fund deficit	-	(1,129,701)	(3,803,912)	(2,674,211)
Other changes in unreserved deficit:				
Increase in reserve for continuing appropriations	-	1,129,701	(166,831)	(1,296,532)
Decrease in reserve for related assets	-	-	218,310	218,310
Unreserved deficit at the beginning of the year	(9,116,003)	(9,116,003)	(9,116,003)	-
Unreserved deficit at the end of the year	\$ (9,116,003)	\$ (9,116,003)	\$ (12,868,436)	\$ (3,752,433)

* - Balance of Capitol electricity expenditures exceeded budget because the cost of electricity exceeded the authorized budget.

The Executive plans to address this issue with the National Congress.

** -The Patrol Boat operations was funded by the 2008 Budget Act in which the funds lapsed at 9/30/08. Due to delay in services, costs were incurred in 2009.

See Accompanying Independent Auditors' Report.

REPUBLIC OF PALAU

Notes to Required Supplementary Information - Budgetary Reporting
September 30, 2009

(1) Budgetary Information

Budgets are adopted on a basis consistent with GAAP. The OEK enacts budgets for the General Fund and certain Special Revenue and Capital Project Funds. 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 does not establish budgets for the operations of its Special Revenue Funds, except for Compact-related Program Funds. Accordingly, a budget to actual presentation for Special Revenue Funds, except for Compact Program Funds, is not required or presented. Project-length financial plans are adopted for some Capital Project Funds.

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

The net change in fund deficit to the net change in unreserved fund deficit for the General Fund is as follows:

Net change in fund deficit	\$ (3,937,275)
Decrease in reserve for encumbrances	<u>133,363</u>
Net change in unreserved fund deficit	\$ <u>(3,803,912)</u>

REPUBLIC OF PALAU

OTHER SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2009

REPUBLIC OF PALAU

Combining Schedule of Expenditures by Account
 Governmental Funds
 Year Ended September 30, 2009

	Major Governmental Funds			Nonmajor Governmental Funds			Total
	General	Grants Fund	Permanent Compact Section 211(f)	Special Revenue	Capital Projects	Debt Service	
Salaries and wages	\$ 31,077,407	\$ 3,624,352	\$ -	\$ 53,426	\$ 66	\$ -	\$ 34,755,251
Construction	314,419	6,677,291	-	-	208,802	-	7,200,512
Payments of allotments/benefits	10,618,726	533,715	-	-	-	-	11,152,441
Professional and contractual services	401,249	2,701,738	-	10,780	12,392	-	3,126,159
Supplies and materials	1,041,737	943,935	-	69,762	7,678	-	2,063,112
Travel	905,416	1,173,285	-	42,468	-	-	2,121,169
Utilities	4,361,699	84,315	-	-	-	-	4,446,014
Equipment	127,948	2,940,014	-	72,999	-	-	3,140,961
Medical supplies	586,611	388,812	-	1,044,250	-	-	2,019,673
Scholarships and student loans	-	53,500	-	1,112,678	-	-	1,166,178
Investment management fees	1,765	-	825,834	10,170	41	-	837,810
Repairs and maintenance	542,467	380,919	-	15,311	7,950	-	946,647
Vehicles	40,430	62,845	-	-	-	-	103,275
Medical referrals	506,314	-	-	-	-	-	506,314
Rentals	501,903	208,997	-	11,216	-	-	722,116
Foodstuffs	664,374	87,521	-	242	-	-	752,137
Petroleum products	657,888	133,719	-	6,393	-	-	798,000
Communications and postage	560,954	82,841	-	1,999	-	-	645,794
Dues, fees and registrations	210,771	17,213	-	8,741	30	-	236,755
Machinery	40	-	-	-	-	-	40
Building	-	183,995	-	-	-	-	183,995
Indirect costs	-	144,451	-	-	-	-	144,451
Administrative costs	-	74,623	-	-	-	-	74,623
Books and library materials	242,027	450,781	-	-	-	-	692,808
Allowances	24,350	-	-	-	-	-	24,350
Compensation and stipends	246,862	264,593	-	4,795	-	-	516,250
Training	4,031	30,629	-	-	-	-	34,660
Donations	321,549	22,000	-	-	-	-	343,549
Advertising	30,878	80,411	-	16,440	-	-	127,729
Freight	46,769	5,330	-	1,002	-	-	53,101
Employee incentive awards	10,000	1,780	-	-	-	-	11,780
Representation and entertainment	5,780	-	-	-	-	-	5,780
Insurance	41,728	504	-	-	-	-	42,232
Official expenditures	38,999	-	-	-	-	-	38,999
Computer software	1,059	-	-	-	-	-	1,059
Furniture and fixtures	110,822	-	-	-	-	-	110,822
Principal retirement	-	-	-	-	-	1,600,000	1,600,000
Interest	-	-	-	-	-	571,970	571,970
Other/Miscellaneous	413,509	19,571	-	-	-	-	433,080
	<u>\$ 54,660,481</u>	<u>\$ 21,373,680</u>	<u>\$ 825,834</u>	<u>\$ 2,482,672</u>	<u>\$ 236,959</u>	<u>\$ 2,171,970</u>	<u>\$ 81,751,596</u>

See Accompanying Independent Auditors' Report.

**REPUBLIC OF PALAU
GENERAL FUND**

September 30, 2009

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.

See Accompanying Independent Auditors' Report.

REPUBLIC OF PALAU
GENERAL FUND

Schedule of Revenues
Year Ended September 30, 2009
(With comparative totals for the year ended September 30, 2008)

	<u>2009</u>	<u>2008</u>
Compact funding:		
Section 211(a)	\$ 6,000,000	\$ 6,021,096
Section 215 inflation adjustment	4,260,000	4,320,000
Total compact funding	<u>10,260,000</u>	<u>10,341,096</u>
Taxes:		
Gross receipts	9,312,124	10,406,665
Salary and wage	6,643,962	6,965,363
Alcohol and tobacco	4,501,187	5,039,713
General import	1,661,313	1,963,565
Travelers head	1,525,761	1,775,465
Hotel occupancy	2,086,704	2,134,835
Fuel Excise	574,965	911,816
Road Use	428,932	459,316
Fish export	774,074	1,128,667
Penalties, interest and delinquencies	693,479	573,485
Vessel cabin and foreign water vessel	116,217	128,910
Other	520	520
Total taxes	<u>28,319,238</u>	<u>31,488,320</u>
Licenses and permits:		
Foreign labor permits	932,021	1,159,720
Business licenses	200,127	200,379
Foreign investment permits and fees	223,480	233,517
Fishing rights fees	207,276	154,281
Corporate filing fees	28,272	53,505
Other licenses and permits	220,577	272,045
Total licenses and fees	<u>1,811,753</u>	<u>2,073,447</u>
Fees and charges:		
Airport fees and rentals	1,573,667	1,924,450
Water utility charges	649,179	669,468
Postal service	359,893	378,736
Court fines and fees	197,319	174,490
Seaport fees	42,200	65,847
Palau passport fees	76,524	112,676
Banking fees	89,260	-
Other	225,096	295,955
Total fees and charges	<u>3,213,138</u>	<u>3,621,622</u>
Net change in the fair value of investments	<u>23,776</u>	<u>26,979</u>
Contributions from component unit	<u>2,323,871</u>	<u>-</u>
Other:		
Indirect cost recoveries	118,582	142,036
Belau Mariculture Demonstration Center sales	6,249	4,902
Other	257,512	410,768
Total other	<u>382,343</u>	<u>557,706</u>
Total revenues	<u>\$ 46,334,119</u>	<u>\$ 48,109,170</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF PALAU
GENERAL FUND

Schedule of Revenues, Expenditures, and Changes in
Deficit - Budget and Actual - General Fund
Year Ended September 30, 2009

	Budget	Actual	Variance
Revenues:			
Local revenue	\$ 39,035,610	\$ 33,607,890	\$ (5,427,720)
Compact funding - Section 211(a)	6,000,000	6,000,000	-
Compact funding - Section 215 inflation adjustment	3,960,000	4,260,000	300,000
Contributions from component unit	1,377,884	2,323,871	945,987
Indirect cost recoveries	118,582	118,582	-
Net change in the fair value of investments	1,765	23,776	22,011
Total revenues	50,493,841	46,334,119	(4,159,722)
Expenditures - budgetary basis:			
Office of the President:			
President's Office	747,500	733,335	14,165
Official expense	31,541	29,635	1,906
Presidential Stipend	6,350	6,346	4
Grants Coordinator Office	78,834	78,677	157
Council of chiefs	112,500	109,701	2,799
Total Office of the President	976,725	957,694	19,031
Office of the Vice-President:			
Vice-President's Office	319,600	311,613	7,987
National Emergency Management Office	89,492	89,123	369
Total Office of the Vice-President	409,092	400,736	8,356
Ministry of Finance/Administration:			
Minister of Finance/Administration	13,500	10,611	2,889
Information Systems Support Services	207,967	209,302	(1,335)
Bureau of National Treasury	698,762	696,225	2,537
Bureau of Budget and Planning	203,557	203,557	-
Bureau of Public Service System	109,417	109,318	99
Workmen's Compensation	41,000	39,584	1,416
Bureau of Revenue, Customs and Taxation	1,160,000	1,159,474	526
Investment Management Fees	1,765	1,765	-
Indirect cost collection	118,582	78,056	40,526
Total Ministry of Finance	2,554,550	2,507,892	46,658
Ministry of State:			
Office of the Minister	34,993	34,795	198
Consulate Office in Guam	96,000	95,926	74
Embassy in Washington D.C.	296,320	295,371	949
Embassy in Tokyo, Japan	313,320	313,081	239
Embassy in Taipei, Taiwan	99,470	99,470	-
Consulate Office in Saipan, CNMI	46,100	45,145	955
Embassy in Manila, Philippines	123,800	121,573	2,227
United Nations Representation Office	225,313	225,212	101
Office of the Public Defender	165,620	158,535	7,085
Bureau of Foreign Affairs	257,733	257,687	46
Bureau of International Trade and Technical Assistance	74,329	73,875	454
Bureau of Domestic Affairs	352,945	345,502	7,443
Passport Office	39,793	39,750	43
International Organizations Obligations	200,000	199,644	356
Total Ministry of State	2,325,736	2,305,566	20,170

See Accompanying Independent Auditors' Report.

REPUBLIC OF PALAU
GENERAL FUND

Schedule of Revenues, Expenditures, and Changes in
Deficit - Budget and Actual - General Fund, Continued
Year Ended September 30, 2009

	Budget	Actual	Variance
Ministry of Community and Cultural Affairs:			
Office of the Minister	38,793	38,773	20
Palau National Archive	43,300	43,291	9
Bureau of Community Services	225,850	225,850	-
Aging Program	223,808	223,808	-
Sports Facilities Maintenance and Utilities	94,000	93,995	5
Bureau of Arts and Culture	139,242	139,242	-
Palau Severely Disabled Assistance Fund	193,000	192,995	5
Total Ministry of Community and Cultural Affairs	<u>957,993</u>	<u>957,954</u>	<u>39</u>
Ministry of Education:			
Office of the Minister	36,193	36,152	41
School Books, Supplies and Instructional Equipment	292,000	291,793	207
Bureau of Curriculum and Instruction	836,000	835,992	8
Bureau of School Administration	4,418,000	4,417,993	7
Food Services Program	596,700	596,684	16
Total Ministry of Education	<u>6,178,893</u>	<u>6,178,614</u>	<u>279</u>
Ministry of Infrastructure, Industry and Commerce			
Office of the Minister	39,793	39,308	485
Airport Operations	1,256,354	1,138,028	118,326
Bureau of Commercial Development	257,649	254,477	3,172
Palau Small Business Development Center	29,841	29,841	-
Pacific Business Center Program	20,000	20,000	-
PALARIS Office	165,832	161,331	4,501
Bureau of Public Works	1,374,265	1,321,060	53,205
Water and Sewer Operations	3,309,878	3,190,730	119,148
Rural and Sanitation Project	143,252	132,138	11,114
CIP Office Operations	149,205	147,623	1,582
Bureau of Land and Survey	847,000	835,742	11,258
OMIP and Other Grant Match	39,570	-	39,570
New Capitol Complex Electricity and Maintenance	727,600	1,169,126	(441,526) *
Landfill Operations/Solid Waste	44,835	32,271	12,564
New Capitol/Melekeok Sewer System	115,000	107,604	7,396
Bridge and Road Maintenance	270,000	250,952	19,048
Total Ministry of Infrastructure, Industry and Commerce	<u>8,790,074</u>	<u>8,830,231</u>	<u>(40,157)</u>
Ministry of Justice:			
Office of the Minister	25,093	25,068	25
Office of the Attorney General	467,333	460,025	7,308
Bureau of Immigration	293,942	293,372	570
Bureau of Public Safety	2,448,655	2,400,006	48,649
Patrol Boat Operations	727,970	919,582	(191,612) **
Total Ministry of Justice	<u>3,962,993</u>	<u>4,098,053</u>	<u>(135,060)</u>
Ministry of Health:			
Office of the Minister	34,993	34,561	432
Bureau of Public Health	1,217,087	1,216,887	200
Office of Health Services Administration	2,260,992	2,190,435	70,557
Manila Medical Referral Office	87,823	86,933	890
Hawaii Medical Referral Office	124,564	122,662	1,902
Medical Supplies and Drugs	393,000	381,363	11,637
Medical Referrals	540,000	536,860	3,140
Bureau of Hospital and Clinical Services	2,890,842	2,882,704	8,138
Administration cost	74,623	69,268	5,355
Total Ministry of Health	<u>7,623,924</u>	<u>7,521,673</u>	<u>102,251</u>

* - Balance of Capitol electricity expenditures exceeded budget because the cost of electricity exceeded the authorized budget. The Executive plans to address this issue with the National Congress.

** -The Patrol Boat operations was funded by the 2008 Budget Act in which the funds lapsed at 9/30/08. Due to delay in services, costs were incurred in 2009.

See Accompanying Independent Auditors' Report.

REPUBLIC OF PALAU
GENERAL FUND

Schedule of Revenues, Expenditures, and Changes in
Deficit - Budget and Actual - General Fund, Continued
Year Ended September 30, 2009

	Budget	Actual	Variance
Ministry of Natural Resources, Environment, and Tourism:			
Office of the Minister	40,793	39,973	820
Bureau of Agriculture	422,801	422,640	161
Bureau of Marine Resources	506,571	501,727	4,844
Bureau of Labor and Human Resources	288,910	279,051	9,859
Protected Areas Network (PAN)	49,735	49,479	256
Total Ministry of Natural Resources, Environment, and Tourism	<u>1,308,810</u>	<u>1,292,870</u>	<u>15,940</u>
Total Executive Branch	<u>35,088,790</u>	<u>35,051,283</u>	<u>37,507</u>
Boards, Commissions and Authorities:			
Foreign Investment Board	80,623	70,132	10,491
Palau Election Commission	228,740	193,649	35,091
Palau Code Commission	44,872	44,850	22
Palau Public Lands Authority	145,905	136,870	9,035
Parole Board	25,152	14,686	10,466
Palau Housing Authority	71,845	67,000	4,845
Ethics Commission	40,362	35,418	4,944
Financial Institutions Commission	226,292	134,062	92,230
Ngardmau FTZ Commission	20,000	20,000	-
Total Boards, Commissions and Authorities	<u>883,791</u>	<u>716,667</u>	<u>167,124</u>
Judicial Branch:			
Judiciary	<u>2,219,000</u>	<u>2,208,860</u>	<u>10,140</u>
Total Judicial Branch	<u>2,219,000</u>	<u>2,208,860</u>	<u>10,140</u>
Legislative Branch:			
Senate	1,595,000	1,546,327	48,673
Senate Legal Counsel	170,000	152,369	17,631
House of Delegates	1,778,000	1,773,160	4,840
House Legal Counsel	185,000	179,452	5,548
Joint Staff	225,000	224,105	895
Inter-Parliamentary Union/Asia-Pacific Parliamentary Union	20,000	20,000	-
Association of Pacific Island Legislatures (APIL)	10,000	10,000	-
Total Legislative Branch	<u>3,983,000</u>	<u>3,905,413</u>	<u>77,587</u>
State Block Grants	<u>4,811,000</u>	<u>4,811,000</u>	<u>-</u>
Independent Agencies:			
Office of the Public Auditor	336,765	321,530	15,235
Office of the Special Prosecutor	270,707	205,977	64,730
Palau Environmental Quality Protection Board (EQPB)	371,880	368,008	3,872
National Postal Service	284,190	283,808	382
Palau Visitors Authority	725,000	725,000	-
National Aviation Administration	134,305	132,493	1,812
Total Independent Agencies	<u>2,122,847</u>	<u>2,036,816</u>	<u>86,031</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF PALAU
GENERAL FUND

Schedule of Revenues, Expenditures, and Changes in
Deficit - Budget and Actual - General Fund, Continued
Year Ended September 30, 2009

	Budget	Actual	Variance
Other Agencies and Activities:			
Palau National Museum	184,120	182,667	1,453
Micronesian Legal Services	129,311	129,311	-
Palau Community Action Agency	246,532	246,532	-
Palau Headstart Program	115,000	115,000	-
WIA Grant Contribution	99,770	99,770	-
Civic Action Team Share	250,000	250,000	-
Peace Corps Contribution	25,000	17,791	7,209
Palau International Coral Reef Center	425,000	425,000	-
Palau National Olympic Committee and Sports Organization	139,205	138,943	262
Red Cross	10,000	10,000	-
Inauguration	150,000	150,000	-
Others	506,940	423,116	83,824
Total Other Agencies and Activities	<u>2,280,878</u>	<u>2,188,130</u>	<u>92,748</u>
PSB Investigation	225,518	119,193	106,325
Compact Review Fund	778,610	488,202	290,408
Household Income Survey	46,000	43,947	2,053
Education Assistance:			
Palau Community College	2,242,730	2,242,730	-
PCC CRE Program	39,000	39,000	-
PCC Board of Trustees	43,880	43,880	-
COM Board of Regents	24,378	24,378	-
Aid to Non-Public Schools	607,619	607,619	-
Total Education Assistance	<u>2,957,607</u>	<u>2,957,607</u>	<u>-</u>
Total expenditures	<u>55,397,041</u>	<u>54,527,118</u>	<u>869,923</u>
Deficiency of revenues under expenditures	<u>(4,903,200)</u>	<u>(8,192,999)</u>	<u>(3,289,799)</u>
Other financing sources (uses):			
Operating transfers in:			
Compact Section 211(f) Trust Fund	5,000,000	5,000,000	-
Compact Section 211(c) Communications Fund	249,000	249,000	-
Compact Section 211(d) Maritime, Health and Scholarship Fund	631,000	631,000	-
Compact Section 221(b) Special Block Grants Fund	2,000,000	2,000,000	-
Total other financing sources	<u>7,880,000</u>	<u>7,880,000</u>	<u>-</u>
Operating transfers out:			
Debt Service Fund	(2,782,558)	(2,171,970)	610,588
National Scholarship Fund	(1,273,943)	(1,268,943)	5,000
Other Grants Fund	(50,000)	(50,000)	-
Total other financing uses	<u>(4,106,501)</u>	<u>(3,490,913)</u>	<u>615,588</u>
Total other financing sources (uses), net	<u>3,773,499</u>	<u>4,389,087</u>	<u>615,588</u>
Deficiency of revenues and other financing sources under expenditures and other financing uses	<u>(1,129,701)</u>	<u>(3,803,912)</u>	<u>(2,674,211)</u>
Other changes in deficit:			
Increase in reserve for continuing appropriations	1,129,701	(166,831)	(1,296,532)
Decrease in reserve for related assets	-	218,310	218,310
Unreserved deficit at the beginning of the year	<u>(9,116,003)</u>	<u>(9,116,003)</u>	<u>-</u>
Unreserved deficit at the end of the year	<u>\$ (9,116,003)</u>	<u>\$ (12,868,436)</u>	<u>\$ (3,752,433)</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF PALAU
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

September 30, 2009

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.

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

EOPB 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).

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).

See Accompanying Independent Auditors' Report.

REPUBLIC OF PALAU
 Combined Balance Sheet
 Nonmajor Governmental Funds
 September 30, 2009

	Other Special Revenue	Other Capital Projects	Other Debt Service	Total
<u>ASSETS</u>				
Investments	\$ 2,667,046	\$ 115,174	\$ -	\$ 2,782,220
Investments - restricted	3,000,000	-	-	3,000,000
Receivables, net:				
General	-	9,581	-	9,581
Accrued interest	18,769	-	-	18,769
Due from other funds	2,057,483	1,967,768	-	4,025,251
Prepaid items	34,348	-	-	34,348
Advances	302	-	-	302
Total assets	\$ 7,777,948	\$ 2,092,523	\$ -	\$ 9,870,471
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 347,787	\$ 645	\$ -	\$ 348,432
Deferred revenue	-	180,453	-	180,453
Other liabilities and accruals	612	-	-	612
Due to other funds	4,709	-	-	4,709
Total liabilities	353,108	181,098	-	534,206
Fund balances:				
Reserved for:				
Continuing appropriations	-	1,713,112	-	1,713,112
Related assets	3,005,000	-	-	3,005,000
Encumbrances	382,142	-	-	382,142
Unreserved:				
Special revenue funds	4,037,698	-	-	4,037,698
Capital projects funds	-	198,313	-	198,313
Total fund balances	7,424,840	1,911,425	-	9,336,265
Total liabilities and fund balances	\$ 7,777,948	\$ 2,092,523	\$ -	\$ 9,870,471

See Accompanying Independent Auditors' Report.

REPUBLIC OF PALAU

Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended September 30, 2009

	<u>Other Special Revenue</u>	<u>Other Capital Projects</u>	<u>Other Debt Service</u>	<u>Total</u>
Revenues:				
Compact funding	\$ 2,887,500	\$ -	\$ -	\$ 2,887,500
Fees and charges	1,743,251	-	-	1,743,251
Net change in the fair value of investments	(120,645)	10,124	-	(110,521)
Other	108,014	-	-	108,014
Total revenues	<u>4,618,120</u>	<u>10,124</u>	<u>-</u>	<u>4,628,244</u>
Expenditures:				
Current:				
Ministry of Health	1,242,894	-	-	1,242,894
Ministry of Justice	32,775	-	-	32,775
Investment management fees	10,170	-	-	10,170
Education assistance	1,189,868	-	-	1,189,868
Other	6,965	-	-	6,965
Capital projects	-	236,959	-	236,959
Debt service:				
Principal retirement	-	-	1,600,000	1,600,000
Interest	-	-	571,970	571,970
Total expenditures	<u>2,482,672</u>	<u>236,959</u>	<u>2,171,970</u>	<u>4,891,601</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,135,448</u>	<u>(226,835)</u>	<u>(2,171,970)</u>	<u>(263,357)</u>
Other financing sources (uses), net:				
Operating transfers in	1,268,943	-	2,171,970	3,440,913
Operating transfers out	(2,880,000)	-	-	(2,880,000)
Total other financing sources (uses), net	<u>(1,611,057)</u>	<u>-</u>	<u>2,171,970</u>	<u>560,913</u>
Net change in fund balances	524,391	(226,835)	-	297,556
Fund balances at the beginning of the year	6,900,449	2,138,260	-	9,038,709
Fund balances at the end of the year	<u>\$ 7,424,840</u>	<u>\$ 1,911,425</u>	<u>\$ -</u>	<u>\$ 9,336,265</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF PALAU
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS

Combining Balance Sheet
September 30, 2009

	Palauan Ed Textbook Development and Sales	Public and Law Access Unit	Drug Fine Collection	Sports Facilities Trust	Scholarship	Hospital Trust	EQPB Trust	Agrifund
ASSETS								
Investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments - restricted	-	-	-	-	-	-	-	-
Receivables, net:								
Accrued interest	-	-	-	-	-	-	-	-
Due from other funds	21,178	100,374	5,292	1,524	311,542	1,369,530	92,495	-
Advances	-	-	302	-	-	-	-	-
Prepaid items	-	-	-	-	-	34,348	-	-
Total assets	<u>\$ 21,178</u>	<u>\$ 100,374</u>	<u>\$ 5,594</u>	<u>\$ 1,524</u>	<u>\$ 311,542</u>	<u>\$ 1,403,878</u>	<u>\$ 92,495</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES								
(DEFICITS)								
Liabilities:								
Accounts payable	\$ -	\$ 125	\$ 908	\$ -	\$ 11,580	\$ 328,331	\$ 922	\$ -
Other liabilities and accruals	-	-	-	-	612	-	-	-
Due to other funds	-	-	-	-	-	-	-	4,709
Total liabilities	<u>-</u>	<u>125</u>	<u>908</u>	<u>-</u>	<u>12,192</u>	<u>328,331</u>	<u>922</u>	<u>4,709</u>
Fund balances (deficit):								
Reserved for:								
Related assets	-	-	-	-	-	5,000	-	-
Encumbrances	-	-	335	-	3,256	378,551	-	-
Unreserved (deficit)	<u>21,178</u>	<u>100,249</u>	<u>4,351</u>	<u>1,524</u>	<u>296,094</u>	<u>691,996</u>	<u>91,573</u>	<u>(4,709)</u>
Total fund balances (deficit)	<u>21,178</u>	<u>100,249</u>	<u>4,686</u>	<u>1,524</u>	<u>299,350</u>	<u>1,075,547</u>	<u>91,573</u>	<u>(4,709)</u>
Total liabilities and fund balances	<u>\$ 21,178</u>	<u>\$ 100,374</u>	<u>\$ 5,594</u>	<u>\$ 1,524</u>	<u>\$ 311,542</u>	<u>\$ 1,403,878</u>	<u>\$ 92,495</u>	<u>\$ -</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF PALAU
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS

Combining Balance Sheet, Continued
September 30, 2009

	Operator License	Compact Section 211(b) Energy	Compact Section 211(c) Communications	Compact Section 211(d) Maritime, Health and Scholarship	Compact Section 211(e) Maritime	Compact Section 213 Defense	Compact Section 221(b) Special Block Grants	Total
<u>ASSETS</u>								
Investments	\$ -	\$ 147,988	\$ 92,002	\$ 49,624	\$ 447,840	\$ 1,715,247	\$ 214,345	\$ 2,667,046
Investments - restricted	-	3,000,000	-	-	-	-	-	3,000,000
Receivables, net:								
Accrued interest	-	-	-	-	-	18,769	-	18,769
Due from other funds	140,548	-	15,000	-	-	-	-	2,057,483
Advances	-	-	-	-	-	-	-	302
Prepaid items	-	-	-	-	-	-	-	34,348
Total assets	<u>\$ 140,548</u>	<u>\$ 3,147,988</u>	<u>\$ 107,002</u>	<u>\$ 49,624</u>	<u>\$ 447,840</u>	<u>\$ 1,734,016</u>	<u>\$ 214,345</u>	<u>\$ 7,777,948</u>
<u>LIABILITIES AND FUND BALANCES</u>								
<u>(DEFICITS)</u>								
Liabilities:								
Accounts payable	\$ 5,921	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 347,787
Other liabilities and accruals	-	-	-	-	-	-	-	612
Due to other funds	-	-	-	-	-	-	-	4,709
Total liabilities	<u>5,921</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>353,108</u>
Fund balances (deficit):								
Reserved for:								
Related assets	-	3,000,000	-	-	-	-	-	3,005,000
Encumbrances	-	-	-	-	-	-	-	382,142
Unreserved (deficit)	<u>134,627</u>	<u>147,988</u>	<u>107,002</u>	<u>49,624</u>	<u>447,840</u>	<u>1,734,016</u>	<u>214,345</u>	<u>4,037,698</u>
Total fund balances (deficit)	<u>134,627</u>	<u>3,147,988</u>	<u>107,002</u>	<u>49,624</u>	<u>447,840</u>	<u>1,734,016</u>	<u>214,345</u>	<u>7,424,840</u>
Total liabilities and fund balances	<u>\$ 140,548</u>	<u>\$ 3,147,988</u>	<u>\$ 107,002</u>	<u>\$ 49,624</u>	<u>\$ 447,840</u>	<u>\$ 1,734,016</u>	<u>\$ 214,345</u>	<u>\$ 7,777,948</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF PALAU
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits)
Year Ended September 30, 2009

	Palauan Ed Textbook Development and Sales	Public and Law Access Unit	Drug Fine Collection	Sports Facilities Trust	Scholarship	Hospital Trust	EQPB Trust	Agrifund
Revenues:								
Compact funding	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fees and charges	-	22,383	5,856	-	-	1,662,485	17,883	-
Net change in the fair value of investments	-	-	-	-	-	-	-	-
Other	150	-	-	-	107,864	-	-	-
Total revenues	150	22,383	5,856	-	107,864	1,662,485	17,883	-
Expenditures:								
Ministry of Health	-	-	-	-	-	1,242,894	-	-
Ministry of Justice	-	-	1,560	-	-	-	-	-
Investment management fees	-	-	-	-	-	-	-	-
Education assistance	-	-	-	-	1,189,868	-	-	-
Other	-	5,244	-	-	-	-	1,721	-
Total expenditures	-	5,244	1,560	-	1,189,868	1,242,894	1,721	-
Excess (deficiency) of revenues over (under) expenditures	150	17,139	4,296	-	(1,082,004)	419,591	16,162	-
Other financing sources (uses):								
Operating transfers in	-	-	-	-	1,268,943	-	-	-
Operating transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses), net	-	-	-	-	1,268,943	-	-	-
Net change in fund balances (deficits)	150	17,139	4,296	-	186,939	419,591	16,162	-
Fund balances (deficits) at the beginning of the year	21,028	83,110	390	1,524	112,411	655,956	75,411	(4,709)
Fund balances (deficits) at the end of the year	\$ 21,178	\$ 100,249	\$ 4,686	\$ 1,524	\$ 299,350	\$ 1,075,547	\$ 91,573	\$ (4,709)

See Accompanying Independent Auditors' Report.

REPUBLIC OF PALAU
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits), Continued
Year Ended September 30, 2009

	Operator License Fund	Compact Section 211(b) Energy	Compact Section 211(c) Communications	Compact Section 211(d) Maritime, Health and Scholarship	Compact Section 211(e) Maritime	Compact Section 213 Defense	Compact Section 221(b) Special Block Grants	Total
Revenues:								
Compact funding	\$ -	\$ -	\$ 256,500	\$ 631,000	\$ -	\$ -	\$ 2,000,000	\$ 2,887,500
Fees and charges	34,644	-	-	-	-	-	-	1,743,251
Net change in the fair value of investments	-	22,068	1,017	929	2,404	(149,299)	2,236	(120,645)
Other	-	-	-	-	-	-	-	108,014
Total revenues	34,644	22,068	257,517	631,929	2,404	(149,299)	2,002,236	4,618,120
Expenditures:								
Ministry of Health	-	-	-	-	-	-	-	1,242,894
Ministry of Justice	31,215	-	-	-	-	-	-	32,775
Investment management fees	-	1,494	89	67	158	8,198	164	10,170
Education assistance	-	-	-	-	-	-	-	1,189,868
Other	-	-	-	-	-	-	-	6,965
Total expenditures	31,215	1,494	89	67	158	8,198	164	2,482,672
Excess (deficiency) of revenues over (under) expenditures	3,429	20,574	257,428	631,862	2,246	(157,497)	2,002,072	2,135,448
Other financing sources (uses):								
Operating transfers in	-	-	-	-	-	-	-	1,268,943
Operating transfers out	-	-	(249,000)	(631,000)	-	-	(2,000,000)	(2,880,000)
Total other financing sources (uses), net	-	-	(249,000)	(631,000)	-	-	(2,000,000)	(1,611,057)
Net change in fund balances (deficits)	3,429	20,574	8,428	862	2,246	(157,497)	2,072	524,391
Fund balances (deficits) at the beginning of the year	131,198	3,127,414	98,574	48,762	445,594	1,891,513	212,273	6,900,449
Fund balances (deficits) at the end of the year	<u>\$ 134,627</u>	<u>\$ 3,147,988</u>	<u>\$ 107,002</u>	<u>\$ 49,624</u>	<u>\$ 447,840</u>	<u>\$ 1,734,016</u>	<u>\$ 214,345</u>	<u>\$ 7,424,840</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF PALAU
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS

September 30, 2009

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds. The general purpose financial statements reflect the balances and activity of the four capital projects funds of the Republic as described below:

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.

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.

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
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS FUNDS

Combining Balance Sheet
September 30, 2009

	DOI Capital Projects	Local Capital Projects	Compact Section 212(b) Capital Account	Total
<u>ASSETS</u>				
Investments	\$ -	\$ -	\$ 115,174	\$ 115,174
Receivables, net:				
General	-	9,581	-	9,581
Due from other funds	<u>263,617</u>	<u>1,704,151</u>	<u>-</u>	<u>1,967,768</u>
Total assets	<u>\$ 263,617</u>	<u>\$ 1,713,732</u>	<u>\$ 115,174</u>	<u>\$ 2,092,523</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 25	\$ 620	\$ -	\$ 645
Deferred revenue	<u>180,453</u>	<u>-</u>	<u>-</u>	<u>180,453</u>
Total liabilities	<u>180,478</u>	<u>620</u>	<u>-</u>	<u>181,098</u>
Fund balances:				
Reserved for:				
Continuing appropriations	-	1,713,112	-	1,713,112
Unreserved	<u>83,139</u>	<u>-</u>	<u>115,174</u>	<u>198,313</u>
Total fund balances	<u>83,139</u>	<u>1,713,112</u>	<u>115,174</u>	<u>1,911,425</u>
Total liabilities and fund balances	<u>\$ 263,617</u>	<u>\$ 1,713,732</u>	<u>\$ 115,174</u>	<u>\$ 2,092,523</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF PALAU
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS FUNDS

Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Year Ended September 30, 2009

	<u>DOI Capital Projects</u>	<u>Local Capital Projects</u>	<u>Compact Section 212(b) Capital Account</u>	<u>Total</u>
Revenues:				
Net change in the fair value of investments	\$ -	\$ 9,583	\$ 541	\$ 10,124
Total revenues	<u>-</u>	<u>9,583</u>	<u>541</u>	<u>10,124</u>
Expenditures:				
Capital projects	<u>-</u>	<u>236,918</u>	<u>41</u>	<u>236,959</u>
Total expenditures	<u>-</u>	<u>236,918</u>	<u>41</u>	<u>236,959</u>
Net change in fund balances	-	(227,335)	500	(226,835)
Fund balances at the beginning of the year	<u>83,139</u>	<u>1,940,447</u>	<u>114,674</u>	<u>2,138,260</u>
Fund balances at the end of the year	<u>\$ 83,139</u>	<u>\$ 1,713,112</u>	<u>\$ 115,174</u>	<u>\$ 1,911,425</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF PALAU
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUND

September 30, 2009

The Debt Service Fund accounts for the accumulation of resources, principally transfers from the General Fund for the payment of long-term debt principal and interest.

See Accompanying Independent Auditors' Report.

REPUBLIC OF PALAU

Combined Balance Sheet
Grants Fund
September 30, 2009

	U.S. Federal Grants	Other Country Grants	Non-DOI Capital Projects	Other Grants	OTIA Direct Grants	Total
<u>ASSETS</u>						
Receivables, net:						
General	\$ 1,277	\$ -	\$ -	\$ -	\$ -	\$ 1,277
Federal agencies	1,801,956	-	189,256	-	416,794	2,408,006
Due from other funds	-	1,569,209	29,857	832,082	-	2,431,148
Advances	123,382	1,850	758	64,412	4,431	194,833
Prepaid items	470,782	-	-	17,657	30	488,469
Total assets	<u>\$ 2,397,397</u>	<u>\$ 1,571,059</u>	<u>\$ 219,871</u>	<u>\$ 914,151</u>	<u>\$ 421,255</u>	<u>\$ 5,523,733</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable	\$ 743,933	\$ -	\$ -	\$ 232,388	\$ 51,771	\$ 1,028,092
Contract payable	84,589	651,243	217,959	-	-	953,791
Due to state governments	-	102,150	-	-	-	102,150
Due to component units	-	-	-	-	130,663	130,663
Deferred revenues	-	815,784	-	679,750	-	1,495,534
Other liabilities and accruals	41,688	1,882	291	2,013	-	45,874
Due to other funds	1,527,187	-	-	-	221,017	1,748,204
Total liabilities	<u>2,397,397</u>	<u>1,571,059</u>	<u>218,250</u>	<u>914,151</u>	<u>403,451</u>	<u>5,504,308</u>
Fund balances:						
Reserved for:						
Related assets	222,008	-	-	11,940	30	233,978
Encumbrances	1,132,483	9,772,849	5,443,967	90,119	209,107	16,648,525
Unreserved (deficits):						
Special revenue funds	(1,354,491)	(9,772,849)	(5,442,346)	(102,059)	(191,333)	(16,863,078)
Total fund balances	<u>-</u>	<u>-</u>	<u>1,621</u>	<u>-</u>	<u>17,804</u>	<u>19,425</u>
Total liabilities and fund balances	<u>\$ 2,397,397</u>	<u>\$ 1,571,059</u>	<u>\$ 219,871</u>	<u>\$ 914,151</u>	<u>\$ 421,255</u>	<u>\$ 5,523,733</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF PALAU

Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances
Grants Fund
Year Ended September 30, 2009

	U.S. Federal Grants	Other Country Grants	Non-DOI Capital Projects	Other Grants	OTIA Direct Grants	Total
Revenues:						
Federal contributions	\$ 8,125,743	\$ -	\$ 4,309,960	\$ -	\$ 578,346	\$ 13,014,049
Other grants	-	6,672,964	-	1,636,667	-	8,309,631
Total revenues	8,125,743	6,672,964	4,309,960	1,636,667	578,346	21,323,680
Expenditures:						
Ministry of Health	4,321,910	-	-	36,507	30,762	4,389,179
Ministry of Education	2,714,429	-	-	379,819	-	3,094,248
Ministry of Finance	-	-	-	263,219	44,000	307,219
Ministry of Infrastructure, Industry and Commerce	586,650	-	-	376,035	33,918	996,603
Ministry of Natural Resources, environment and tou	-	-	-	146,784	-	146,784
Ministry of State	-	-	-	134,392	-	134,392
Ministry of Justice	-	-	-	15,878	-	15,878
Legislative Branch	-	-	-	21,719	-	21,719
Office of the President	502,754	-	-	76,381	-	579,135
Office of the Vice-President	-	-	-	320	-	320
Office of the Public Auditor	-	-	-	-	421,871	421,871
Other	-	-	-	185,613	97,795	283,408
Capital projects	-	6,672,964	4,309,960	-	-	10,982,924
Total expenditures	8,125,743	6,672,964	4,309,960	1,636,667	628,346	21,373,680
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	(50,000)	(50,000)
Other financing sources (uses):						
Operating transfers in	-	-	-	-	50,000	50,000
Total other financing sources	-	-	-	-	50,000	50,000
Net change in fund balances	-	-	-	-	-	-
Fund balances at the beginning of the year	-	-	1,621	-	17,804	19,425
Fund balances at the end of the year	\$ -	\$ -	\$ 1,621	\$ -	\$ 17,804	\$ 19,425

See Accompanying Independent Auditors' Report.

REPUBLIC OF PALAU
SPECIAL REVENUE FUNDS

Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Compact Section 211(b) - Energy Fund
Year Ended September 30, 2009

	Fiscal Year 2009 Budget	Continuing Appropriation	Total Available Budget	Actual	Variance
Revenues:					
Net change in the fair value of investments	\$ -	\$ -	\$ -	\$ 22,068	\$ 22,068
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,068</u>	<u>22,068</u>
Expenditures:					
Investment management fees	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,494</u>	<u>(1,494)</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,494</u>	<u>(1,494)</u>
Net change in unreserved fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,574</u>	<u>20,574</u>
Unreserved fund balance at the beginning of the year	<u>127,414</u>	<u>-</u>	<u>127,414</u>	<u>127,414</u>	<u>-</u>
Unreserved fund balance at the end of the year	<u>\$ 127,414</u>	<u>\$ -</u>	<u>\$ 127,414</u>	<u>\$ 147,988</u>	<u>\$ 20,574</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF PALAU
SPECIAL REVENUE FUNDS

Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Compact Section 211(c) - Communications Fund
Year Ended September 30, 2009

	Fiscal Year 2009 Budget	Continuing Appropriation	Total Available Budget	Actual	Variance
Revenues:					
Compact funding	\$ 249,000	\$ -	\$ 249,000	\$ 256,500	\$ 7,500
Net change in the fair value of investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,017</u>	<u>1,017</u>
Total revenues	<u>249,000</u>	<u>-</u>	<u>249,000</u>	<u>257,517</u>	<u>8,517</u>
Expenditures:					
Investment management fees	<u>-</u>	<u>-</u>	<u>-</u>	<u>89</u>	<u>(89)</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>89</u>	<u>(89)</u>
Excess of revenues over expenditures	<u>249,000</u>	<u>-</u>	<u>249,000</u>	<u>257,428</u>	<u>8,428</u>
Other financing uses:					
Transfers to General Fund	<u>(249,000)</u>	<u>-</u>	<u>(249,000)</u>	<u>(249,000)</u>	<u>-</u>
Total other financing sources (uses), net	<u>(249,000)</u>	<u>-</u>	<u>(249,000)</u>	<u>(249,000)</u>	<u>-</u>
Net change in unreserved fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,428</u>	<u>8,428</u>
Unreserved fund balance at the beginning of the year	<u>98,574</u>	<u>-</u>	<u>98,574</u>	<u>98,574</u>	<u>-</u>
Unreserved fund balance at the end of the year	<u>\$ 98,574</u>	<u>\$ -</u>	<u>\$ 98,574</u>	<u>\$ 107,002</u>	<u>\$ 8,428</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF PALAU
SPECIAL REVENUE FUNDS

Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual - Compact Section 211(d) -
Maritime, Health and Scholarship Fund
Year Ended September 30, 2009

	Fiscal Year 2009 Budget	Continuing Appropriation	Total Available Budget	Actual	Variance
Revenues:					
Compact funding	\$ 631,000	\$ -	\$ 631,000	\$ 631,000	\$ -
Net change in the fair value of investments	-	-	-	929	929
Total revenues	<u>631,000</u>	<u>-</u>	<u>631,000</u>	<u>631,929</u>	<u>929</u>
Expenditures:					
Investment management fees	-	-	-	67	(67)
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>67</u>	<u>(67)</u>
Excess of revenue over expenditures	<u>631,000</u>	<u>-</u>	<u>631,000</u>	<u>631,862</u>	<u>862</u>
Other financing uses:					
Transfers to General Fund	<u>(631,000)</u>	<u>-</u>	<u>(631,000)</u>	<u>(631,000)</u>	<u>-</u>
Net change in unreserved fund balance	-	-	-	862	862
Unreserved fund balance at the beginning of the year	<u>48,762</u>	<u>-</u>	<u>48,762</u>	<u>48,762</u>	<u>-</u>
Unreserved fund balance at the end of the year	<u>\$ 48,762</u>	<u>\$ -</u>	<u>\$ 48,762</u>	<u>\$ 49,624</u>	<u>\$ 862</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF PALAU
SPECIAL REVENUE FUNDS

Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Compact Section 211(e) - Maritime Fund
Year Ended September 30, 2009

	Fiscal Year 2009 Budget	Continuing Appropriation	Total Available Budget	Actual	Variance
Revenues:					
Net change in the fair value of investments	\$ -	\$ -	\$ -	\$ 2,404	\$ 2,404
Total revenues	-	-	-	2,404	2,404
Expenditures:					
Investment management fees	-	-	-	158	(158)
Total expenditures	-	-	-	158	(158)
Net change in unreserved fund balance	-	-	-	2,246	2,246
Unreserved fund balance at the beginning of the year	445,594	-	445,594	445,594	-
Unreserved fund balance at the end of the year	<u>\$ 445,594</u>	<u>\$ -</u>	<u>\$ 445,594</u>	<u>\$ 447,840</u>	<u>\$ 2,246</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF PALAU
SPECIAL REVENUE FUNDS

Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Compact Section 213 - Defense
Year Ended September 30, 2009

	Fiscal Year 2009 Budget	Continuing Appropriation	Total Available Budget	Actual	Variance
Revenues:					
Net change in the fair value of investments	\$ -	\$ -	\$ -	\$ (149,299)	\$ (149,299)
Total revenues	-	-	-	(149,299)	(149,299)
Expenditures:					
Investment management fees	-	-	-	8,198	(8,198)
Total expenditures	-	-	-	8,198	(8,198)
Net change in unreserved fund balance	-	-	-	(157,497)	(157,497)
Unreserved fund balance at the beginning of the year	1,891,513	-	1,891,513	1,891,513	-
Unreserved fund balance at the end of the year	<u>\$ 1,891,513</u>	<u>\$ -</u>	<u>\$ 1,891,513</u>	<u>\$ 1,734,016</u>	<u>\$ (157,497)</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF PALAU
SPECIAL REVENUE FUNDS

Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Compact Section 221(b) - Special Block Grants
Year Ended September 30, 2009

	Fiscal Year 2009 Budget	Continuing Appropriation	Total Available Budget	Actual	Variance
Revenues:					
Compact funding	\$ 2,000,000	\$ -	\$ 2,000,000	\$ 2,000,000	\$ -
Net increase in the fair value of investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,236</u>	<u>2,236</u>
Total revenues	<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>	<u>2,002,236</u>	<u>2,236</u>
Expenditures:					
Investment management fees	<u>-</u>	<u>-</u>	<u>-</u>	<u>164</u>	<u>164</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>164</u>	<u>164</u>
Excess of revenues over expenditures	<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>	<u>2,002,072</u>	<u>2,072</u>
Other financing uses:					
Transfers to General Fund	<u>(2,000,000)</u>	<u>-</u>	<u>(2,000,000)</u>	<u>(2,000,000)</u>	<u>-</u>
Net change in unreserved fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,072</u>	<u>2,072</u>
Unreserved fund balance at the beginning of the year	<u>212,273</u>	<u>-</u>	<u>212,273</u>	<u>212,273</u>	<u>-</u>
Unreserved fund balance at the end of the year	<u>\$ 212,273</u>	<u>\$ -</u>	<u>\$ 212,273</u>	<u>\$ 214,345</u>	<u>\$ 2,072</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF PALAU
CAPITAL PROJECTS FUNDS

Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual - Compact Section 212(b) - Capital Account
Year Ended September 30, 2009

	Fiscal Year 2009 Budget	Continuing Appropriation	Total Available Budget	Actual	Variance
Revenues:					
Net change in the fair value of investments	\$ -	\$ -	\$ -	\$ 541	\$ 541
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>541</u>	<u>541</u>
Expenditures:					
Investment management fees	<u>-</u>	<u>-</u>	<u>-</u>	<u>41</u>	<u>(41)</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>41</u>	<u>(41)</u>
Net change in unreserved fund balance	-	-	-	500	582
Unreserved fund balance at beginning of year	<u>114,674</u>	<u>-</u>	<u>114,674</u>	<u>114,674</u>	<u>-</u>
Unreserved fund balance at end of year	<u>\$ 114,674</u>	<u>\$ -</u>	<u>\$ 114,674</u>	<u>\$ 115,174</u>	<u>\$ 582</u>

See Accompanying Independent Auditors' Report.

REPUBLIC OF PALAU
OTHER GRANTS FUND

Schedule of Expenditures of Other Grants
Year Ended September 30, 2009

Fund 360100 Grantor Account Title	Cost Center	Authorization	Receivable from Grantor (Deferred Revenue) at 10/01/08	(Revenues) Cash Receipts FY 2009	Expenditures FY 2009	Receivable from Grantor (Deferred Revenue) at 9/30/09
<u>UNFPA Grant</u>						
UNFPA FY 1996	H63920	57,889	1,058	-	-	1,058
<u>UN Pop Education Program</u>						
UN Pop Education Program 1995	E53921	22,940	(1,188)	-	-	(1,188)
Population Education Grants 1996	E63921	27,295	(1,894)	-	-	(1,894)
Population Education Grants 1998	E83921	9,180	(7,239)	-	-	(7,239)
UNFPA - Census Relates 1996	S63921	16,000	(606)	-	-	(606)
Total UN Pop Education Program		75,415	(10,927)	-	-	(10,927)
<u>UNCCD Grant Committee</u>						
Solar Energy MGMT Demo	A83923	90,000	2,000	36,000	29,000	(5,000)
UNCCD Gran Committee	S03923	22,950	(4,851)	-	-	(4,851)
Total UNCCD		112,950	(2,851)	36,000	29,000	(9,851)
<u>UNESCO-PALAU PUBLIC LIBRARY</u>						
Unesco-Pal Public Library	E33924	15,000	(546)	-	-	(546)
<u>WHO APW HEALTH CAREER TRNG</u>						
WHO APW HLTH CAREER TRNG	H43927	32,250	(958)	-	-	(958)
WHO APW HLTH CAREER TRNG	H63927	15,200	(5,488)	-	4,658	(830)
HRD PROGRAMS	H9WHO1	16,000	-	16,000	4,625	(11,375)
QA PROGRAMS	H9WHO2	9,000	-	9,000	-	(9,000)
BHCS STRATEGIC PLAN	H9WHO3	14,000	-	14,000	4,352	(9,648)
BPHS STRATEGIC PLAN	H9WHO4	24,000	-	24,000	-	(24,000)
TOBACCO	H9WHO5	3,000	-	3,000	-	(3,000)
WHO HEALTHY WORK PLACE	H9WHO6	7,000	-	7,000	-	(7,000)
WHO INJURY PREVENTION	H9WHO7	12,500	-	12,500	-	(12,500)
POLHN	H9WHO8	26,000	-	26,000	-	(26,000)
Total WHO APW health Career Trng		158,950	(6,446)	111,500	13,635	(104,311)
<u>UNDP Public Sector Program</u>						
UNDP Public Sector Program	A73929	447,642	9,961	-	-	9,961
PAL Capacity Dev for NPP	F83929	45,000	(4,766)	24,850	25,592	(4,024)
UN DEVEL PROGRAMME (UNDP)	F53929	161,000	142,686	29,240	19,664	133,110
Total UNDP		653,642	147,881	54,090	45,256	139,047
<u>Climate Change (UN) GET</u>						
National Biodiversity Plan	A23930	330,000	(11,870)	-	-	(11,870)
Climate Change Interim	A43930	15,000	(313)	-	-	(313)
2ND National Comm. UNFCCC	A63930	405,000	94,594	51,000	75,316	118,910
PAC ADAPT TO CLIMATE CHNG	A93930	800,000	-	10,000	30	(9,970)
Total Climate Change (UN) GET		1,550,000	82,411	61,000	75,346	96,757
<u>National Biosafety Framework</u>						
National Biosafety Framework	A23931	131,000	42,350	-	-	42,350
<u>GEF Operational Focal Point</u>						
GEF Operational Plan	A23932	8,500	2,070	-	-	2,070

See Accompanying Independent Auditors' Report.

REPUBLIC OF PALAU
OTHER GRANTS FUND

Schedule of Expenditures of Other Grants, Continued
Year Ended September 30, 2009

Fund 360100 Grantor Account Title	Cost Center	Authorization	Receivable from Grantor (Deferred Revenue) at 10/01/08	(Revenues) Cash Receipts FY 2009	Expenditures FY 2009	Receivable from Grantor (Deferred Revenue) at 9/30/09
<u>SPREP (International Water IWP)</u>						
Inte'l Water of the Pac	A23933	97,875	(568)	-	-	(568)
Int'l Water of the Pacific FY04	F43933	102,200	3,700	-	-	3,700
Total SPREP		200,075	3,132	-	-	3,132
<u>UNDP (WSSD Grants)</u>						
UNDP (WSSD) Projects	A23934	5,965	(50)	-	-	(50)
<u>UNESCO</u>						
UNESCO 2008 IPDC	S93935	20,000	-	-	-	-
<u>SPREP</u>						
Ozone Depleting Substance	A33936	50,000	7,773	-	-	7,773
Ozone Depleting Substance	A73936	3,400	(21,589)	-	10,941	(10,648)
		53,400	(13,816)	-	10,941	(2,875)
<u>PADI Aware Foundation</u>						
Project Aware	A33937	1,500	21,284	-	-	21,284
<u>UN Pops Grants</u>						
U.N. Pops Grant	A33938	346,400	11,816	-	-	11,816
<u>UNDP (NCSA) Global Env. Mgmt</u>						
UNDP (Global Env. Mgmt.)	A33939	25,000	24,838	-	-	24,838
<u>UNICEF</u>						
Justice Program	J33940	6,200	(345)	-	-	(345)
<u>PALAU NCSA</u>						
PALAU NCSA - TTP/03/G41	F43943	200,000	(29,792)	-	-	(29,792)
<u>Access to Benefit Sharing</u>						
Access to Benefit Sharing Program	F43945	31,343	(19)	-	-	(19)
<u>FOOD & AGRICULTURE</u>						
National Forest Policy	R53946	4,350	(833)	-	-	(833)
<u>3RD REPORT ON BIODIVERSITY</u>						
3rd Report on Biodiversity	A63947	16,500	(199)	-	-	(199)
<u>8th OEK Orientation & WRKS</u>						
8th OEK Oreintation & WRKS	K93948	22,000	-	22,000	21,719	(281)
<u>SAICM - EQPB</u>						
QSP Trust Fund - SAICM	R93951	125,000	-	125,000	25,839	(99,161)
<u>PW Feassibility Study Energy</u>						
PW Feasibility Study	R83953	17,000	(17,000)	-	-	(17,000)

See Accompanying Independent Auditors' Report.

REPUBLIC OF PALAU
OTHER GRANTS FUND

Schedule of Expenditures of Other Grants, Continued
Year Ended September 30, 2009

Fund 360100 Grantor Account Title	Cost Center	Authorization	Receivable from Grantor (Deferred Revenue) at 10/01/08	(Revenues) Cash Receipts FY 2009	Expenditures FY 2009	Receivable from Grantor (Deferred Revenue) at 9/30/09
<u>2ND FRANCE-OCEANIA SUMMIT</u>						
2nd France-Oceania Summit	A63954	34,410	(1,652)	-	345	(1,307)
3RD FRANCE-OCEANIA SUMMI	P93954	22,904	-	22,904	22,904	-
		<u>57,314</u>	<u>(1,652)</u>	<u>22,904</u>	<u>23,249</u>	<u>(1,307)</u>
<u>Watercourse Splash</u>						
Watercourse Splash	A23955	6,000	(104)	-	-	(104)
<u>Japan Grant (Horifuma Arima)</u>						
Japan Grant (Horifuma Arima)	A23956	70,809	5	-	-	5
Ngchesar Elementary School Renovation	E43956	54,895	(52)	-	-	(52)
Nippon Foundation Grant	R63956	25,493	(9,995)	-	-	(9,995)
Total Japan Grant		<u>151,197</u>	<u>(10,042)</u>	<u>-</u>	<u>-</u>	<u>(10,042)</u>
<u>SPREP Grants (Fruit Fly)</u>						
SPREP Grants (Fruit Fly)	R23957	4,495	(15)	-	-	(15)
<u>President (Korean Grant)</u>						
President (Korean Grant)	A23958	9,532	(509)	-	-	(509)
<u>Electronic Tech. Grants (Japan Grant)</u>						
Electronic Tech. Grants (Japan Grant)	A23959	500,000	(27,208)	-	-	(27,208)
<u>Canada Funds</u>						
Palau National Youth Policy	C43960	36,500	(1,468)	-	380	(1,088)
<u>Secretariat Pacific Comm</u>						
Secretariat Pacific Comm	R13961	6,000	2,837	-	-	2,837
<u>Vanuatu Grants</u>						
Vanuatu Grants (NEMO)	A13962	8,269	(863)	-	-	(863)
<u>SPF Org. Comm - China Grants</u>						
SPF Org. Comm - China Grants	A93963	231,000	(839)	-	-	(839)
<u>Info Dev. Planning (IBRD)</u>						
Info Dev. Implement (IBRD)	A93960	200,000	21,225	-	-	21,225
Infor Dev. Planning (IBRD)	A93965	103,627	(21,380)	-	-	(21,380)
Total Info Dev. Planning (IBRD)		<u>303,627</u>	<u>(155)</u>	<u>-</u>	<u>-</u>	<u>(155)</u>
<u>Republic of China Grants</u>						
China Grants - Sport Comm	A83966	56,087	-	-	-	-
National Youth Policies Development	C43966	6,000	(2,296)	-	-	(2,296)
PM & SP Capacity Building	F63966	200,000	(1,850)	-	1,716	(134)
PM & SP Capacity BLDG PRO	F73966		(10,000)	-	-	(10,000)
ROC-PAC Summit Security	J63966	30,000	(5,132)	-	-	(5,132)

See Accompanying Independent Auditors' Report.

REPUBLIC OF PALAU
OTHER GRANTS FUND

Schedule of Expenditures of Other Grants, Continued
Year Ended September 30, 2009

Fund 360100 Grantor Account Title	Cost Center	Authorization	Receivable from Grantor (Deferred Revenue) at 10/01/08	(Revenues) Cash Receipts FY 2009	Expenditures FY 2009	Receivable from Grantor (Deferred Revenue) at 9/30/09
Total Republic of China Grants		526,000	(19,278)	-	1,716	(17,562)
<u>Forum Secretariat Grants</u>						
Forum Sect. Drought Relief 1998	A83967	10,180	(2,156)	-	-	(2,156)
Forum Import Mang Wrkshp 2001	A13967	2,300	2,028	-	-	2,028
Total Forum Sect. Drought Relief		12,480	(128)	-	-	(128)
<u>Computerization (State)</u>						
Computerization (State) 1998	S83968	10,000	(172)	-	-	(172)
<u>FFA - Grants (President's Office)</u>						
FAA- President's Office	A03969	19,941	(1,217)	-	1,167	(50)
FAA - President's Office	A13969	39,000	(1,604)	-	1,535	(69)
FAA - President's Office	A23969	61,195	(50)	-	-	(50)
FAA - President's Office	A33969	71,194	(1,474)	-	-	(1,474)
36TH PACIFIC ISLS FORUM	A53969	68,360	(1,762)	-	1,715	(47)
FAA - President's Office	A73969	19,985	(16,766)	-	16,508	(258)
FAA - President's Office	A83969	14,980	(14,980)	-	-	(14,980)
FAA - Conferences	A93969	4,975	(727)	-	-	(727)
PALM 2000 (Tokyo Japan)	S03969	16,656	(495)	-	-	(495)
TRAVEL - FOC/FORUM Meeting	P63969	65,000	(6,985)	-	4,269	(2,716)
Annual Meeting of IWC	P73969	18,600	(5,192)	-	-	(5,192)
Total FFA - Grants		399,886	(51,252)	-	25,194	(26,058)
<u>PMA Office Building/Infrastructure</u>						
PMA Office Building/Infrastructure 1995	A53970	39,994	(2,219)	-	-	(2,219)
PMA Observer & Monitoring 1996	A63970	66,790	(2,605)	-	-	(2,605)
SPREP (CBEMP) Palau EQPB 2000	R03970	8,895	(397)	-	-	(397)
Total PMA Office Building/Infrastructure		115,679	(5,221)	-	-	(5,221)
<u>Fisheries Forum Agency</u>						
FAA Recrit Qualiry Pers	A13971	30,000	(1,154)	-	-	(1,154)
TAIYO (TAOCH) CLEARING	B91401	25,000	-	-	25,000	25,000
Fisheries & Maritime Cons.	R23971	30,000	25	-	-	25
Marine Law Observer	J8FFA1	25,000	(25,000)	-	15,878	(9,122)
FFA Sonsorol Fishing Boat	S53971	114,975	(2,337)	-	-	(2,337)
Boundary Delimitation Pro	S73971	16,985	(362)	-	-	(362)
FFA (PDF Conference)	S83971	4,980	(1,159)	-	-	(1,159)
FFC59 MEETING IN MAJURO	R53971	4,348	(27)	-	-	(27)
55th Tuna Conference	R43971	16,203	(190)	-	-	(190)
FFA-Palau PDF Fund- 15%	R83971	165,940	(190,940)	-	96,416	(94,524)
PI Forum Leaders Meeting	S8FFA1	100,000	(43,361)	-	35,545	(7,816)
Total Fisheries Forum Agency		533,431	(264,505)	-	172,839	(91,666)
<u>Foreign Grants State</u>						
Office Equip - Australia Grant	S50301	38,027	(1,639)	-	-	(1,639)
SPC Youth Skills Training	S53972	5,000	(2,706)	-	-	(2,706)
Total Foreign Grants State		43,027	(4,345)	-	-	(4,345)

See Accompanying Independent Auditors' Report.

REPUBLIC OF PALAU
OTHER GRANTS FUND

Schedule of Expenditures of Other Grants, Continued
Year Ended September 30, 2009

Fund 360100 Grantor Account Title	Cost Center	Authorization	Receivable from Grantor (Deferred Revenue) at 10/01/08	(Revenues) Cash Receipts FY 2009	Expenditures FY 2009	Receivable from Grantor (Deferred Revenue) at 9/30/09
<u>SPREP (Ngermeduu Conservation)</u>						
Marine Project / Area Project	B23972	13,252	(5,303)	-	-	(5,303)
See Accompanying Independent Auditors' Report.						
Ngermeduu Conservation Area	R23972	27,500	(3,718)	-	-	(3,718)
Ngermeduu Conservation Area	R33972	30,000	(6,305)	-	-	(6,305)
FFA Ngarchelong Clam Project	S23972	20,000	25	-	-	25
Total SPREP (Ngermeduu Conservation)		90,752	(15,301)	-	-	(15,301)
<u>GIS/GPS Training (SPREP)</u>						
GIS/GPS Training	R23973	32,296	(21,112)	-	-	(21,112)
<u>Tax Equipment Furniture & Supplies</u>						
Tax Equipment Furniture & Supplies	A83973	25,000	(260)	-	-	(260)
<u>Palau Youth Empowerment Fund</u>						
Palau Youth Empowerment Fund 1998	C83974	53,551	(14,680)	-	-	(14,680)
PMA Port Samplers (SPC)	R63974	14,790	(392)	-	-	(392)
Total Palau Youth Empowerment Fund		68,341	(15,072)	-	-	(15,072)
<u>Australian Grants</u>						
Project 5/99	A93975	1,572	(19)	-	-	(19)
Coral Reef Aware Program	A43975	2,000	(2,000)	-	-	(2,000)
Pur Microfilm Read/Printer	C65001	8,600	(298)	-	-	(298)
Inventory Bar Code System	H43975	13,800	(4,143)	-	-	(4,143)
AUSAID	H73975	4,800	-	-	-	-
Ramsar Wet'lds Cons Fund	S70201	6,796	(5,721)	-	-	(5,721)
Total Australian Grants		37,568	(12,181)	-	-	(12,181)
<u>Japan Rotary Club Donation</u>						
Japan Rotary Club Donation	R63976	24,725	(106)	-	-	(106)
Pal/Jpn Fisheries Conslt.	R13976	18,013	(1,208)	-	-	(1,208)
Total Rotary Club Donation		42,738	(1,314)	-	-	(1,314)
<u>FFA - Kayangel Fishing Project</u>						
FFA Grant Tatirou Group	S03977	50,000	(15)	-	-	(15)
FFA Sonsorol State Boat	S13977	100,000	(127)	-	-	(127)
Total Kayangel Fishing Project		150,000	(142)	-	-	(142)
<u>SPREP Grants</u>						
SPREP (Coral Reef Comm)1997	R73979	12,050	(287)	-	-	(287)
Pilot Project (Solid Waste)1999	R93979	39,998	(2)	-	-	(2)
Total SPREP Grants		52,048	(289)	-	-	(289)
<u>WildAid-Packard Foundation</u>						
WildAid-Packard Foundation	J33980	72,867	(3,940)	-	686	(3,254)
Packard EBM Project-EQPB	A63980	107,755	(60,852)	-	33,566	(27,286)
		180,622	(64,792)	-	34,252	(30,540)

See Accompanying Independent Auditors' Report.

REPUBLIC OF PALAU
OTHER GRANTS FUND

Schedule of Expenditures of Other Grants, Continued
Year Ended September 30, 2009

Fund 360100 Grantor Account Title	Cost Center	Authorization	Receivable from Grantor (Deferred Revenue) at 10/01/08	(Revenues) Cash Receipts FY 2009	Expenditures FY 2009	Receivable from Grantor (Deferred Revenue) at 9/30/09
<u>Marine Res Conservation</u>						
Marine Res Conservation	R53980	38,900	(4,764)	-	-	(4,764)
<u>CDC & H V Hepatitis Survey</u>						
CDC & HIV Hepatitis Survey	H33981	5,472	(15)	-	-	(15)
<u>FHP Foundation Grant</u>						
FHP Foundation Grant	H63984	39,505	(2,840)	-	-	(2,840)
<u>RR & TC Pacific Basin Grant</u>						
RR & TC Pacific Basin Grant	H63985	54,000	9,900	-	-	9,900
RR & TC Pacific Basin Grant	H83985	22,000	(479)	-	-	(479)
SDSU Foundation	H93985	23,100	(178)	-	-	(178)
Total RR &TC Pacific Basin Grant		99,100	9,243	-	-	9,243
<u>Pacific Basin Development Council</u>						
Pacific Basin Development Council	A63986	4,800	(1,011)	-	-	(1,011)
<u>DNA Project (University of Utah)</u>						
Palau Youth Project 2007	H73987	22,000	(257)	-	-	(257)
Palau Youth Project	H83987	48,864	(21,744)	-	21,671	(73)
DNA Project (University of Utah)	H93987	16,700	(39)	-	-	(39)
		16,700	(22,040)	-	21,671	(369)
<u>Christa M. Fellowship Program</u>						
Christa M. Fellowship Program 1997	E73990	20,558	(4,719)	-	-	(4,719)
Christa M. Fellowship Program 1998	E83990	10,279	(79)	-	-	(79)
Christa M. Fellowship Program 1999	E93990	10,279	(279)	-	-	(279)
Christa M. Fellowship Program 2000	E03990	10,279	(4,405)	-	-	(4,405)
Christa M. Fellowship Program 2002	E23990	10,003	(4,933)	-	-	(4,933)
Total Christa M. Fellowship Program		61,398	(14,415)	-	-	(14,415)
<u>LSTA State Grants</u>						
LSTA State Grants	E93992	44,274	(1,035)	-	-	(1,035)
LSTA State Grants	E13992	40,377	(801)	-	-	(801)
LSTA State Grants	E43992	68,499	-	-	-	-
LSTA State Grants FY05	E63992	43,687	-	-	-	-
LSTA State Grant FY07-FY08	E83992	37,000	37,000	37,000	-	-
LSTA State Grants FY07	E73992	54,349	41,115	-	-	41,115
Total LSTA State Grants		200,550	76,279	37,000	-	39,279
<u>Genetic Study (MOH)</u>						
Genetic Study	H13993	405,000	(1,960)	-	1,202	(758)
Total Genetic Study (MOH)		405,000	(1,960)	-	1,202	(758)
<u>Palau Public Library Grants</u>						
Palau Public Library Grant	E23994	39,630	(13,433)	-	-	(13,433)
<u>Census (Rare Ctr Trop Con)</u>						
Census	A33995	25,000	(3,909)	-	3,817	(92)

See Accompanying Independent Auditors' Report.

REPUBLIC OF PALAU
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Schedule of Expenditures of Other Grants, Continued
Year Ended September 30, 2009

Fund 360100 Grantor Account Title	Cost Center	Authorization	Receivable from Grantor (Deferred Revenue) at 10/01/08	(Revenues) Cash Receipts FY 2009	Expenditures FY 2009	Receivable from Grantor (Deferred Revenue) at 9/30/09
<u>Protected Areas Network</u>						
TNC MOU Assist to PAN	A83997	6,000	(2,301)	-	2,244	(57)
Protected Areas Network	R43997	39,700	(1,043)	-	508	(535)
		<u>45,700</u>	<u>(3,344)</u>	<u>-</u>	<u>2,752</u>	<u>(592)</u>
<u>National Assessment Report-BPOA</u>						
National Assessment Report	R48920	5,000	(2,102)	-	-	(2,102)
<u>UNDP (SEDREA) ENERGY</u>						
UNDP (SEDREA) ENERGY	A58922	25,000	(722)	(722)	-	-
Renewable Energy (SEDREA)	P98922	10,000	-	10,000	25	(9,975)
		<u>35,000</u>	<u>(722)</u>	<u>9,278</u>	<u>25</u>	<u>(9,975)</u>
<u>UNDP/UNCCD/GEF</u>						
UNDP (SEDREA) Energy	A68923	12,000	(113)	-	-	(113)
<u>10th International Coral Reef Sympo</u>						
International Coral Reef Sympo	F48961	1,400	1,400	-	-	1,400
<u>Giant Clam Farming Project</u>						
Giant Clam Farming Project	T88962	14,967	(14,936)	-	9,098	(5,838)
Giant Clam Farming Project	T48962	15,000	(1,168)	-	-	(1,168)
		<u>29,967</u>	<u>(16,104)</u>	<u>-</u>	<u>9,098</u>	<u>(7,006)</u>
<u>TUNA DATA COORDINATOR</u>						
Tuna DATA Entry Technician	R88963	8,756	(8,396)	-	8,384	(12)
Tuan Data Coordinator	R68963	11,575	(7)	-	-	(7)
		<u>20,331</u>	<u>(8,403)</u>	<u>-</u>	<u>8,384</u>	<u>(19)</u>
<u>HOUSEHOLD INCOME/EXP SURVEY</u>						
Househol Income/Expenditures Survey	F68964	26,684	(1,517)	-	1,509	(8)
<u>Fisheries Forum Association</u>						
HOSTING CONSULT NEGOTIATI	S5FFA1	7,081	(4,088)	-	-	(4,088)
Foreign Dignitary Housing	S4FFA1	51,310	(2,645)	-	-	(2,645)
Total FAA		<u>58,391</u>	<u>(6,733)</u>	<u>-</u>	<u>-</u>	<u>(6,733)</u>
<u>Cnesus of Population & House Survey</u>						
Census of Pop & House Survey	F48966	185,000	-	-	-	-
<u>Korean Grants</u>						
Bur.of INT'L EXPO	S88967	7,085	18	-	-	18
<u>HOSPITAL EQUIP - IINDIA GRT</u>						
HOSPITAL EQUIP - INDIA GRT	H58968	149,841	(90)	-	-	(90)
<u>PALAU DIGITAL ARCHIVING</u>						
DIGITAL ARCHIVING	S58969	240,000	(426)	-	-	(426)

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REPUBLIC OF PALAU
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Schedule of Expenditures of Other Grants, Continued
Year Ended September 30, 2009

Fund 360100 Grantor Account Title	Cost Center	Authorization	Receivable from Grantor (Deferred Revenue) at 10/01/08	(Revenues) Cash Receipts FY 2009	Expenditures FY 2009	Receivable from Grantor (Deferred Revenue) at 9/30/09
<u>DRUG DETECTOR DOG UNIT</u>						
DRUG DETECTOR DOG UNIT	F58970	175,000	(3,865)	-	3,794	(71)
See Accompanying Independent Auditors' Report.						
<u>INDEPENDENCE DAY (ROC)</u>						
12th Independence Day	P6R0C1	100,000	(1,940)	-	-	(1,940)
President's Expenses	P6R0C2	200,000	(1,735)	-	-	(1,735)
13th Independence Day	P7ROC1	50,000	(2,480)	-	-	(2,480)
Total Independence day		350,000	(6,155)	-	-	(6,155)
<u>CZECH REPUBLIC GRANT</u>						
Czech Dentist Dr. Palek	H78973	23,953	4,211	-	-	4,211
Dental Health Care - CZK	H98973	13,379	-	13,379	-	(13,379)
Total CZECH Republic Grant		37,332	4,211	13,379	-	(9,168)
<u>HUMANITARIAN ASSISTANCE TO PSB</u>						
Humanitarian Assistance to PSB	F78974	3,355,000	(51,616)	-	-	(51,616)
<u>IWRM Project (SOPAC)</u>						
IWRM Project (SOPAC)	A78975	6,120	(9,530)	-	7,683	(1,847)
SOPAC-Ngerikiil Watershed	A98975	15,000	-	15,000	6,147	(8,853)
		21,120	(9,530)	15,000	13,830	(10,700)
<u>PROTECT MARINE BIODIVERSITY</u>						
Protect Marine Biodiversity	A78976	43,000	(33,199)	-	30,043	(3,156)
<u>PRIDE GRANTS</u>						
Curriculum Frameworks	E7PRI1	150,000	(111,141)	-	110,088	(1,053)
Palau Achievement Tests	E7PRI2	150,000	(149,827)	-	78,998	(70,829)
Palauan Textbook	E7PRI3	88,899	(88,726)	-	88,723	(3)
MOE School Handbook	E8PRI1	43,000	359	-	102,010	102,369
Total PRIDE		431,899	(349,335)	-	379,819	30,484
<u>MICRONESIAN CHALANGE DONATION</u>						
Micronesia Chalange Donation TRKY	A78978	75,000	(31,391)	-	23,802	(7,589)
Micronesia Chalange Donation TWN	A8TWN1	500,000	-	-	-	-
Micronesia Chalange Donation Guam	A8GUM1	7,500	7,500	7,500	7,500	7,500
Micronesia Chalange Donation PAN	A9TNC1	50,000	-	50,000	19,885	(30,115)
		632,500	(23,891)	57,500	51,187	(30,204)
<u>ENERGY SECT IN 5 ACP ISLS</u>						
Energy Sect in 5 ACP Isls	F88979	287,650	(452)	-	847	395
PAL renewable energy NPE2	F8PE02	430,170	(190,961)	-	202,374	11,413
		717,820	(191,413)	-	203,221	11,808

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REPUBLIC OF PALAU
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Year Ended September 30, 2009

Fund 360100 Grantor Account Title	Cost Center	Authorization	Receivable from Grantor (Deferred Revenue) at 10/01/08	(Revenues) Cash Receipts FY 2009	Expenditures FY 2009	Receivable from Grantor (Deferred Revenue) at 9/30/09
<u>NEMO PEACESAT ASSISTANCE</u>						
Nemo PEACESAT Assistance	J68980	1,938	(538)	-	320	(218)
<u>NATIONAL FISH & WILDLIFE FOUNDATION</u>						
Coral Reef Conservation	J68981	41,152	11,539	-	90	11,629
See Accompanying Independent Auditors' Report.						
<u>Sustainable Land MGMT</u>						
Sustainable Land MGMT	A88983	46,750	(36,179)	37,804	72,215	(1,768)
<u>Taiwan (ROC) Grants</u>						
Energy Support ASST-OPER	A88984	1,669,000	(231,000)	-	-	(231,000)
UN 64TH GEN ASSEMBLY	A98984	50,000	-	50,000	50,000	-
TAIWAN/PALAU UN TRAINING	S98984	30,000	-	-	(3,401)	(3,401)
		<u>1,749,000</u>	<u>(231,000)</u>	<u>50,000</u>	<u>46,599</u>	<u>(234,401)</u>
<u>Research CORP UH-RCUH</u>						
Research CORP of UH	R88985	10,000	(300)	5,000	5,300	-
<u>Turky Grants</u>						
Continental Shelf - Ext	R98986	150,000	-	150,000	71,832.00	(78,168)
Peleliu Multipurpose Gymnasium	S98986	150,000	-	150,000	150,000.00	-
		<u>300,000</u>	<u>-</u>	<u>300,000</u>	<u>221,832.00</u>	<u>(78,168)</u>
<u>Asian Development Bank</u>						
Statistics Training	F98987	4,111	-	3,904	3,904	-
<u>Continental Shelf 09-00180</u>						
Contintal Shelf	R98988	154,765	-	154,765	76,689	(78,076)
<u>UN Grants</u>						
Biodiversity Cons Program	9935-PR0001	111,449	(655)	-	-	(655)
Total Other Grants		<u>17,407,172</u>	<u>(1,200,293)</u>	<u>1,116,124</u>	<u>1,636,667</u>	<u>(679,750)</u>

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REPUBLIC OF PALAU
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Fund 420100 Grantor Account Title	Budget Authorizations	Receivable from Grantor (Deferred Revenue) at 10/01/08	Cash Receipts FY2009	Expenditures FY2009	Receivable from Grantor (Deferred Revenue) at 9/30/09
<u>ROC TAIWAN GRANT 2002</u>					
F03134 ACP-EU TFC/CSP/REP	35,250	-	-	-	-
F03135 FI/TAX ADVISORY SERVICES	69,625	(912)	-	-	(912)
R03094 NGCHESAR CAUSEWAY CONST	66,100	-	-	-	-
R03095 R0P KB BRIDGE REMOVE	47,000	-	-	-	-
R03096 NGCHESAR STATE BOAT	13,900	-	-	-	-
R03097 HATOHOBEL STATE PROJECT	80,000	(2,797)	-	-	(2,797)
R03099 SONSOROL STATE PROJECT	100,000	(1,492)	-	-	(1,492)
R03101 PELELIU PRIMARY RD (CIP)	971,642	-	-	-	-
R03102 ANGAUR STATE PRIMARY ROAD	483,895	-	-	-	-
R03108 PALAU INT'L AIRPORT IMPV	843,976	(1)	-	-	(1)
R03109 PELELIU PRIMARY RD ASPHLT	1,233,000	(6,737)	-	619	(6,118)
R03110 NGRCHLONG RD CONCRETE PAV	1,282,868	-	-	-	-
R03111 MALAKAL BRIDGE INSPECTION	37,637	(5)	-	-	(5)
R03112 NGERIKIIL RIVER DAM REPAI	200,000	-	-	-	-
R03113 SDA ELEM SCH ROAD IMPROV	238,633	-	-	-	-
R03114 NGERIKIIL PUMP REPLACEMEN	140,286	(300)	-	-	(300)
R03115 AIRAI WTP MOTOR CENTR&STO	460,279	(2,223)	-	-	(2,223)
R03116 FACILITIES REPAIR & RENOV	356,378	(5,150)	-	-	(5,150)
R03117 GOVT OFFICE FACIL IMPROV	353,669	(20)	-	-	(20)
R03118 KAYANGEL WATER SYSTEM	300,000	(16,109)	-	1,854	(14,255)
R03119 KAYANGEL STATE BOAT PROJ	25,000	-	-	-	-
R03120 AIRPORT GENERATOR	95,612	(6,367)	-	-	(6,367)
R03121 PA/GUM OFFICE & CULTURAL	65,000	-	-	-	-
R03122 ECHANG SEWER	27,726	-	-	-	-
R03128 PIGGERY & NURSING PROJECT	20,000	-	-	-	-
R03129 NGIWAL SAMBAS PIER REPAIR	6,000	-	-	-	-
R03130 NGIWAL CLAM PROJECT	20,000	-	-	-	-
R03132 NGIWAL GARBAGE&TRASH STDY	13,825	-	-	-	-
R03133 NGIRNGEMELAS SQUARE PROJ.	20,175	-	-	-	-
R03136 NTF AGRICULTURE DEVEL	69,037	(317)	-	-	(317)
R03137 ROC PROJECT MANAGEMENT	106,563	29,104	-	-	29,104
SUB TOTAL	<u>7,783,076</u>	<u>(13,326)</u>	<u>-</u>	<u>2,473</u>	<u>(10,853)</u>
R24940 PALAU NAT'L MUSEUM COMPLX	2,600,000	(72,357)	-	45,376	(26,981)
SUB TOTAL	<u>2,600,000</u>	<u>(72,357)</u>	<u>-</u>	<u>45,376</u>	<u>(26,981)</u>
R24941 CENTRAL MRKT & CULT. CNTR	2,500,000	(40,164)	-	2,222	(37,942)
SUB TOTAL	<u>2,500,000</u>	<u>(40,164)</u>	<u>-</u>	<u>2,222</u>	<u>(37,942)</u>

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<u>STATE ECONOMIC STIMULUS PACKAGE 2002</u>					
B20102 ELECHUI ROAD EXT/IMPROVMT	20,000	(771)	-	-	(771)
B20103 MEDORM ROAD EXT/IMPROVMT	30,000	(188)	-	-	(188)
B20301 DOCK IMPROVEMENT STUDY	14,000	(11,000)	-	-	(11,000)
B20302 ANGAUR ROAD EXTENSION	60,000	(11,914)	-	1,088	(10,826)
B20304 ANGAUR WATER LINE PROJECT	50,000	(221)	-	60	(161)
B20701 HEADSTART BUILDING CONST	50,000	(990)	-	-	(990)
B20702 NGERULIANG ROAD PAVING	30,000	(578)	-	529	(49)
B20703 OLD AGE CENTER	20,000	(1,698)	-	-	(1,698)
See Accompanying Independent Auditors' Report.					
B21001 NGARDMAU ROAD & DOCK PROJ	100,000	(530)	-	-	(530)
B21102 STATE ROAD IMPROVEMENTS	50,000	(9,870)	-	21	(9,849)
B21501 ELOCHEL DOCK TERMIAL/OFF	100,000	(94)	-	-	(94)
R24870 CLASSROOM & FACITILY PROJ	174,665	(25,335)	-	-	(25,335)
R24890 SDA SCHL ROAD IMPV PROJ	100,000	(4,497)	-	-	(4,497)
SUB TOTAL	798,665	(67,686)	-	1,698	(65,988)
<u>STATE ECONOMIC STIMULUS PACKAGE 2003</u>					
B30102 ELECHUI WATER SYSTEM	70,000	(19,236)	-	1,565	(17,671)
B30103 MEDORM ABAI ROOFING EXTEN	8,000	(700)	-	-	(700)
B30104 MEDORM RD EXTENTION/IMPRO	30,000	(29,079)	-	1,433	(27,646)
B30201 KESEBELAU ROAD EXTENSION	50,000	-	-	-	-
B30202 NGERIKIIL PUMP STATION	30,000	(28,117)	-	19,260	(8,857)
B30303 STATE BOAT DRYDOCK	35,000	(35,000)	-	-	(35,000)
B30306 ANGARU STATE OFFICE RENOV	15,000	(5,000)	-	-	(5,000)
B30502 DESPENSARY FACILITY IMPRV	120,000	(17,329)	-	-	(17,329)
B30602 CENTRAL FARMERS MARKET P1	-	-	-	-	-
B30603 NGERBECHED LANDFIL DRAINA	10,000	(3,283)	-	-	(3,283)
B30604 KOROR CBD/CAUSEWAY RD POS	10,000	(395)	-	-	(395)
B30605 MEYUNS ELEMENTARY PHAS2&3	7,000	(333)	-	-	(333)
B30607 KOROR ANIMAL SHELTER PROJ	50,000	-	-	-	-
B30702 MAIN ROAD STRIP CONCR PAV	100,000	(13)	-	-	(13)
B30802 CHOLL VARIOUS PROJECTS	50,000	(137)	-	122	(15)
B30902 OKOTOL ROAD CONSTRUCT/IMP	100,000	(2,516)	-	574	(1,942)
B30903 STEP TRAIL PROJECT	2,000	-	-	-	-
B30904 OLLEI STORAGE TANK PROJ	20,000	(1,630)	-	1,346	(284)
B31001 ROAD CONSTRUCTION & IMPRO	50,000	(453)	-	453	-
B31101 ROAD CONSTRUCTION & IMPRO	70,000	(13,994)	-	789	(13,205)
B31201 NGATPANG DOCK/AQUA IMPROV	50,000	(18)	-	-	(18)
B31202 AQUACULTURE PROJECT	50,000	(2,032)	-	2,030	(2)
B31301 CONCRETE ROAD PAVING/IMPR	100,000	(499)	-	332	(167)
B31401 WATER PUMP	8,000	(7,275)	-	-	(7,275)

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B31403 CLAM FARM	10,000	(5,425)	-	512	(4,913)
B31404 PGGERY AND NURSERY PROJ	10,000	-	-	-	-
B31501 PELELIU INCINERATOR PROJ	46,000	(341)	-	-	(341)
B31502 CAMP BECK DREDGING	50,000	(3,893)	-	-	(3,893)
B31506 STATE STRUCTURES IMPROV	14,000	-	-	-	-
B31601 TELECOMMUNICATION UPGRADE	75,000	(74,851)	-	71,285	(3,566)
R34838 TEAKWOOD AND LUMBER	35,000	(62,579)	-	-	(62,579)
R34839 CLAM FARMING PROJECTS	100,000	(2,755)	-	-	(2,755)
R34840 FISHING AGGREGATE DEVICES	100,000	(9,915)	-	3,817	(6,098)
R34843 BLS LAND SURVEYING EQUIP	85,000	(473)	-	-	(473)
R34892 AIRPORT STANDBY GENERATOR	150,000	-	-	-	-
R34961 MALAKAL STP DESIGN COSTS	60,000	-	-	-	-
J34921 PSS REMELIHK HALFLIFE REF	64,000	-	-	-	-
F34817 NEW PRODUCT DEV COMMITTEE	75,000	(243)	-	-	(243)
SUB TOTAL	1,909,000	(327,514)	-	103,518	(223,996)
R34960 NORTHERN BABLD'D WTRLINE	1,100,000	(18,322)	-	-	(18,322)
SUB TOTAL	1,100,000	(18,322)	-	-	(18,322)
R34841 NAT'L CAPITAL REL PH III	3,450,000	(18,277)	-	(86)	(18,363)
SUB TOTAL	3,450,000	(18,277)	-	(86)	(18,363)
R34891 PELELIU CONCRETE RD EXT	500,000	(142,709)	-	-	(142,709)
R44893 INTER-ISLAND WATER TRANS	791,000	(322)	-	-	(322)
J34920 BPS EQUIP IMPRPV. GRANTS	664,000	(10,874)	-	-	(10,874)
SUB TOTAL	1,955,000	(153,905)	-	-	(153,905)
R24831 COMPLETION OF CAPITAL,ETC	6,799,000	(70,517)	-	-	(70,517)
R24832 ROADS,PARKING LOTS & ETC	2,750,000	70,343	-	-	70,343
R24834 LANDSCAPING & ETC	451,000	(20)	-	-	(20)
SUB TOTAL	10,000,000	(194)	-	-	(194)
<u>STATE ECONOMIC STIMULUS PACKAGE 2004</u>					
B40101 MEDORM/ELECHUI RD IMPROVE	735,001	(142)	-	-	(142)
B40201 KASEBELAU RD EXT/FIRE HYD	126,000	(463)	-	449	(14)
B40301 ANGAUR STATE BOAT DRYDOCK	35,000	-	-	-	-
B40401 WATER SYSTEM IMPROVEMENT	80,000	(13,120)	-	-	(13,120)
B40402 WAVE RETAINING WALL/EROSI	15,000	(14,321)	-	-	(14,321)
B40501 ISLAND RING ROAD	92,000	(17,097)	-	-	(17,097)
B40601 T-DOCK REPAIR	500,000	(1,441)	-	-	(1,441)
B40604 ENVIRON ASSESSMENT STUDY	-	(282,361)	-	-	(282,361)
B40701 MELEKEOK STATE BUILDING	11,000	(9,671)	-	320	(9,351)
B40702 MELEKEOK ROAD IMPROVEMENT	100,000	(56,472)	-	56,321	(151)
B40801 ROAD CONSTRUCT/IMPROVE	100,000	-	-	-	-

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Fund 420100 Grantor Account Title	Budget Authorizations	Receivable from Grantor (Deferred Revenue) at 10/01/08	Cash Receipts FY2009	Expenditures FY2009	Receivable from Grantor (Deferred Revenue) at 9/30/09
B41001 ROAD CONSTRUCT/IMPROVE	50,000	(694)	-	690	(4)
B41101 ROAD CONSTRUCT/IMPROVE	50,000	(2,258)	-	487	(1,771)
B41401 NGIRNGEMELAS SQUARE	50,000	(13,167)	-	499	(12,668)
B41501 ASPHALT RD REPAIR/IMPROV	300,000	(101)	-	-	(101)
B41502 PELELIU WAR MEMORIAL	5,000	(826)	-	44	(782)
R44847 NEW CAPITOL FINISHING PRO	100,000	-	-	-	-
R44873 PUBLIC SCHOOLS FAC IMPROV	200,000	(58,951)	-	-	(58,951)
R44896 KOROR CNT PAVEMENT REPAIR	171,000	104,871	-	-	104,871
R44963 KOROR WTR/WASTEWTR PARTS	145,448	(2,189)	-	-	(2,189)
T44895 INTERNATL WATER TRANSPOR	137,000	-	-	-	-
F44818 NEW PRODUCT DEV COMMITTEE	25,000	(12)	-	-	(12)
SUB TOTAL	3,027,449	(368,415)	-	58,810	(309,605)
R44962 CAPITAL PH III - SEWER	2,783,000	49,000	-	-	49,000
SUB TOTAL	2,783,000	49,000	-	-	49,000
R44826 MELEKEOK/NGI WAL INCINERAT	495,000	(94)	-	-	(94)
SUB TOTAL	495,000	(94)	-	-	(94)
R54822 INT/EXTERIOR OF CAPITOL B	3,200,000	-	-	-	-
R54827 N BABELDAOB WATERLINE EXT	50,000	30,000	-	-	30,000
R54828 CUSTOMS MODERNIZATION PRO	360,000	34,894	-	-	34,894
R54829 GUAM/PALAU COMM CENTER	100,000	(20,145)	-	-	(20,145)
SUB TOTAL	3,710,000	44,749	-	-	44,749
<u>STATE ECONOMIC STIMULUS PACKAGE 2005</u>					
B50101 NEKKEN WATER SYS IMPROVE	150,000	(208)	-	-	(208)
B50104 MONGAMI ROAD IMPROVEMENT	25,000	(282)	-	-	(282)
B50202 AIRAI ROAD IMPROVEMENT	100,000	(499)	-	(666)	(1,165)
B50302 ANGAUR OLD AGE CNTR IMPRO	50,000	-	-	-	-
B50304 ANGAUR COMM CNTR IMPROVE	25,000	-	-	-	-
B50305 ANGAUR ELEM SCH WALKWAY	5,000	(10,000)	-	-	(10,000)
B50306 ANGAUR STATE OFFICE RENOV	-	(15,000)	-	-	(15,000)
B50401 TOBI SOLAR LIGHTING SYSTE	25,000	(366)	-	-	(366)
B50402 TOBI STATE BOAT DRYDOCK	75,000	-	-	-	-
B50503 KAYANGEL OLD AGE CENTER	28,000	-	-	-	-
B50504 KAYANGEL DISPENSARY IMPRO	-	(40,000)	-	-	(40,000)
B50601 NGARACHAMAYONG ABAI CONST	150,000	-	-	-	-
B50602 T-DOCK POOL FILL & PAVING	20,000	(19,000)	-	-	(19,000)
B50801 NGARAARD ROAD IMPROVEMENT	150,000	(76)	-	-	(76)
B50802 NGEBUKED ABAI KITCHEN IMP	60,000	(18,977)	-	-	(18,977)
B50804 REMACHEL TO ULUCHEL ROAD	50,000	(447)	-	446	(1)
B50901 NGARCHELONG ROAD IMPROVE	100,000	(571)	-	420	(151)
B50902 MENGELLANG ABAI/TYPHOON S	50,000	(5)	-	-	(5)

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B50904 OLLEI WATER STORAGE TANKS	-	-	-	-	-
B51001 NGARDMAU DOCK IMPROVEMENT	100,000	(408)	-	403	(5)
B51101 NGAREMLENGUI ROAD IMPROVE	170,000	-	-	-	-
B51203 NGATPANG AQUACULTURE PROJ	120,000	(1,151)	-	1,151	0
B51301 NGCHESAR ROAD IMPROVEMENT	200,000	(921)	-	774	(147)
B51401 NGIWAL ROAD IMPROVEMENT	100,000	(1,557)	-	1,557	(0)
B51402 NGIWAL 2007 IMPROV PROJ	75,000	33,700	-	1,176	34,876
B51501 PELELIU REV OSMOSIS WTR S	-	-	-	-	-
B51601 SONSOROL SOLAR LIGHTING S	92,000	(81,112)	-	4,025	(77,087)
B51602 SONSOROL WATER SYSTEM	8,000	(4,204)	-	-	(4,204)
B51604 SONSOROL STATE BOAT	100,000	-	-	-	-
R54847 NEW CAPITOL RELOCATION	55,000	-	-	-	-
H54852 MOH AHU SYSTEM	190,000	(13,910)	-	-	(13,910)
SUB TOTAL	<u>2,273,000</u>	<u>(174,994)</u>	<u>-</u>	<u>9,286</u>	<u>(165,708)</u>
C54964 SOUTH PACIFIC MINI GAMES	1,290,000	(1,538)	-	-	(1,538)
SUB TOTAL	<u>1,290,000</u>	<u>(1,538)</u>	<u>-</u>	<u>-</u>	<u>(1,538)</u>
<u>STATE ECONOMIC STIMULUS PACKAGE 2006</u>					
B60101 MEDORM ROAD IMPROVEMENT	100,000	(9,444)	-	9,444	-
B60102 ELECHUI ROAD IMPROVEMENT	20,000	(17,337)	-	-	(17,337)
B60201 ORDOMEL ROAD REPAIR PROJ	350,000	(97)	-	-	(97)
B60202 AIRAI ROAD IMPROVE PORJ.	200,000	(33,197)	-	33,115	(82)
B60301 ANGAUR ROAD IMP PROJ FY06	105,000	(1,597)	-	-	(1,597)
B60302 ANGAUR BAI RENOV FY06	21,500	(6,366)	-	-	(6,366)
B60303 ANGAUR BOAT REPAIR FY06	33,500	(9,935)	-	8,790	(1,145)
B60401 HELEN REEF CONSERV PROJ.	55,000	-	-	-	-
B60406 HATOHOBEL SOLAR PROJECT	25,000	(39,659)	-	1,537	(38,122)
B60407 TOBI WATER SYSTEM IMPROV	15,000	(15,000)	-	-	(15,000)
B60408 TOBI MEDICAL DISPENSARY	35,000	-	-	-	-
B60409 TOBI HOUSING PRESERVATION	35,000	-	-	-	-
B60501 KAYANGEL WATER SYSTEM P3	215,000	(1,694)	-	-	(1,694)
B60603 KB BRIDGE WTRLINE REPAIR	40,000	-	-	-	-
B60605 MARINE RESOURCE ROAD PROJ	100,000	(197)	-	-	(197)
B60606 KOROR PARKS IMPROVEMENT	50,000	(49,995)	-	9,000	(40,995)
B60701 MELKEOK MAIN ROAD REHAB	100,000	(286)	-	76	(210)
B60801 NGARAARD BASEBALL FIELD	150,000	(1,701)	-	1,688	(13)
B60901 MENGELLANG ABAI ADDTNL	10,000	-	-	-	-
B60902 NGARCHELONG ROAD IMPROV	100,000	(10,071)	-	-	(10,071)
B61001 NGARDMAU WATERFALL PARKIN	100,000	-	-	-	-
B61201 NGATPANG AQUACULTURE FY06	100,000	(63)	-	-	(63)
B61601 SOLAR LIGHTING SYSTEM	50,000	(39,793)	-	16,823	(22,970)
R64816 POST OFFICE BLDG EXPANSIO	45,000	(4,230)	-	4,230	-
R64819 CULTURAL CENTER AUDIO/VIS	175,000	-	-	-	-
R64827 NORTH BABELDAOB WATERLINE	115,000	(5,513)	-	-	(5,513)

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R64836 WB PETROLEUM T/A MATCHING	200,000	(200,000)	-	39,200	(160,800)
R64846 PELELIU/ANGAUR RUNWAY LGH	58,000	(3,000)	-	-	(3,000)
R64847 CAPITOL FINISHING-ADDN'L	432,000	-	-	-	-
R64849 NTF AGRICULTURE DEV/BIODI	20,000	(332)	-	197	(135)
R64889 K/A RD REPAIR&LANDFILL 06	50,000	-	-	-	-
R64966 CAPITOL/MELEKEOK SEWER SY	300,000	(54)	-	(34)	(88)
R64967 AIRAI WTR TREATMENT SYSTE	250,000	(30,941)	-	30,497	(444)
R64968 STATE WATER SYSTEMS	150,000	9,715	-	-	9,715
R64969 WATER METERING	200,000	89,763	-	8,740	98,503
R64998 MUSEUM PROJECT FY06	125,000	(2,156)	-	-	(2,156)
J64923 PTRL BOAT DRYDOCK/REFIT06	200,000	(377)	-	-	(377)
J64924 PS PATROL MOTORCYCLES	200,000	(509)	-	-	(509)
H64853 MOH PAC SYSTEM	350,000	(900)	-	-	(900)
A64834 OPERATION COUNTER INVASIO	100,000	(479)	-	-	(479)
A64834 OPERATION COUNTER INVASIO	-	-	-	-	-
F64815 2007 FEMM	10,000	(7)	-	-	(7)
SUB TOTAL	4,990,000	(385,452)	-	163,303	(222,149)
R64970 KOROR WASTEWTR COLLECT SY	2,000,000	(117)	-	-	(117)
SUB TOTAL	2,000,000	(117)	-	-	(117)
R64873 SCHOOL FACILITIES FY'06	1,000,000	(543)	-	-	(543)
R64898 AIRPORT-NERIKIIL RD. FY06	3,000,000	(580,029)	-	-	(580,029)
R64899 NGARAARD ROAD FY'06	1,000,000	150,000	-	-	150,000
SUB TOTAL	5,000,000	(430,572)	-	-	(430,572)
R54845 OKOTOL HARBOR IMPROV PROJ	200,000	(737)	-	41	(696)
SUB TOTAL	200,000	(737)	-	41	(696)
R84898 PHASE IV-FINAL A/N ROAD	3,100,000	1,464,951	250,819	16,933	1,231,065
SUB TOTAL	3,100,000	1,464,951	250,819	16,933	1,231,065
<u>BABELDAOB INTRA-STATE ROADS & DOCK IMPROVEMENT S</u>					
B70901 NGARCHELONG ROAD REHAB	-	-	-	-	-
G70001 BABL INTRA ST RD IMPROVEM	-	-	-	-	-
G70101 MEDORM HAMLET RD REPAIR	200,000	(37,553)	-	7,895	(29,658)
G70102 AIMELIHK-COFA CONNECT RD	200,000	(13,770)	-	13,746	(24)
G70201 NGERUSAR-KED RD IMPROVE	200,000	(33,182)	-	33,083	(99)
G70801 NGARAARD STATE RD IMPROVE	245,000	(19,580)	-	95,290	75,710
G70901 NGARCHELONG MAIN RD REHAB	200,000	(59,891)	-	39,891	(20,000)
G71101 NGAREMLENGUI STATE RD IMP	100,000	(68,091)	-	68,091	-
G71301 NGCHESAR ROAD PROJECT	200,000	(85,800)	-	85,188	(612)
G71401 IMEKANG DOCK IMPROVE	200,000	(32,890)	-	14,837	(18,053)
F73966 PM & SP CAPACITY BLDG PRO	75,000	(30,100)	-	29,858	(242)
SUB TOTAL	1,620,000	(380,857)	-	387,879	7,022

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R74898 AIRPORT TO NGERIKIIL ROAD	3,300,000	-	-	-	-
SUB TOTAL	<u>3,300,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
R74845 OKOTOL DOCK IMPROVE PH II	1,000,000	(183,827)	-	154,538	(29,289)
SUB TOTAL	<u>1,000,000</u>	<u>(183,827)</u>	<u>-</u>	<u>154,538</u>	<u>(29,289)</u>
R74848 CAPITOL STANDBY GENERATOR	1,600,000	-	-	-	-
SUB TOTAL	<u>1,600,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>STATE ECONOMIC STIMULUS PACKAGE 2008</u>					
B80101 AIMELIK ROAD REPAIR PROJ	25,000	25,000	25,000	-	-
B80102 ELECHUI WATER SYS - PH II	150,000	102,600	150,000	6,137	(41,263)
B80103 AIMELIK PUBL WORKS BLDG	50,000	33,250	50,000	-	(16,750)
B80202 AIRAI ROAD IMPROVEMENT PR	200,000	-	239,000	239,000	-
B80401 TOBI VARIOUS IMPROV PROJ	-	-	-	-	-
B80501 KAYANGEL GARBAGE FACILITY	65,000	25,000	65,000	1,571	(38,429)
B80601 KOROR KB BRIDGE PARK PROJ	-	-	-	-	-
B80701 MELEKEOK ROAD IMPROVEMENT	100,000	-	100,000	90,850	(9,150)
B80801 CHOLL TYPHOON SHELTER	300,000	-	69,000	80,675	11,675
B80803 NGARAARD NEW ROAD PROJ	100,000	4,167	100,000	65,202	(30,631)
B80804 NGARAARD WATER PUMP STATI	50,000	933	50,000	726	(48,341)
B80805 ORREDAKL TO ULIMANG ROAD	300,000	-	300,000	278,364	(21,636)
B80901 NGARCHELONG MAIN ROAD IMP	200,000	1,489	100,000	6,666	(91,845)
B81001 NGARDMAU ROAD PAVING PROJ	250,000	-	250,000	249,904	(96)
B81101 NGERMETENGEL COMM BAI	225,000	59,141	225,000	117,938	(47,921)
B81102 NGERMETENGEL DOCK IMPROVE	125,000	52,396	125,000	4,338	(68,266)
B81103 NGAREM ROAD IMPR PH IV	40,000	36,057	40,000	3,598	(345)
B81104 NGAREML ELEM ROAD PAVEMNT	60,000	49,557	60,000	1,922	(8,521)
B81105 NGARMESKANG WTRFALLS ROAD	100,000	57	100,000	1,057	(98,886)
B81201 AQUACULTURE PROJ PHIV	150,000	143,646	150,000	6,258	(96)
B81301 NGCHESAR MAIN ROAD IMPROV	200,000	114	200,000	126,634	(73,252)
B81401 NGIWAL WATER SYSTEM IMPRO	160,000	17,234	60,000	(12,241)	(55,007)
B81402 NGIWAL DOCK REPAIR	40,000	-	40,000	18,813	(21,187)
B81501 PELELIU STATE BOAT REPAIR	269,000	105,396	180,000	65,000	(9,604)
S78969 PALAU DIGITAL ARCHIVING	125,000	(3,191)	-	-	(3,191)
S84813 CNMI CONSUL ABAI CONTRIB	25,000	25,000	25,000	-	-
P84810 COMPACT REVIEW	175,000	161,454	175,000	13,546	-
P84811 PRES DIGITAL ARCHIV/OTHER	225,000	203,071	225,000	21,893	(36)
F84812 CAPITOL COMPLX INFO SUPPL	347,000	-	347,000	426,400	79,400
SUB TOTAL	<u>4,056,000</u>	<u>1,042,371</u>	<u>3,450,000</u>	<u>1,814,251</u>	<u>(293,378)</u>
F84814 CAPITOL COMPLEX MIS-PH2	1,000,000	69,800	400,000	229,800	(100,400)
SUB TOTAL	<u>1,000,000</u>	<u>69,800</u>	<u>400,000</u>	<u>229,800</u>	<u>(100,400)</u>
H84854 HOSP SOLAR LIGHTING PROJ	2,500,000	(749,317)	1,750,000	2,442,929	(56,388)
SUB TOTAL	<u>2,500,000</u>	<u>(749,317)</u>	<u>1,750,000</u>	<u>2,442,929</u>	<u>(56,388)</u>

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R84971 KOROR SEWER SYS PROJ PH 2	2,255,000	778,865	1,700,000	1,139,347	218,212
4812	<u>2,255,000</u>	<u>778,865</u>	<u>1,700,000</u>	<u>1,139,347</u>	<u>218,212</u>
<u>STATE ECONOMIC STIMULUS PACKAGE 2009</u>					
B90701 MELEKEOK MAIN ROAD	850,000	-	-	5,213	5,213
R94823 IMEKANG DOCK	1,000,000	-	-	1,330	1,330
J94825 GLOBAL POSITIONING SYSTEM	1,900,000	-	-	-	-
J94826 LIGHT EMITTING DIODE	800,000	-	-	2,224	2,224
B90901 NGERCHELONG MAIN ROAD	810,000	-	-	90,618	90,618
B91101 NGERMLENGUI BRIDGE	640,000	-	-	632	632
R94824 KOKSAI/NGCHESAR ACCESS RD	5,000,000	-	-	629	629
SUB TOTAL	<u>11,000,000</u>	<u>-</u>	<u>-</u>	<u>100,646</u>	<u>100,646</u>
GRAND TOTAL	<u>89,295,190</u>	<u>62,070</u>	<u>7,550,819</u>	<u>6,672,964</u>	<u>(815,785)</u>

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