

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

**REPORT ON THE AUDIT OF  
FINANCIAL STATEMENTS IN ACCORDANCE  
WITH OMB CIRCULAR A-128**

**FOR THE YEAR ENDED SEPTEMBER 30, 1992**

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA  
FOR THE YEAR ENDED SEPTEMBER 30, 1992**

INDEX

	<u>Page No.</u>
GENERAL PURPOSE FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT	1 - 47
INDEPENDENT AUDITORS' REPORTS ON COMPLIANCE WITH LAWS AND REGULATIONS	48 - 92
INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROL STRUCTURE	93 - 107

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA  
FOR THE YEAR ENDED SEPTEMBER 30, 1992**

TABLE OF CONTENTS

	<u>Page No.</u>
I. INDEPENDENT AUDITORS' REPORT	1
II. GENERAL PURPOSE FINANCIAL STATEMENTS:	
Combined Balance Sheet - All Fund Types and Account Groups	3
Combined Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit) - All Governmental Fund Types	4
Statement of Revenues, Expenditures and Changes in Deficit - Budget and Actual, Budgetary Basis - General Fund	5
Combined Statement of Revenues, Expenses and Changes in Retained Earnings/Contributed Capital - Proprietary Fund Type	6
Combined Statement of Cash Flows - Proprietary Fund Type	7
Notes to Combined Financial Statements	8
III. ADDITIONAL INFORMATION	
Independent Auditors' Report on Additional Information	28
Combining Schedule of Expenditures by Account - All Governmental Fund Types	29
General Fund:	
Statement of Revenues, Expenditures by Function and Department and Changes in Deficit	30
Statement of Revenues, Expenditures and Changes in Deficit - Budget and Actual, Budgetary Basis	33
Special Revenue Funds:	
Introduction to Special Revenue Funds	36
Combining Balance Sheet	38
Combining Statement of Revenues, Expenditures by Function and Changes in Fund Balances (Deficit)	39

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA  
FOR THE YEAR ENDED SEPTEMBER 30, 1992**

TABLE OF CONTENTS  
(CONTINUED)

	<u>Page No.</u>
III. ADDITIONAL INFORMATION, CONTINUED	
Combining Statement of Revenues, Expenditures by Account and Changes in Fund Balances (Deficit)	40
Capital Projects Funds:	
Introduction to Capital Projects Funds	41
Combining Balance Sheet	42
Combining Statement of Revenues, Expenditures by Function and Changes in Fund Balances (Deficit)	43
Combining Statement of Revenues, Expenditures by Account and Changes in Fund Balances (Deficit)	44
Enterprise Funds:	
Introduction to Enterprise Funds	45
Combining Balance Sheet	46
Combining Statement of Revenues, Expense, and Changes in Fund Equity	47
IV. INDEPENDENT AUDITORS' REPORTS ON COMPLIANCE WITH LAWS AND REGULATIONS	
Independent Auditors' Report on Compliance Based on the Audit of Financial Statements	49
Independent Auditors' Report on Compliance with Specific Requirements Applicable to Major Federal Financial Assistance Programs	51
Independent Auditors' Report on Compliance with the General Requirements Applicable to Federal Financial Assistance	53
Independent Auditors' Report on Compliance with Requirements Applicable to Nonmajor Federal Financial Assistance Program Transactions	55
Independent Auditors' Report on the Internal Control Structure used in Administering Federal Financial Assistance	57
Independent Auditors' Report on the Supplementary Schedule of Federal Financial Assistance	61

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA  
FOR THE YEAR ENDED SEPTEMBER 30, 1992**

TABLE OF CONTENTS  
(CONTINUED)

	<u>Page No.</u>
IV. INDEPENDENT AUDITORS' REPORTS ON COMPLIANCE WITH LAWS AND REGULATIONS, CONTINUED	
Introduction to Compact of Free Association Funding, Federal and Other Assistance Funds	63
Schedule of Federal Financial Assistance	66
Notes to Schedule of Federal Financial Assistance	82
Schedule of Programs Selected for Audit in Accordance With OMB Circular A-128	84
Schedule of Questioned Costs, Identified Noncompliance and Internal Control Weaknesses	85
Resolution of Prior Year Questioned Costs	92
V. INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROL STRUCTURE	
Independent Auditors' Report on the Internal Control Structure Based on the Audit of the Financial Statements	94

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA  
GENERAL PURPOSE FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 1992**

**INDEPENDENT AUDITORS' REPORT**

Honorable Sasao Gouland  
Governor, State of Chuuk  
Federated States of Micronesia

We have audited the accompanying general purpose financial statements of the State of Chuuk, as set forth in Section II of the Table of Contents, as of September 30, 1992, and for the year then ended. These general purpose financial statements are the responsibility of the State of Chuuk's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

Except as discussed in the following paragraphs, we conducted our audit in accordance with generally accepted auditing standards and 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Property comprising the State of Chuuk's General Fixed Assets Account Group has not been inventoried as of September 30, 1992, nor have existing records been adequately assembled to permit the application of auditing procedures and verification of the detail of account balances.

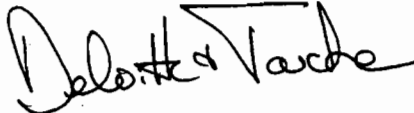
As discussed in Note 1A, the accompanying general purpose financial statements do not include the State's eleven development authorities which, in our opinion, should be included to conform with generally accepted accounting principles.

In our opinion, except for the effects of such adjustments which may be required as a result of changes in the inventory of fixed assets and the omission of the State's eleven development authorities, the accompanying general purpose financial statements, as set forth in Section II of the Table of Contents, present fairly, in all material respects, the financial position of the State of Chuuk, as of September 30, 1992, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 12, to the aforementioned general purpose financial statements, the State of Chuuk has been named the defendant in various legal actions. The State of Chuuk is vigorously defending all claims, but the ultimate outcome is uncertain at this time. Accordingly, no provision for any liability that may result has been recorded in the accompanying general purpose financial statements.

Costs for operation of U.S. Federal grants to the State of Chuuk during the year ended September 30, 1992, have been questioned in the amount of \$39,367. Additionally, \$8,604,701 of costs have been previously questioned and their disposition is pending. If such questioned costs are ultimately disallowed, the General Fund will absorb the amount so disallowed. No provision for any liability that may result upon the ultimate resolution of these matters has been made in the accompanying general purpose financial statements.

January 19, 1993



Certified Public Accountants



**CHUUK STATE GOVERNMENT**  
**Combined Balance Sheet - All Fund Types and Account Groups**  
**September 30, 1992**  
(With comparative totals as of September 30, 1991)

	Governmental Fund Types				Proprietary	Account Groups		Totals	
	General	Special	Capital	Debt	Fund Type	General	General	(Memorandum Only)	
	Fund	Revenue	Projects	Service	Enterprise	Fixed	Long-Term		
		Funds	Funds	Fund	Funds	Assets	Debt	1992	1991
<b>Assets</b>									
Cash and equivalents (Note 2)	\$ 459,513	\$ 19,720	\$ -	\$ -	\$ 460,502	\$ -	\$ -	\$ 939,735	\$ 2,105,136
Cash on deposit with Trustees (Note 2)	846,704	391,788	88,962	-	-	-	-	1,327,454	764,722
Investments (Notes 1M, 2 and 7)	928,896	-	25,133,416	-	-	-	-	26,062,312	26,220,858
Investments - other (Notes 1M and 10)	-	-	1,120,000	-	-	-	-	1,120,000	1,120,000
Receivables from other governments (Note 3)	124,687	1,985,062	1,282,623	-	-	-	-	3,392,372	2,781,506
Receivables, federal agencies (Note 3)	-	730,524	-	-	121,667	-	-	852,191	337,762
General receivables, net	120,844	1,900	-	-	15,536	-	-	138,280	145,671
Loans receivable, net of allowance for doubtful accounts of \$226,140 in 1992 (Note 1P)	-	-	-	-	1,209,696	-	-	1,209,696	1,171,809
Dividends and interest receivable	134,822	-	-	-	-	-	-	134,822	387,958
Advances	173,384	92,769	110,809	-	-	-	-	376,962	417,155
Due from other funds (Note 9)	800,201	781,234	1,590,323	-	-	-	-	3,171,758	2,501,555
Inventories (Note 1K)	-	-	-	-	79,824	-	-	79,824	75,320
Other assets	-	-	-	-	47,143	-	-	47,143	16,518
Fixed assets, net of accumulated depreciation (Notes 1C and 4)	-	-	-	-	1,103,816	67,581,844	-	68,685,660	68,519,676
Amount to be provided for retirement of long-term debt (Note 1C)	-	-	-	-	-	-	2,403,685	2,403,685	3,079,048
<b>Total assets</b>	<b>\$3,589,051</b>	<b>\$ 4,002,997</b>	<b>\$29,326,133</b>	<b>\$ -</b>	<b>\$ 3,038,184</b>	<b>\$67,581,844</b>	<b>\$2,403,685</b>	<b>\$109,941,894</b>	<b>\$109,644,694</b>
<b>Liabilities and Fund Equity (Deficiency)</b>									
<b>Liabilities:</b>									
Bank overdraft	\$ 684,713	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 684,713	\$ -
Accounts payable	4,732,796	1,037,668	531,239	-	71,895	-	-	6,373,598	5,005,385
Accrued payroll and annual leave (Note 1C)	653,214	101,767	3,394	-	-	-	1,607,783	2,366,158	2,132,704
Due to other funds (Note 9)	-	1,807,840	1,363,918	-	-	-	-	3,171,758	2,501,555
Payable to other governments	87,453	353,793	-	-	-	-	-	441,246	397,907
Notes payable (Notes 1C and 5)	-	-	330,503	-	760,402	-	795,902	1,886,807	2,274,824
Deferred revenue	-	277,321	-	-	-	-	-	277,321	277,321
<b>Total liabilities</b>	<b>6,158,176</b>	<b>3,578,389</b>	<b>2,229,054</b>	<b>-</b>	<b>832,297</b>	<b>-</b>	<b>2,403,685</b>	<b>15,201,601</b>	<b>12,589,696</b>
<b>Commitments and contingencies (Note 12)</b>									
<b>Fund equity (deficiency):</b>									
Contributed capital	-	-	-	-	1,670,266	-	-	1,670,266	1,670,266
Investment in general fixed assets (Notes 1C and 4)	-	-	-	-	-	67,581,844	-	67,581,844	67,581,844
Retained earnings, unreserved	-	-	-	-	535,621	-	-	535,621	426,334
<b>Fund balance:</b>									
Reserved for (deficit):									
Investments (Note 7)	-	-	541,660	-	-	-	-	541,660	541,660
Related assets (Note 10)	295,385	697,146	1,120,000	-	-	-	-	2,112,531	1,120,000
Encumbrances	790,669	208,696	2,072,310	-	-	-	-	3,071,675	3,344,366
Continuing appropriations (Note 6)	147,491	-	8,345,277	-	-	-	-	8,492,768	18,001,064
Unreserved	(3,802,670)	(481,234)	15,017,832	-	-	-	-	10,733,928	4,369,467
<b>Total fund equity (deficiency)</b>	<b>(2,569,125)</b>	<b>424,608</b>	<b>27,097,079</b>	<b>-</b>	<b>2,205,887</b>	<b>67,581,844</b>	<b>-</b>	<b>94,740,293</b>	<b>97,055,001</b>
<b>Total liabilities and fund equity (deficiency)</b>	<b>\$3,589,051</b>	<b>\$4,002,997</b>	<b>\$29,326,133</b>	<b>\$ -</b>	<b>\$ 3,038,184</b>	<b>\$67,581,844</b>	<b>\$2,403,685</b>	<b>\$109,941,894</b>	<b>\$109,644,697</b>

See accompanying notes to combined financial statements.

**CHUUK STATE GOVERNMENT**  
**Combined Statement of Revenues, Expenditures and**  
**Changes in Fund Balances (Deficit) -**  
**All Governmental Fund Types**

**For the year ended September 30, 1992**

(With comparative totals for the year ended September 30, 1991)

	Governmental Fund Types				Totals	
	General	Special	Capital	Debt	(Memorandum Only)	
	Fund	Revenue Funds	Projects Funds	Service Fund	1992	1991
<b>Revenues:</b>						
U.S. Compact of Free Association:						
Section 211(a)(2) - base grant	\$11,240,400	\$ -	\$ 7,833,600	\$ -	\$19,074,000	\$22,440,000
Section 217 - inflation adjustment	4,271,352	-	2,976,768	-	7,248,120	7,629,600
Section 221(b) - base grant	-	2,730,000	-	-	2,730,000	2,730,000
Section 216 (a)(2) - base grant	-	461,087	-	-	461,087	461,087
Section 214(c) - base grant	-	949,800	-	-	949,800	949,800
Section 217 - inflation adjustment	-	455,924	-	-	455,924	407,932
Section 212 - base grant	-	250,000	-	-	250,000	250,000
Section 216(a)(3) - FSM	-	449,356	-	-	449,356	1,242,188
U.S. Department of the Interior grants	-	-	764,684	-	764,684	680,450
FSM revenue sharing	2,128,570	-	-	-	2,128,570	2,230,745
Other federal contributions	-	2,952,505	57,619	-	3,010,124	8,158,689
State taxes and licenses	1,568,240	-	-	-	1,568,240	1,841,358
Investment income (Note 2)	2,846,028	-	-	-	2,846,028	2,954,304
Other	<u>1,362,140</u>	<u>326,852</u>	<u>-</u>	<u>-</u>	<u>1,688,992</u>	<u>1,035,310</u>
<b>Total revenues</b>	<b><u>23,416,730</u></b>	<b><u>8,575,524</u></b>	<b><u>11,632,671</u></b>	<b><u>-</u></b>	<b><u>43,624,925</u></b>	<b><u>53,011,463</u></b>
<b>Expenditures:</b>						
General government	4,970,322	4,860	-	-	4,975,182	5,152,894
Health services	3,831,785	2,112,164	-	-	5,943,949	4,066,315
Education	7,094,867	3,947,022	-	-	11,041,889	9,903,351
Economic development	1,060,968	374,594	-	-	1,435,562	1,114,893
Public safety	834,225	123,450	-	-	957,675	898,358
Transportation	1,252,294	-	-	-	1,252,294	1,635,016
Public works and utilities	1,534,247	2,315,397	-	-	3,849,644	3,289,016
Community affairs	253,637	45,777	-	-	299,414	1,134,310
Capital projects	-	-	9,917,769	-	9,917,769	11,230,653
Debt service - principal	-	-	-	646,031	646,031	416,666
Debt service - interest	-	-	-	53,673	53,673	49,803
Other	<u>3,899,864</u>	<u>1,135,006</u>	<u>-</u>	<u>-</u>	<u>5,034,870</u>	<u>15,194,824</u>
<b>Total expenditures</b>	<b><u>24,732,209</u></b>	<b><u>10,058,270</u></b>	<b><u>9,917,769</u></b>	<b><u>699,704</u></b>	<b><u>45,407,952</u></b>	<b><u>54,086,099</u></b>
Revenues in excess of (less than) expenditures	<u>(1,315,479)</u>	<u>(1,482,746)</u>	<u>1,714,902</u>	<u>(699,704)</u>	<u>(1,783,027)</u>	<u>(1,074,636)</u>
<b>Other sources (uses):</b>						
Operating transfers in (Note 8)	-	660,005	-	699,704	1,359,709	549,819
Operating transfers out (Note 8)	(585,722)	(258,751)	(1,156,204)	-	(2,000,677)	(1,102,033)
Proceeds from notes payable (Note 5)	-	-	-	-	-	1,887,931
Other income	-	-	-	-	-	2,026,805
<b>Total other sources (uses), net</b>	<b><u>(585,722)</u></b>	<b><u>401,254</u></b>	<b><u>(1,156,204)</u></b>	<b><u>699,704</u></b>	<b><u>(640,968)</u></b>	<b><u>3,362,522</u></b>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(1,901,201)</u>	<u>(1,081,492)</u>	<u>558,698</u>	<u>-</u>	<u>(2,423,995)</u>	<u>2,287,886</u>
<b>Fund balances (deficit), beginning of year</b>	<b><u>(667,924)</u></b>	<b><u>1,506,100</u></b>	<b><u>26,538,381</u></b>	<b><u>-</u></b>	<b><u>27,376,557</u></b>	<b><u>25,088,671</u></b>
<b>Fund balances (deficit), end of year</b>	<b><u>\$(2,569,125)</u></b>	<b><u>\$ 424,608</u></b>	<b><u>\$27,097,079</u></b>	<b><u>\$ -</u></b>	<b><u>\$24,952,562</u></b>	<b><u>\$27,376,557</u></b>

See accompanying notes to combined financial statements.

**CHUUK STATE GOVERNMENT**

**Statement of Revenues, Expenditures and Changes in Deficit  
- Budget and Actual, Budgetary Basis - General Fund  
For the year ended September 30, 1992  
(With comparative totals for the year ended September 30, 1991)**

	1992 General Fund			1991 General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Compact of Free Association, Section 211 and 217	\$15,062,136	\$ 15,511,752	\$ 449,616	\$17,984,540	\$17,720,160	\$ (264,380)
FSM revenue sharing	2,200,000	2,128,570	(71,430)	2,000,000	2,230,745	230,745
State taxes and licenses	2,543,601	1,568,240	(975,361)	3,022,605	1,841,358	(1,181,247)
Public service charges	1,550,000	1,362,140	(187,860)	427,000	690,651	263,651
Investment income	<u>1,906,914</u>	<u>2,846,028</u>	<u>939,114</u>	<u>1,733,496</u>	<u>2,954,304</u>	<u>1,220,808</u>
<b>Total revenues</b>	<u>23,262,651</u>	<u>23,416,730</u>	<u>154,079</u>	<u>25,167,641</u>	<u>25,437,218</u>	<u>269,577</u>
<b>Expenditures - budgetary basis:</b>						
General government	4,969,250	5,032,312	(63,062)	4,953,751	4,776,582	177,169
Health services	3,161,787	3,885,417	(723,630)	3,217,586	3,112,489	105,097
Education	7,097,241	7,160,465	(63,224)	5,209,611	5,049,624	159,987
Economic development	1,161,000	1,066,548	94,452	1,122,604	1,050,836	71,768
Public safety	849,700	849,405	295	611,844	602,561	9,283
Transportation	1,321,200	1,204,726	116,474	1,442,400	1,359,028	83,372
Public works and utilities	1,683,908	1,561,262	122,646	1,785,700	1,770,289	15,411
Community affairs	248,400	259,762	(11,362)	263,600	251,539	12,061
Boards and commissions	389,300	362,858	26,442	773,417	760,893	12,524
Special programs	428,500	469,635	(41,135)	3,044,201	2,876,552	167,649
Legislative external appropriations	3,426,720	2,899,278	527,442	2,555,185	2,887,729	(332,544)
Other	-	<u>130,015</u>	<u>(130,015)</u>	-	<u>1,481,899</u>	<u>(1,481,899)</u>
<b>Total expenditures</b>	<u>24,737,006</u>	<u>24,881,683</u>	<u>(144,677)</u>	<u>24,979,899</u>	<u>25,980,021</u>	<u>(1,000,122)</u>
Revenues in excess of (less than) expenditures	(1,474,355)	(1,464,953)	9,402	187,742	(542,803)	(730,545)
<b>Other sources (uses):</b>						
Operating transfers out	(1,302,135)	(585,722)	716,413	(222,825)	(219,955)	2,870
Other income	-	-	-	-	<u>2,026,804</u>	<u>2,026,804</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(2,776,490)	(2,050,675)	725,815	(35,083)	1,264,046	1,299,129
Deficit - unreserved, beginning of year	(1,540,557)	(1,540,557)	-	(3,114,708)	(3,114,708)	-
<b>Other changes in deficit - unreserved:</b>						
Increase in reserve for related assets	-	(295,385)	(295,385)	-	-	-
(Decrease) in reserve for continuing appropriations	-	83,947	83,947	-	(15,484)	(15,484)
Net encumbrance adjustments	-	-	-	-	<u>325,589</u>	<u>325,589</u>
<b>Deficit - unreserved, end of year</b>	<u>\$(4,317,047)</u>	<u>\$(3,802,670)</u>	<u>\$ 514,377</u>	<u>\$(3,149,791)</u>	<u>\$(1,540,557)</u>	<u>\$ 1,609,234</u>

See accompanying notes to combined financial statements.

**CHUUK STATE GOVERNMENT**  
Combined Statement of Revenues, Expenses and Changes  
in Retained Earnings/Contributed Capital -  
Proprietary Fund Type  
For the year ended September 30, 1992  
(With comparative totals for the year ended September 30, 1991)

	<u>Proprietary Fund Type</u>	
	<u>Enterprise Funds</u>	
	<u>1992</u>	<u>1991</u>
Operating revenues:		
Interest income	\$ 70,840	\$ 58,805
Coconut product sales	49,961	62,320
Federal contributions	36,352	36,125
Other	29,808	3,511
Total revenues	186,961	160,761
Operating expenses:		
Cost of sales	151,707	104,589
Payroll and personnel	99,314	81,030
Travel	39,671	19,058
Bad debts	29,883	24,915
Depreciation	28,220	28,493
Rent	17,627	8,620
Other	84,834	62,351
Total operating expenses	451,256	329,056
Operating loss	(264,295)	(168,295)
Non-operating revenue (expenses):		
Transfers in (Note 8)	380,870	552,214
Interest expense	(7,288)	(10,963)
Total non-operating revenues, net	373,852	541,251
Net earnings	109,287	372,956
Retained earnings, beginning of year	426,334	53,378
Retained earnings, end of year	\$ 535,621	\$ 426,334
Contributed capital, beginning of year	\$1,670,266	\$1,670,266
Additions	-	-
Contributed capital, end of year	\$1,670,266	\$1,670,266

See accompanying notes to combined financial statements.

**CHUUK STATE GOVERNMENT**  
Combined Statement of Cash Flows -  
Proprietary Fund Type  
For the year ended September 30, 1992  
(With comparative totals for the year ended September 30, 1991)

	<u>Proprietary Fund Type</u>	
	<u>Enterprise Funds</u>	
	<u>1992</u>	<u>1991</u>
Cash flows from operating activities:		
Cash received from customers	\$ 124,503	\$ 126,748
Cash payments to suppliers and employees	(490,036)	(200,835)
Interest expense	<u>(7,288)</u>	<u>(10,963)</u>
Net cash used by operating activities	<u>(372,821)</u>	<u>(85,050)</u>
Cash flows from noncapital financing activities:		
Issuance of loans	(65,912)	(320,445)
Transfers-in from the State of Chuuk	<u>380,870</u>	<u>552,214</u>
Net cash provided by noncapital financing activities	<u>314,958</u>	<u>231,769</u>
Cash flows from capital and related financing activities:		
Acquisition of fixed assets	(194,204)	(472,961)
Proceeds from debt, net of repayments	<u>286,022</u>	<u>359,676</u>
Net cash provided by (used by) capital and related financing acquisitions	<u>91,818</u>	<u>(113,285)</u>
Net increase in cash and equivalents	33,955	33,434
Cash and equivalents, beginning of year	<u>426,549</u>	<u>393,115</u>
Cash and equivalents, end of year	<u>\$ 460,502</u>	<u>\$ 426,549</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (264,295)	\$ (168,295)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Bad debt	29,883	-
Depreciation	28,220	28,493
Interest expense	(7,288)	(10,963)
Increase in receivables	(63,512)	(56,313)
Increase in inventories	(4,504)	(7,582)
Change in other assets	(30,625)	29,882
Change in accounts payable	<u>(60,700)</u>	<u>99,728</u>
Total adjustments	<u>(108,526)</u>	<u>83,245</u>
Net cash used by operating activities	<u>\$ (372,821)</u>	<u>\$ (85,050)</u>

See accompanying notes to combined financial statements.

**CHUUK STATE GOVERNMENT**  
Notes to Combined Financial Statements  
September 30, 1992

(1) Summary of Significant Accounting Policies

The general purpose financial statements of the State of Chuuk (the State) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the State's accounting policies are described below.

A. Reporting Entity

In evaluating how to define the State, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the State and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the State is able to exercise oversight responsibilities.

Based on the application of these criteria, the following component units are included within the reporting entity:

Special Revenue Funds:

Chuuk Visitors' Bureau

Enterprise Funds:

Chuuk Coconut Processing Authority  
Chuuk Housing Authority

**CHUUK STATE GOVERNMENT**  
Notes to Combined Financial Statements, Continued  
September 30, 1992

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

The accompanying statements do not include the State's eleven development authorities (special revenue funds) nor the State's 39 municipalities, separate and distinct legal entities which receive 8% of all Compact current account monies and 40% of all Compact CIP monies. The majority of these entities do not present financial information concerning their operations, thus precluding presentation of financial statements for these funds.

B. Fund Structure and Basis of Accounting

The accompanying general purpose financial statements are structured into two categories of funds and two account groups. The fund categories include governmental funds and proprietary funds.

The State's governmental funds include:

1. The General Fund - used to account for all financial transactions not accounted for in another fund;
2. The Special Revenue Funds - used to account for specific revenues earmarked to finance particular programs and activities;
3. The Capital Projects Funds - used to account for the acquisition or construction of all major governmental general fixed assets;
4. The Debt Service Fund - used to account for the current portion of debt owed by Chuuk State.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of the funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

**CHUUK STATE GOVERNMENT**  
Notes to Combined Financial Statements, Continued  
September 30, 1992

(1) Summary of Significant Accounting Policies, Continued

B. Fund Structure and Basis of Accounting, Continued

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet.

Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

All of the governmental funds are presented on the modified accrual basis of accounting. In accordance with the modified accrual basis, revenues are recognized when they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the current period. Measurable means that the amount of the transaction can be determined and available means that it is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded at the time liabilities are incurred except:

- a. Inventories generally are considered expenditures at acquisition.
- b. Prepayments are usually considered expenditures at the time of payment.

Encumbrance accounting is utilized for budgetary control purposes. Encumbrances outstanding at year-end are reported as reservations of fund balance and will be funded as expenditures in the ensuing year. Encumbrances remain reservations of fund balance until becoming expended or cancelled.

The proprietary fund is accounted for on the accrual basis of accounting and at September 30, 1992, included two Enterprise funds which account for the operations of the Chuuk Housing Authority and the Chuuk Coconut Processing Authority. Both are designed to be self-sufficient and render services to the general public on a user charge basis. Under the accrual method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.



**CHUUK STATE GOVERNMENT**  
Notes to Combined Financial Statements, Continued  
September 30, 1992

(1) Summary of Significant Accounting Policies, Continued

C. Fixed Assets and Long-Term Liabilities

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

It is Chuuk State's policy to capitalize public domain or infrastructure assets such as roads, drainage systems, lighting systems, and similar assets that are immovable and of value only to the State. However, interest costs are not capitalized on such assets.

Costs for normal maintenance and repairs that do not add to the value of assets or materially extend asset lives are not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of fixed assets in the proprietary fund type is computed using the straight-line method.

General Long-Term Debt is not accounted for in a fund, but rather in an Account Group. Accrued annual leave represents a portion of the General Long-Term Debt Account Group (GLTDAG) as of September 30, 1992. Due to the immateriality of the current portion of accrued annual leave, the State is of the opinion that this liability, in its entirety, may be classified as long-term.

The long-term payable to the Federal Emergency Management Agency (FEMA) (See Note 5) represents the remaining portion of the GLTDAG. A 25% matching share contribution was required by FEMA of Chuuk State upon granting of the disaster funds.

**CHUUK STATE GOVERNMENT**  
Notes to Combined Financial Statements, Continued  
September 30, 1992

(1) Summary of Significant Accounting Policies, Continued

C. Fixed Assets and Long-Term Liabilities, Continued

As Chuuk State did not have sufficient available cash, FEMA advanced funds to Chuuk and allowed the State to sign a promissory note for the required matching share.

The two account groups are not "funds". They are concerned only with the measurement of financial position and are not involved with the measurement of results of operations.

D. Budgetary Process

Legislation requires the Governor to present a proposed budget to the Legislature at the beginning of each annual session. The Legislature enacts the budget through passage of specific departmental appropriations, the sum of which may not exceed estimated revenues. Before signing the Appropriations Act, the Governor may veto or reduce any specific appropriation, subject to legislative override. Once passed and signed, the budget becomes the State's financial plan for the ensuing fiscal year.

During fiscal year 1992, supplemental appropriations were made for both operating and capital purposes, to reflect revised financial priorities of Chuuk State Government.

Budgetary control is maintained at the departmental level. Budget revisions during the year, reflecting program changes or intradepartmental transfers of an administrative nature, may be effected with certain Executive and Legislative branch approval.

Chuuk State does not establish budgets for the operations of its Special Revenue Funds. Accordingly, a budget to actual presentation for Special Revenue Funds is not required or presented.

Unencumbered appropriations normally lapse at the end of each fiscal year unless they are designated by the Legislature as representing continuing appropriations.

**CHUUK STATE GOVERNMENT**  
Notes to Combined Financial Statements, Continued  
September 30, 1992

(1) Summary of Significant Accounting Policies, Continued

E. Receivables

Receivables in the State's governmental funds primarily consist of taxes and federal revenues. Since few governmental fund revenues are susceptible to accrual prior to receipt, most taxes, licenses, fees, permits and similar revenues are recognized primarily on a cash basis.

F. Loans Receivable

Loans receivable of the enterprise fund consist of Community Development Block Grant (CDBG) loans and general loans extended to qualifying FSM citizens. CDBG loans are for the purpose of acquiring new homes and general loans are for the purpose of financing renovation, rehabilitation or extension of existing homes. In order to qualify for both types of loans, the citizen must own or acquire the land where the home will be located, the home or additions must be approved with regard to compliance with building codes, the applicant must fall within low-income eligibility parameters as established by the U.S. Department of Housing and Urban Development (HUD), and the applicant must exhibit the ability to repay the loans. Interest on both types of loans is charged at 4%. The loans are collateralized by land and improvements. The principal amounts of loans range between \$2,000 and \$25,000. Loan maturities range from 1 to 7 years.

G. Interfund Transactions

The State has three types of interfund transactions:

1. Operating appropriations/subsidies are accounted for as operating transfers in the funds involved.
2. Equity contributions are accounted for as equity transfers (additions to or deductions from beginning governmental fund balances or proprietary fund contributed capital).
3. The majority of the State's financial operations are centrally administered, and this administration is facilitated by the use of a "pooled" cash account; for practical purposes, cash is primarily maintained in a single bank account which is considered to be an asset of the State's general fund.

**CHUUK STATE GOVERNMENT**  
Notes to Combined Financial Statements, Continued  
September 30, 1992

(1) Summary of Significant Accounting Policies, Continued

G. Interfund Transactions, Continued

As a result of this cash pooling practice, cash transactions normally include entries which adjust the relative balances of affected interfund asset/liability accounts; each fund's interfund balance therefore represents a net interest in the State's actual cash. Income derived from pooling of cash generally accrues to the general fund.

H. Compensated Absences

Vested or accumulated vacation leave that is liquidated with expendable available financial resources is reported as an expenditure of the general fund. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. No expenditure is reported for these amounts.

I. Fund Balance Reserves and Designations

The State's fund balance reserves represent those portions of fund balance which are legally segregated for a specific future use. Reserves for encumbrances, contracts and continuing appropriations are examples of this legal segregation.

J. Totals - Memorandum Only

The "Totals - Memorandum Only" column represents an aggregate of the individual combined financial statements. The totals column is presented for overview informational purposes and does not represent consolidated financial information.

K. Inventories

Inventories of supplies and raw materials for enterprise funds are carried at the lower of cost (first-in first-out method) or market.

L. Reclassifications

Certain items in the 1991 combined financial statements have been reclassified to conform with 1992 presentation.

**CHUUK STATE GOVERNMENT**  
Notes to Combined Financial Statements, Continued  
September 30, 1992

(1) Summary of Significant Accounting Policies, Continued

M. Investments

Investments are generally carried at the lower of cost or market. (See Note 10).

N. Actual Expenditures Contrasted With Budgetary Expenditures

1. Actual expenditures are charges which represent the total of all current year liabilities incurred which were attributable to the operations of the respective functional areas; such liabilities may represent liquidations of either current or prior year encumbrances.
2. In contrast, budgetary expenditures represent current charges against appropriations; current charges consist of all current year liquidated and unliquidated encumbrances. For each functional area, budgetary expenditures are determined by subtracting both current year liquidations of prior year encumbrances and unliquidated prior year encumbrances from the combined total of current year actual expenditures and all unliquidated encumbrances. When viewed in relation to respective budgets, budgetary expenditures provide the principal means of evaluating current year operating performance and management stewardship.

(2) Cash and Equivalents and Investments

Cash and Equivalents

For the purposes of the combined balance sheet and the combined statements of cash flows of its proprietary fund type, the State considers cash and equivalents to be cash on hand, and cash in checking and savings accounts and unrestricted time certificates of deposit with initial maturities of less than 90 days.

Cash Deposits

The State of Chuuk does not require collateralization of the following fund's bank accounts. Therefore \$200,000 is subject to FDIC insurance with the balance being uncollateralized.

**CHUUK STATE GOVERNMENT**  
Notes to Combined Financial Statements, Continued  
September 30, 1992

(2) Cash and Equivalents and Investments, Continued

Cash Deposits, Continued

At September 30, 1992, the State had deposits as follows; in each situation, cost approximated market value.

General Fund

Cash in checking accounts and time certificates of deposit with FDIC insured banks	\$ 459,513
Cash on deposit with trustee	<u>846,704</u>
	<u>\$1,306,217</u>

Special Revenue Deposits

Cash in checking accounts with FDIC insured banks	\$ 19,720
Cash on deposit with trustee	<u>391,788</u>
	<u>\$ 411,508</u>

Capital Projects Deposits

Cash on deposits with Trustee	<u>\$ 88,992</u>
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Enterprise Fund Deposits

Cash in checking and savings accounts with FDIC insured banks	<u>\$ 460,502</u>
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Investments

The State has adopted the Federated Development Authority (the Authority) as the agency to implement the overall development goals, policies and strategies of funds received and invested pursuant to the Compact of Free Association. The Federated States of Micronesia (FSM), Secretary of Finance, maintains the accounting system and records necessary to account for investment funds placed with the Authority on behalf of the State.

**CHUUK STATE GOVERNMENT**  
Notes to Combined Financial Statements, Continued  
September 30, 1992

(2) Cash and Equivalents and Investments, Continued

Investments, Continued

The Authority has selected investment managers who are given authority to buy and sell securities as follows:

- A. Investment managers may invest in stocks, bonds and cash equivalents. Minimum standards of quality for investments at the time of purchase shall be:
1. Stocks - A "B" rating by a national rating service. Non-rated stocks such as banks or insurance companies must be equal in quality or higher.
  2. Bonds - Confined to issues rated "A" or higher by a national rating service, except in the case of U.S. Treasury or Agency Securities which are not stated.
  3. Cash and equivalents - The manager may engage in all normally accepted 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 rated A-1/P-1 or higher by Standard & Poors Corporation and Moodys Investor Services.
    - b. Certificates of deposit must be from FDIC insured banks or FSLIC insured savings and loan associations, both of which must have assets in excess of two billion dollars. Deposits in smaller institutions are acceptable, but must not exceed the amount of the insurance unless collateralized by U.S. Treasury Securities at 102%.
- B. The equity portfolio shall be diversified among issues and industry classifications. No more than 25% of the equity portfolio may be invested in any single classification, as described by the Standard and Poors 500 Index, unless prior approval is received from the FSM Secretary of Finance.

**CHUUK STATE GOVERNMENT**  
Notes to Combined Financial Statements, Continued  
September 30, 1992

(2) Cash and Equivalents and Investments, Continued

Investments, Continued

- C. No investment may be made in a single corporate entity which exceeds 5% of the total assets of the fund at the time of purchase without prior approval by the FSM Secretary of Finance.

Statement No. 3 of the Governmental Accounting Standards Board requires government entities to categorize investments to give an indication of the level of risk assumed by the entity at year end. Category 1 includes investments that are insured or registered or for which securities are held by the State or its agent in the name of the State. Category 2 includes uninsured and unregistered investments for which securities are held by the broker's or dealer's trust department or agent in the name of the State. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the State's name. All of the State's investments are classified as Category 2 as all investments are held in the name of the Federated Development Authority.

Funds invested on behalf of the State as of September 30, 1992, are summarized below:

<u>Cash and Equivalents</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Certificates of deposit	\$ 206,909	\$ 206,909
<u>Cash on Deposit with Trustee</u>		
Short-term deposits	\$ 1,327,454	\$ 1,327,454
<u>Investments</u>		
Equity funds (See Note 7)	\$26,062,312	\$27,272,496

All of the State's certificates of deposit and cash-in-bank accounts are held with FDIC insured banks. Investments in common stock are not insured.



**CHUUK STATE GOVERNMENT**  
Notes to Combined Financial Statements, Continued  
September 30, 1992

(2) Cash and Equivalents and Investments, Continued

Investments, Continued

D. The State's investment income as of September 30, 1992 is summarized below:

Interest	\$1,509,001
Dividends	269,455
Realized gains	1,754,428
Realized loss	(447,722)
Management fees	(228,485)
Other expenses	<u>(10,649)</u>
	<u>\$2,846,028</u>

(3) Receivables From Other Governments and Federal Agencies

Amounts due from other governments include those funds which are earned and have yet to be reimbursed by the FSM National Government (FSM) for U.S. grants, U.S. Department of the Interior (DOI) grants, and those earned reimbursements resulting from Congress of the Federated States of Micronesia appropriations. Additionally, amounts due from the Office of Transition, Trust Territory Government (TTG), are for DOI Capital Projects.

Amounts due from federal agencies are those funds earned which are reimbursed directly from United States federal agencies.

(4) Changes in General Fixed Assets

Chuuk State did not update the balances in the General Fixed Assets Account Group for fiscal year 1992.

A summary of the general fixed assets accounted for in the General Fixed Assets Account Group as of September 30, 1992, follows:

	Estimated Useful Life	Balance at September 30, 1992
Roads	30-50 years	\$10,257,016
Port facilities	30-40 years	6,537,700
Airport facilities	30-40 years	24,506,300
Public utilities	30-50 years	22,961,621
Other	30-50 years	<u>3,319,207</u>
		<u>\$67,581,844</u>

**CHUUK STATE GOVERNMENT**  
Notes to Combined Financial Statements, Continued  
September 30, 1992

(4) Changes in General Fixed Assets, Continued

A summary of fixed assets accounted for in the Enterprise Funds as of September 30, 1992, follows:

Housing units	25-50 years	\$ 243,001
Equipment	7-10 years	704,204
Building	20-30 years	301,649
Automobile	3- 5 years	30,312
Office equipment	7-10 years	21,504
Other	5-10 years	<u>17,346</u>
		1,318,016
Less accumulated depreciation		<u>214,200</u>
		<u>\$ 1,103,816</u>

(5) Notes Payable

The State entered into a separate agreement with a contractor for payment of prior services performed. The agreement was not executed by the Attorney General's office and some amounts due are being renegotiated. Until a mutual settlement occurs, payment will not be made. The note is to be repaid from the State's Compact 211 (a)(2) Capital Projects Fund. As of September 30, 1992, the note is as follows:

Principal due in six monthly installments commencing on July 1, 1988, with interest payments due in monthly installments at 12% per annum. \$ 329,179

The Chuuk Housing Authority, an Enterprise Fund, as of September 30, 1992, had the following note payable:

Payable to bank, principal and interest of \$1,634, due in 250 monthly installments maturing on November 28, 1998, at 10% per annum, collateralized by L043-A02 in Nepung, Chuuk \$ 88,456

**CHUUK STATE GOVERNMENT**  
Notes to Combined Financial Statements, Continued  
September 30, 1992

(5) Notes Payable, Continued

Chuuk Coconut Processing Authority, an Enterprise Fund as of September 30, 1992 had the following note payable:

Payable to FSM Development Bank, after a grace period of 18 months, principal and interest are due in monthly installments of \$3,221 until December, 1995 then monthly installments of \$6,442 maturing in 2006 at 5% per annum, collateralized by 15.442 hectares of land, buildings, and soap making equipment. The outstanding balance at September 30, 1992, represents drawdowns to date on a credit facility totalling \$737,131. \$ 671,946

The State signed a promissory note with the Federal Emergency Management Agency for the State's matching share of funds for the Typhoon Owen disaster as of September 30, 1992. The principal amount was originally estimated at \$2,500,000. The current principal amount is determined by calculating 25% of the FEMA grants less principal payments already made. The note is as follows:

Payable to FEMA, principal and interest due in 10 quarterly installments of \$233,234 maturing on April 1, 1994, at 7 1/8% per annum. \$ 795,902

Future minimum payments on all notes payable for subsequent years ending September 30, are as follows:

<u>Years ending</u> <u>September 30,</u>	<u>Amount</u>
1993	\$1,173,678
1994	58,260
1995	58,260
1996	87,249
1997	77,665
Thereafter	<u>430,371</u>
	<u>\$1,885,483</u>

**CHUUK STATE GOVERNMENT**  
Notes to Combined Financial Statements, Continued  
September 30, 1992

(6) Continuing Appropriations

Continuing appropriations are summarized as follows:

General Fund

Each fiscal year, Chuuk State Legislature appropriates funds for various programs, municipal projects and other projects which are available until fully expended or until project completion.

\$ 147,491

Capital Projects

Each fiscal year, Chuuk State appropriates funds towards Capital Projects and Economic Development Projects. These funds are available until fully expended or projects are completed.

\$ 8,345,277

(7) Reserve for Investment

The State has recorded a reservation of appropriable fund balance for the decline in investment value due to the Chapter 11 filing of a company in which the State's money manager held investments. The approximate decline in value to the State at September 30, 1992, is \$541,660. The State has recorded the decline against the Compact Capital Projects Fund investment account, where the initial investment was recorded.

(8) Operating Transfers In/Out

Material General Fund, Special Revenue Fund, and Capital Projects Fund transfers in/out for the year ended September 30, 1992, are discussed below:

A. General Fund Transfers to the Chuuk Housing Authority and the Chuuk Coconut Processing Authority (Enterprise Funds)

The Chuuk Legislature appropriated operational subsidies to the Chuuk Housing Authority and Chuuk Coconut Processing Authority. During fiscal year 1992, \$70,492 and \$79,300, respectively, was expended under this appropriation. The general fund has recorded this expenditure as an operating transfer out, and the enterprise funds have recorded the receipt of funds as a non-operating revenue, transfer in, within the accompanying general purpose financial statements.

**CHUUK STATE GOVERNMENT**  
Notes to Combined Financial Statements, Continued  
September 30, 1992

(8) Operating Transfers In/Out, Continued

B. General Fund Transfer to the Chuuk Visitor's Bureau (Special Revenue Fund)

The Chuuk Legislature appropriated an operational subsidy to the Chuuk Visitor's Bureau. During fiscal year 1992, \$99,324 was expended under this appropriation. In addition to the operational subsidy \$76,508 was transferred out to Chuuk Visitor's Bureau for the Aluminum Recycling Program. The general fund has recorded these expenditures as operating transfer out, and the special revenue fund has recorded receipts as operating transfer in.

C. General Fund Transfer to the Development Authorities

The Chuuk Legislature appropriated an operational subsidy to the development authorities. During fiscal year 1992, \$260,098 was expended under this appropriation.

The general fund has recorded this expenditure as a transfer-out; however, the majority of the developmental authorities do not present financial information concerning their operations, thus precluding presentation of financial statements for these entities.

D. Federal Grants (Special Revenue Fund) Transfer to Chuuk Housing Authority (Enterprise Funds)

During fiscal year 1992, \$171,078 was expended under the Housing Renovation Programs. The federal grants fund has recorded the expenditure as an operating transfer-out to the Chuuk Housing Authority.

E. Compact Special Block Grant (Special Revenue Fund) Transfer to Federal Grants (Special Revenue Fund)

During fiscal year 1992, \$87,673 was expended under the Rural Sanitation Program. The Compact Special Block Grant Fund has recorded the expenditure as an operating transfer out to the Federal Grant Fund.

F. Compact CIP Fund Transfer to Chuuk Visitor's Bureau (Special Revenue Fund)

The Chuuk State Legislature appropriated \$100,000 to the Chuuk Visitor's Bureau for tourism related promotions. The Compact CIP Fund has recorded the expenditure as a transfer out, and the special revenue fund has recorded the receipt of funds as non-operating revenue, transfer in, within the accompanying general purpose financial statements.

**CHUUK STATE GOVERNMENT**  
Notes to Combined Financial Statements, Continued  
September 30, 1992

(8) Operating Transfers In/Out, Continued

G. Capital Projects Fund Transfers to the Chuuk Coconut Processing Authority (Enterprise Fund)

The Chuuk Legislature appropriated \$60,000 to the Chuuk Coconut Processing Authority for coconut processing. The Capital Projects fund has recorded this expenditure as an operating transfer out and the Chuuk Coconut Processing Authority has recorded the receipt of funds as a transfer in.

H. Capital Projects Fund Transfers to the Debt Service Fund

The Chuuk Legislature appropriated \$699,704 of funds for repayment of the note payable to FEMA (PL191-31). During fiscal year 1992, \$699,704 was transferred from Compact CIP Funds to the Debt Service Fund.

I. TTPI Capital Projects Fund Transfers to the Federal Grants Fund (Special Revenue Fund)

During the year 1992, \$296,500 was expended under the TTPI CIP fund for the Chuuk International Airport. Such an expenditure has been recorded in the TTPI CIP as an operating transfer out to the U.S. Federal Grants Fund.

(9) Interfund Assets/Liabilities

The following summarizes due from/to other funds as of September 30, 1992:

<u>Fund</u>	<u>Receivable Amount</u>	<u>Payable Amount</u>
Special Revenue Funds:		
Chuuk Airport Authority	\$ 222,314	\$ -
Compact - Special Block Grant	558,920	-
Federal Grant Assistance Fund	-	1,135,129
Compact - Other Grants Fund	-	294,389
Other Grant Assistance Fund	-	21,592
CFSM Grant Fund	-	356,730
Capital Projects Funds:		
TTG Capital Projects Fund (CIP)	-	1,128,004
Compact Capital Projects Fund (CIP)	1,590,323	-
CFSM State Projects Fund (CIP)	-	235,914
General Fund (GF)	800,201	-
	<u>\$3,171,758</u>	<u>\$3,171,758</u>

**CHUUK STATE GOVERNMENT**  
Notes to Combined Financial Statements, Continued  
September 30, 1992

(10) Investments - Other

During fiscal year 1990, the State purchased \$250,000 of common stock in the Bank of the Federated States of Micronesia. The State purchased \$250,000 of common stock in fiscal year 1989, thus aggregating a cumulative investment in the Bank of the FSM of \$500,000 as of September 30, 1992 which represents an interest of 12%.

During the fiscal year 1991, the State also purchased \$250,000 of common stock in the Pacific Islands Regional Development Bank, (a 23% interest at September 30, 1992) and \$370,000 in a joint venture with the National Fisheries Corporation for a long line base (a 100% interest at September 30, 1992). The expected venture is to be 50% financed by the National Fisheries Corporation. Both companies are in the development stage. Investments are carried at cost since there is no method of ascertaining related market value. Since the investments are considered unavailable to finance expenditures of the ensuing fiscal year, the investments are restricted in the reserved for related assets component of fund balance.

(11) Segment Data for Enterprise Funds

The following represents key data extracted from the financial statements of the two material enterprise funds of the State as of September 30, 1992, and for the year then ended:

	<u>Chuuk Coconut Processing</u>	<u>Chuuk Housing Authority</u>
Total assets	<u>\$1,166,485</u>	<u>\$1,871,699</u>
Total equity	<u>\$ 456,993</u>	<u>\$1,748,894</u>
Net fixed assets	<u>\$ 934,249</u>	<u>\$ 169,567</u>
FY92 operating income (loss)	<u>\$ (251,570)</u>	<u>\$ (12,725)</u>
FY92 depreciation expense	<u>\$ 12,496</u>	<u>\$ 15,724</u>
FY92 revenues	<u>\$ 51,121</u>	<u>\$ 135,840</u>
FY92 non-operating support	<u>\$ 139,300</u>	<u>\$ 234,282</u>

(12) Commitments and Contingencies

Federal Grants

The State receives various U.S. Department of the Interior and other grants which are available until fully expended. Revenue recognition for these grants does not occur until an expenditure is incurred.

**CHUUK STATE GOVERNMENT**  
Notes to Combined Financial Statements, Continued  
September 30, 1992

(12) Commitments and Contingencies, Continued

Federal Grants, Continued

Grants available to fund future expenditures as of September 30, 1992, are summarized below:

TTPI Capital Projects	<u>\$ 502,722</u>
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The State participates in a number of U.S. federally assisted grant programs. These programs are subject to financial and compliance audits to ascertain if Federal laws and guidelines have been followed. Currently, \$8,644,068 in cumulative questioned costs exist for the operation of fiscal years 1984-1992 grants. If the grantor agencies ultimately disallow these costs or a portion thereof, the General Fund will bear responsibility for reimbursing the affected agencies.

Sick Leave

It is the policy of the State to record the cost of sick leave when leave is actually taken and a liability is actually incurred. The accumulated estimated amount of unused sick leave at September 30, 1992, was \$3,417,121.

Compact of Free Association - Medical Referrals

During fiscal year 1989, the State reversed a previously recorded liability for unpaid medical referral billings amounting to \$2,937,704. The Compact of Free Association contains an authorization to pay for this debt. An appropriation has not been enacted by the U.S. Congress. Management is of the opinion that the Compact of Free Association clearly states the United States Government is responsible for this debt.

Litigation

The State has been named the defendant in numerous lawsuits. The State is vigorously defending all claims. The ultimate outcome of the claims is uncertain, and at this point it is difficult to estimate losses, if any. Accordingly, no provision for potential claims is recorded in the accompanying general purpose financial statements. Additionally, no appropriation exists to fund liabilities arising from any claims which may be determined valid.



**CHUUK STATE GOVERNMENT**  
Notes to Combined Financial Statements, Continued  
September 30, 1992

(13) Fund Deficits

The following represents material fund deficits as of September 30, 1992. If operation of these funds can not cover prior loss, the State's General Fund may have to absorb these amounts or a portion thereof:

Special Revenue Funds:	
CFSM Grant Funds	<u>\$137,144</u>

Capital Projects Funds:	
TTG Capital Projects Fund	<u>\$ 95,061</u>

(14) Subsequent Event

During fiscal year 1993, the State borrowed \$10,300,000 under a Medium-Term Note program sponsored by the Federated States of Micronesia as a whole. The proceeds are to be utilized by the State to finance various fisheries development projects. These notes are repayable through a pledge of specific compact capital account revenues.



**INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION**

Honorable Sasao Gouland  
Governor, State of Chuuk  
Federated States of Micronesia

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The additional information set forth in Section III of the Table of Contents is presented for the purpose of additional analysis and is not a required part of the general purpose financial statements. This additional information is the responsibility of the State of Chuuk's management. Such information has been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, except as described in that report, in our opinion, is fairly stated in all material respects when considered in relation to the general purpose financial statements taken as a whole.

January 19, 1993

Certified Public Accountants

**CHUUK STATE GOVERNMENT**  
**Combining Schedule of Expenditures by Account -**  
**All Governmental Fund Types**  
**For the year ended September 30, 1992**  
(With comparative totals for the year ended September 30, 1991)

	<u>Governmental Fund Types</u>				<u>Totals</u>	
	<u>General</u>	<u>Special</u>	<u>Capital</u>	<u>Debt</u>	<u>1992</u>	<u>1991</u>
	<u>Fund</u>	<u>Revenue</u>	<u>Projects</u>	<u>Service</u>		
	<u>Funds</u>	<u>Funds</u>	<u>Funds</u>	<u>Fund</u>		
<b>Expenditures:</b>						
Personnel	\$16,115,264	\$ 2,966,104	\$ 233,088	\$ -	\$19,314,456	\$18,664,284
Travel	1,202,028	760,051	207,018	-	2,169,097	2,184,170
Contractual services	906,216	1,562,913	3,953,070	-	6,422,199	7,867,269
POL	732,810	1,264,193	26,352	-	2,023,355	2,246,346
<b>Other:</b>						
Equipment	484,525	361,257	2,551,021	-	3,396,803	3,400,254
Medical supplies	118,022	479,175	-	-	597,197	433,892
Medical referral	858,234	-	-	-	858,234	1,300,318
Supplies and materials	505,250	293,536	1,407,413	-	2,206,199	2,237,675
Scholarships	84,271	449,355	-	-	533,626	1,342,488
Official allowance	9,690	-	-	-	9,690	40,832
Food	54,857	91,511	1,476	-	147,844	683,311
Books	6,152	216,925	-	-	223,077	521,312
All others	2,476,490	1,284,689	885,318	-	4,646,497	12,076,971
Debt service-principal	-	-	-	646,031	646,031	416,666
Debt service-interest	-	-	-	53,673	53,673	49,803
Miscellaneous	<u>1,178,400</u>	<u>328,561</u>	<u>653,013</u>	<u>-</u>	<u>2,159,974</u>	<u>620,508</u>
	<u>\$24,732,209</u>	<u>\$10,058,270</u>	<u>\$ 9,917,769</u>	<u>\$ 699,704</u>	<u>\$45,407,952</u>	<u>\$54,086,099</u>

**CHUUK STATE GOVERNMENT  
GENERAL FUND**

Statement of Revenues, Expenditures by Function and Department  
and Changes in Deficit

For the year ended September 30, 1992

(With comparative totals for the year ended September 30, 1991)

	1992	1991
<b>Revenues:</b>		
U.S. Compact of Free Association:		
Section 211 (a)(2) - base grant	\$11,240,400	\$13,224,000
Section 217 - inflation adjustment	4,271,352	4,496,160
FSM revenue sharing	2,128,570	2,230,745
<b>State taxes and licenses:</b>		
Cigarette tax	\$ 75,344	\$ 73,495
General sales tax	821,211	844,240
Alcohol	447,800	630,297
Hotel	127,106	131,318
Delinquent tax collections	48,056	86,842
License and fees	11,167	15,327
Other	37,556	59,839
	1,568,240	1,841,358
<b>Other revenues:</b>		
Hospital and utilities collections	402,197	169,467
Transportation collections	383,263	352,304
Leases	64,876	68,280
Miscellaneous	511,804	100,600
Investment income	2,846,028	690,651
	2,954,304	2,954,304
<b>Total revenues</b>	<b>23,416,730</b>	<b>25,437,218</b>
<b>Expenditures by department:</b>		
<b>General government:</b>		
Governor and staff	534,768	459,775
Attorney General	227,894	209,557
State Finance	330,489	334,791
ADP	32,148	30,603
Tax and revenue	85,878	80,853
Program and budget	127,874	119,124
Property and supply	138,500	122,840
Personnel	160,944	191,421
Planning	132,618	98,522
Indefinite land use	-	377
Legislative internal operations	2,679,549	2,587,339
Judicial operations	519,660	546,939
<b>Total</b>	<b>4,970,322</b>	<b>4,782,141</b>

**CHUUK STATE GOVERNMENT  
GENERAL FUND**

Statement of Revenues, Expenditures by Function and Department  
and Changes in Deficit, Continued  
For the year ended September 30, 1992  
(With comparative totals for the year ended September 30, 1991)

	1992	1991
Expenditures by department, continued:		
Health services:		
Hospital and dispensaries	1,944,518	1,882,108
Environmental health	72,970	81,524
Dental services	208,082	210,163
Medical supplies	318,548	403,619
Medical referrals	1,287,667	482,087
Chuuk Medical facility (Honolulu)	-	75,000
Total	3,831,785	3,134,501
Education:		
Administration	483,467	413,572
Elementary	4,972,064	3,345,549
Secondary	1,639,336	1,278,436
Total	7,094,867	5,037,557
Economic development:		
Administration	105,143	122,594
Land management	64,365	78,433
Marine resources	474,030	437,452
Agriculture	278,036	280,730
Labor	34,201	44,754
Commerce and industry	105,193	103,268
Total	1,060,968	1,067,231
Public safety	834,225	597,986
Transportation:		
Administration	851,093	1,252,266
Micro Vessels	301,207	258,633
Airport	99,994	124,117
Total	1,252,294	1,635,016

**CHUUK STATE GOVERNMENT  
GENERAL FUND**

Statement of Revenues, Expenditures by Function and Department  
and Changes in Deficit, Continued  
For the year ended September 30, 1992

(With comparative totals for the year ended September 30, 1991)

	1992	1991
Expenditures by department, continued:		
Public works and utilities:		
Operations and maintenance	628,972	584,256
Power	905,275	1,147,375
Water and sewer	-	2,731
Total	1,534,247	1,734,362
Community affairs:		
Division of Public Affairs	137,137	121,163
Division of Information and Broadcast	116,500	138,818
Total	253,637	259,981
Boards and commissions:		
Investment board	5,146	4,981
Election commission	87,933	47,694
Scholarship board	21,139	100,300
Recreation board	47,686	109,633
Land commission	206,940	220,283
Total	368,844	482,891
Other	213,378	1,470,070
Special programs	497,896	2,833,159
Legislative external appropriations	2,819,746	2,909,392
Total	3,531,020	7,212,621
Total expenditures	24,732,209	25,944,287
Revenues (under) expenditures	(1,315,479)	(507,069)
Other sources (uses):		
Operating transfer out	(585,722)	(496,548)
Other income	-	2,026,805
Excess (deficiency) of revenues and other sources over expenditures and other uses	(1,901,201)	1,023,188
Deficit, beginning of year	(667,924)	(1,691,112)
Deficit, end of year	\$(2,569,125)	\$ (667,924)

**CHUUK STATE GOVERNMENT  
GENERAL FUND**

Statement of Revenues, Expenditures and Changes in  
Deficit - Budget and Actual, Budgetary Basis  
For the year ended September 30, 1992

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Compact of Free Association -			
Section 211 and 217	\$15,062,136	\$ 15,511,752	\$ 449,616
FSM revenue sharing	2,200,000	2,128,570	(71,430)
State taxes and licenses	2,543,601	1,568,240	(975,361)
Investment income	1,550,000	2,846,028	1,296,028
Other	<u>1,906,914</u>	<u>1,362,140</u>	<u>(544,774)</u>
Total revenues	<u>23,262,651</u>	<u>23,416,730</u>	<u>154,079</u>
<b>Expenditures - budgetary basis:</b>			
General government:			
Executive branch:			
Office of the Governor	490,100	540,122	(50,022)
Office of the Attorney General	202,400	238,420	(36,020)
State finance	361,200	363,262	(2,062)
Budget	134,600	131,651	2,949
Supply	144,300	136,220	8,080
Personnel	156,200	155,677	523
Planning	127,100	133,462	(6,362)
Tax and Revenue	<u>82,900</u>	<u>86,441</u>	<u>(3,541)</u>
Executive branch	<u>1,698,800</u>	<u>1,785,255</u>	<u>(86,455)</u>
Legislative branch:			
President and members	488,100	492,568	(4,468)
Legislative committees	143,000	151,639	(8,639)
Speakers and members	1,146,400	1,138,794	7,606
Legislative legal office	295,972	276,757	19,215
Legislative administration	249,390	252,602	(3,212)
Budget	137,720	134,664	3,056
Research office	-	180	(180)
Chief clerk	<u>290,790</u>	<u>285,529</u>	<u>5,261</u>
Legislative branch	<u>2,751,372</u>	<u>2,732,733</u>	<u>18,639</u>
State court	<u>519,078</u>	<u>514,324</u>	<u>4,754</u>
Total general government	<u>4,969,250</u>	<u>5,032,312</u>	<u>(63,062)</u>
Health Services:			
Hospitals and dispensaries	1,923,611	1,960,713	(37,102)
Environmental health	80,200	73,246	6,954
Dental services	206,796	208,698	(1,902)
Medical supplies	347,800	317,188	30,612
Medical referrals	<u>603,380</u>	<u>1,325,572</u>	<u>(722,192)</u>
Total health services	<u>3,161,787</u>	<u>3,885,417</u>	<u>(723,630)</u>
Education:			
Administration - education	541,125	485,926	55,199
Elementary	4,906,426	5,025,068	(118,642)
Secondary	<u>1,649,690</u>	<u>1,649,471</u>	<u>219</u>
Total education	<u>7,097,241</u>	<u>7,160,465</u>	<u>(63,224)</u>

**CHUUK STATE GOVERNMENT  
GENERAL FUND**

Statement of Revenues, Expenditures and Changes in  
Deficit - Budget and Actual, Budgetary Basis, Continued  
For the year ended September 30, 1992

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Economic development:			
R & D administration	111,000	108,832	2,168
Land management	70,100	63,330	6,770
Marine resources	551,600	474,378	77,222
Agriculture	272,600	278,296	(5,696)
Labor	50,000	37,679	12,321
Business and trades	<u>105,700</u>	<u>104,033</u>	<u>1,667</u>
Total economic development	<u>1,161,000</u>	<u>1,066,548</u>	<u>94,452</u>
Public safety	<u>849,700</u>	<u>849,405</u>	<u>295</u>
Transportation	<u>1,321,200</u>	<u>1,204,726</u>	<u>116,474</u>
Public works and utilities:			
Operation and maintenance	675,108	670,697	4,411
Electric utilities	<u>1,008,800</u>	<u>890,565</u>	<u>118,235</u>
Total public works and utilities	<u>1,683,908</u>	<u>1,561,262</u>	<u>122,646</u>
Community affairs:			
Public affairs	126,700	139,737	(13,037)
Broadcasting	<u>121,700</u>	<u>120,025</u>	<u>1,675</u>
Total community affairs	<u>248,400</u>	<u>259,762</u>	<u>(11,362)</u>
Boards and commissions:			
Investment board	5,000	5,413	(413)
Election commission	85,500	87,008	(1,508)
Scholarship board	25,000	24,370	630
Recreation board	47,800	38,976	8,824
Land commission	<u>226,000</u>	<u>207,091</u>	<u>18,909</u>
Total boards and commissions	<u>389,300</u>	<u>362,858</u>	<u>26,442</u>
Special programs:			
Small industry	30,600	30,336	264
Chuuk maritime	-	34,843	(34,843)
Education - Secondary	-	(1,738)	1,738
Education - Chapter I & II	-	1,173	(1,173)
Education - Food Services	-	11,961	(11,961)
Non-Public School	25,000	25,000	-
Chuuk Peace Corps.	13,000	13,000	-
Micro Legal Services	30,000	30,000	-
4-H youth	20,000	20,000	-
Youth program	41,000	27,342	13,658
Home economic program	20,000	20,000	-
Red Cross	-	2,036	(2,036)



**CHUUK STATE GOVERNMENT**  
**GENERAL FUND**  
Statement of Revenues, Expenditures and Changes in  
Deficit - Budget and Actual, Budgetary Basis, Continued  
For the year ended September 30, 1992

	Budget	Actual	Variance Favorable (Unfavorable)
Special programs, continued:			
Farmer's home administration	13,000	13,443	(443)
Community resources development	20,000	20,000	-
Historic preservation	6,400	15,106	(8,706)
Chuuk scholarship fund	150,000	148,483	1,517
Fire disaster program	3,000	1,000	2,000
Foiro program	2,000	2,000	-
TOCA	54,500	55,650	(1,150)
Total special programs	428,500	469,635	(41,135)
Legislative external appropriations:			
Court judgements	323,292	224,477	98,815
Municipal constitutional convention	488,000	501,000	(13,000)
COLA	500,000	500,000	-
Municipalities and election districts	1,652,465	1,615,420	37,045
Medical supplies	400,000	-	400,000
Salaries short fall	62,963	58,381	4,582
Total legislative external appropriations	3,426,720	2,899,278	527,442
Unfunded expenditures:			
Unfunded contracts	-	1,079	(1,079)
Unfunded medical billings	-	(1,192)	1,192
Travel advance bad debt	-	(3,029)	3,029
Other unfunded programs	-	133,157	(133,157)
Total unfunded expenditures	-	130,015	(130,015)
Total expenditures	24,737,006	24,881,683	(144,677)
Revenues in excess of (less than) expenditures	(1,474,355)	(1,464,953)	9,402
Other sources (uses):			
Operating transfers out	(1,302,135)	(585,722)	716,413
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(2,776,490)	(2,050,675)	725,815
Deficit - unreserved, beginning of year	(1,540,557)	(1,540,557)	-
Other changes in deficit - unreserved:			
(Decrease) in reserve for continuing appropriations	-	83,947	83,947
Increase in reserve for related assets	-	(295,385)	(295,385)
Deficit - unreserved, end of year	\$(4,317,047)	\$ (3,802,670)	\$ 514,377

**CHUUK STATE GOVERNMENT**  
**Special Revenue Funds**  
September 30, 1992

Specific revenues earmarked to finance particular operational activities of the government are accounted for in the Special Revenue Funds. A brief discussion of the State's Special Revenue Funds as of September 30, 1992, follows:

Chuuk Visitor's Bureau

This fund accounts for funds received by the Visitor's Bureau, to improve and develop Chuuk's tourism industry.

Chuuk Airport Authority

This fund accounts for funds received by the Airport Authority for the maintenance of Chuuk Airport.

Federal Grant Assistance Fund

This fund accounts for all activities of United States special federal assistance grants utilized by the State to finance general governmental operations. Federal grants are administered by the Federated States of Micronesia National Government with the State as the subrecipient.

Other Grant Assistance Fund

This fund accounts for all grants received directly from non-U.S. sources.

CFSM Grant Fund

This fund accounts for activities received from FSM congressional appropriations utilized by the State to finance general governmental operations.

Compact Other Grants Fund

Compact Section 212

Special Development Assistance Fund - This grant is restricted for special development assistance and is granted under the Compact of Free Association with the United States.

Compact 214(c) - Energy Grant Fund

This fund accounts for funds, granted under the Compact of Free Association with the United States, specifically restricted for energy programs.

Compact 216 (a)(2) Health and Medical Fund

This fund accounts for funds granted under the Compact of Free Association with the United States, specifically restricted for health and medical programs including referrals to hospital and treatment centers.

Compact Section 216(a)(3)

This fund accounts for funds granted under the Compact of Free Association with the United States to the FSM National Government which are subgranted to the State and are specifically restricted for educational scholarships at U.S. and Micronesian higher education institutions.

Compact 221 (b) Special Block Grant Fund

This fund accounts for funds granted under the Compact of Free Association with the United States, specifically restricted for health and education.

**CHUUK STATE GOVERNMENT  
SPECIAL REVENUE FUNDS  
Combining Balance Sheet  
September 30, 1992**

(With comparative totals as of September 30, 1991)

	Chuuk Visitors' Bureau	Chuuk Airport Authority	Federal Grant Assistance Fund	Other Grant Assistance Fund	CFSM Grant Fund	Compact Other Grants Fund	Compact Special Block Grant Section 221 (b)	<u>Totals</u>	
								1992	1991
<b><u>Assets</u></b>									
Cash and equivalents	\$ 8,003	\$ -	\$ 11,717	\$ -	\$ -	\$ -	\$ -	\$ 19,720	\$ 11,717
Cash on deposit with Trustee	-	-	-	-	-	377,788	14,000	391,788	214,624
<b>Receivables:</b>									
General	-	-	1,900	-	-	-	-	1,900	1,374
Federal agencies, direct	-	-	730,524	-	-	-	-	730,524	75,951
FSM National Gov't.	-	-	1,543,171	20,946	252,706	39,847	128,392	1,985,062	1,629,114
Due from other funds	-	222,314	-	-	-	-	558,920	781,234	1,920,244
Advances	-	-	69,528	891	4,374	4,715	13,261	92,769	55,200
<b>Total assets</b>	<b>\$ 8,003</b>	<b>\$ 222,314</b>	<b>\$2,356,840</b>	<b>\$21,837</b>	<b>\$257,080</b>	<b>\$422,350</b>	<b>\$ 714,573</b>	<b>\$4,002,997</b>	<b>\$3,908,224</b>
<b><u>Liabilities and Fund Balances (Deficit)</u></b>									
<b>Liabilities:</b>									
Accounts payable	\$ -	\$ -	\$ 562,961	\$ -	\$ 37,494	\$ 45,522	\$ 391,691	\$1,037,668	\$ 951,065
Payable to other governments	-	-	353,793	-	-	-	-	353,793	323,008
Due to other funds	-	-	1,135,129	21,592	356,730	294,389	-	1,807,840	813,370
Accrued payroll	-	-	27,636	245	-	2,105	71,781	101,767	37,360
Deferred revenue	-	-	277,321	-	-	-	-	277,321	277,321
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>2,356,840</b>	<b>21,837</b>	<b>394,224</b>	<b>342,016</b>	<b>463,472</b>	<b>3,578,389</b>	<b>2,402,124</b>
<b>Fund balance (deficit):</b>									
Reserved for related assets	-	-	568,754	-	-	-	128,392	697,146	-
Reserved for encumbrances	-	-	157,363	1,059	8,426	10,126	31,722	208,696	565,428
Unreserved	8,003	222,314	(726,117)	(1,059)	(145,570)	70,208	90,987	(481,234)	940,672
<b>Total fund balances (deficit)</b>	<b>8,003</b>	<b>222,314</b>	<b>-</b>	<b>-</b>	<b>(137,144)</b>	<b>80,334</b>	<b>251,101</b>	<b>424,608</b>	<b>1,506,100</b>
<b>Total liabilities and fund balances (deficit)</b>	<b>\$ 8,003</b>	<b>\$ 222,314</b>	<b>\$2,356,840</b>	<b>\$21,837</b>	<b>\$257,080</b>	<b>\$422,350</b>	<b>\$ 714,573</b>	<b>\$4,002,997</b>	<b>\$3,908,224</b>

**CHUUK STATE GOVERNMENT  
SPECIAL REVENUE FUNDS**

Combining Statement of Revenues, Expenditures by Function and Changes in Fund Balances (Deficit)

For the year ended September 30, 1992

(With comparative totals for the year ended September 30, 1991)

	Chuuk Visitors' Bureau	Chuuk Airport Authority	Federal Grant Assistance Fund	Other Grant Assistance Fund	CFSM Grants Fund	Compact Other Grant Fund	Compact Special Block Grant Section 221(b)	<u>Totals</u>	
								1992	1991
<b>Revenues:</b>									
U.S. Compact of Free Association:									
Section 221(b)-base grant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,730,000	\$ 2,730,000	\$ 2,730,000
Section 216(a)(2)-base grant	-	-	-	-	-	461,087	-	461,087	461,087
Section 214(c)-base grant	-	-	-	-	-	949,800	-	949,800	949,800
Section 217-inflation adjustment	-	-	-	-	-	455,924	-	455,924	407,932
Section 212-base grant	-	-	-	-	-	250,000	-	250,000	250,000
Compact 216(a)(3)-FSM	-	-	-	-	-	449,356	-	449,356	1,242,188
Federal contributions	-	-	2,952,505	-	-	-	-	2,952,505	7,954,071
Other	<u>106,765</u>	<u>81,948</u>	<u>-</u>	<u>14,689</u>	<u>123,450</u>	<u>-</u>	<u>-</u>	<u>326,852</u>	<u>344,659</u>
Total revenues	<u>106,765</u>	<u>81,948</u>	<u>2,952,505</u>	<u>14,689</u>	<u>123,450</u>	<u>2,566,167</u>	<u>2,730,000</u>	<u>8,575,524</u>	<u>14,339,737</u>
<b>Expenditures:</b>									
General government	-	-	-	4,860	-	-	-	4,860	30,586
Public works and utilities	-	-	733,210	-	-	1,582,187	-	2,315,397	1,554,654
Health services	-	-	244,650	-	-	437,882	1,429,632	2,112,164	931,814
Education	-	-	1,006,957	9,829	-	449,855	2,480,381	3,947,022	4,865,794
Economic development	374,594	-	-	-	-	-	-	374,594	47,662
Community affairs	-	-	45,777	-	-	-	-	45,777	874,329
Public safety	-	-	-	-	123,450	-	-	123,450	300,372
Other	<u>-</u>	<u>-</u>	<u>1,135,006</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,135,006</u>	<u>7,563,025</u>
Total expenditures	<u>374,594</u>	<u>-</u>	<u>3,165,600</u>	<u>14,689</u>	<u>123,450</u>	<u>2,469,924</u>	<u>3,910,013</u>	<u>10,058,270</u>	<u>16,168,236</u>
Revenues in excess of (less than) expenditures	<u>(267,829)</u>	<u>81,948</u>	<u>(213,095)</u>	<u>-</u>	<u>-</u>	<u>96,243</u>	<u>(1,180,013)</u>	<u>(1,482,746)</u>	<u>(1,828,499)</u>
<b>Other sources (uses):</b>									
Proceeds from notes payable									
Operating transfers in	275,832	-	384,173	-	-	-	-	660,005	83,350
Operating transfers out	<u>-</u>	<u>-</u>	<u>(171,078)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(87,673)</u>	<u>(258,751)</u>	<u>1,971,281</u>
Total other sources (uses), net	<u>275,832</u>	<u>-</u>	<u>213,095</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(87,673)</u>	<u>401,254</u>	<u>1,971,281</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	8,003	81,948	-	-	-	96,243	(1,267,686)	(1,081,492)	142,782
Fund balances (deficit), beginning of year	<u>-</u>	<u>140,366</u>	<u>-</u>	<u>-</u>	<u>(137,144)</u>	<u>(15,909)</u>	<u>1,518,787</u>	<u>1,506,100</u>	<u>1,363,318</u>
Fund balances (deficit), end of year	<u>\$ 8,003</u>	<u>\$222,314</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$(137,144)</u>	<u>\$ 80,334</u>	<u>\$ 251,101</u>	<u>\$ 424,608</u>	<u>\$ 1,506,100</u>

**CHUUK STATE GOVERNMENT  
SPECIAL REVENUE FUNDS**

Combining Statement of Revenues, Expenditures by Account and Changes in Fund Balances (Deficit)

For the year ended September 30, 1992

(With comparative totals for the year ended September 30, 1991)

	Chuuk Visitors' Bureau	Chuuk Airport Authority	Federal Grant Assistance Fund	Other Grant Assistance Fund	CFSM Grant Fund	Compact Other Grants Fund	Compact Special Block Grant Section 221(b)	Totals	
								1992	1991
<b>Revenues:</b>									
U.S. Compact of Free Association:									
Section 221(b) -base grant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$2,730,000	\$ 2,730,000	\$ 2,730,000
Section 216(a)(2) -base grant	-	-	-	-	-	461,087	-	461,087	461,087
Section 214(c) -base grant	-	-	-	-	-	949,800	-	949,800	949,800
Section 217-inflation adjustment	-	-	-	-	-	455,924	-	455,924	407,932
Section 212-base grant	-	-	-	-	-	250,000	-	250,000	250,000
Compact 216(a)(3)-FSM	-	-	-	-	-	449,356	-	449,356	1,242,188
Federal contributions	-	-	2,952,505	-	-	-	-	2,952,505	7,954,071
Other	106,765	81,948	-	14,689	123,450	-	-	326,852	344,659
<b>Total revenues</b>	<b>106,765</b>	<b>81,948</b>	<b>2,952,505</b>	<b>14,689</b>	<b>123,450</b>	<b>2,566,167</b>	<b>2,730,000</b>	<b>8,575,524</b>	<b>14,339,737</b>
<b>Expenditures:</b>									
Personnel	76,256	-	385,162	6,474	23,380	98,883	2,375,949	2,966,104	2,458,843
Travel	33,449	-	293,322	3,323	31,701	107,822	290,434	760,051	673,984
Contractual services	9,512	-	1,131,809	-	11,886	297,496	112,210	1,562,913	589,524
POL	1,225	-	4,523	32	5,704	1,252,472	237	1,264,193	1,279,708
Other:									
Equipment	12,092	-	102,407	4,860	46,500	118,513	76,885	361,257	225,026
Medical supplies	-	-	5,955	-	-	695	472,525	479,175	1,528
Supplies and materials	53,826	-	197,005	-	130	30,629	11,946	293,536	466,681
Scholarships	-	-	-	-	-	449,355	-	449,355	1,242,188
Food	-	-	-	-	819	66,315	24,377	91,511	514,500
Books	-	-	216,925	-	-	-	-	216,925	513,468
All others	100,992	-	666,982	-	-	7,780	508,935	1,284,689	7,967,612
Miscellaneous	87,242	-	161,510	-	3,330	39,964	36,515	328,561	235,174
<b>Total expenditures</b>	<b>374,594</b>	<b>-</b>	<b>3,165,600</b>	<b>14,689</b>	<b>123,450</b>	<b>2,469,924</b>	<b>3,910,013</b>	<b>10,058,270</b>	<b>16,168,236</b>
Revenues in excess of (less than) expenditures	(267,829)	81,948	(213,095)	-	-	96,243	(1,180,013)	(1,482,746)	(1,828,499)
<b>Other sources (uses):</b>									
Proceeds from notes payable	-	-	-	-	-	-	-	-	1,887,931
Operating transfers in	275,832	-	384,173	-	-	-	-	660,005	83,350
Operating transfers out	-	-	(171,078)	-	-	-	(87,673)	(258,751)	1,971,281
<b>Total other sources (uses), net</b>	<b>275,832</b>	<b>-</b>	<b>213,095</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(87,673)</b>	<b>401,254</b>	<b>1,971,231</b>
Excess (deficiency) of revenues and other sources over expenditures and other uses	8,003	81,948	-	-	-	96,243	(1,267,686)	(1,081,492)	142,782
Fund balances (deficit), beginning of year	-	140,366	-	-	(137,144)	(15,909)	1,518,787	1,506,100	1,363,318
Fund balances (deficit), end of year	\$ 8,003	\$222,314	\$ -	\$ -	\$ (137,144)	\$ 80,334	\$ 251,101	\$ 424,608	\$ 1,506,100

**CHUUK STATE GOVERNMENT**  
**Capital Projects Funds**  
September 30, 1992

Appropriations or grants earmarked to finance capital projects of the State are accounted for in the Capital Projects Funds. A brief discussion of the State's Capital Projects Funds as of September 30, 1992, follows:

TTG Capital Projects Fund

This fund accounts for various capital projects received under grant awards from the U.S. Department of the Interior, Office of Transition (formerly the Trust Territory Government).

CFSM State Projects Fund

This fund accounts for the various capital projects funded by the Congress of the Federated States of Micronesia.

Compact 211 (a) (2) Capital Projects Fund

This fund accounts for various capital projects funded by the Compact of Free Association with the United States, Title Two, Article I, Section 211.

**CHUUK STATE GOVERNMENT  
CAPITAL PROJECTS FUNDS  
Combining Balance Sheet  
September 30, 1992**

(With comparative totals as of September 30, 1991)

	<u>TTG Capital Projects Fund</u>	<u>CFSM State Projects Fund</u>	<u>Compact 211(a)(2) Capital Projects Fund</u>	<u>Totals</u>	
				<u>1992</u>	<u>1991</u>
<b><u>Assets</u></b>					
Cash and equivalents	\$ -	\$ -	\$ -	\$ -	\$ 634,778
Cash on deposit with trustee	-	-	88,962	88,962	-
Investments	-	-	25,133,416	25,133,416	25,114,682
Investments - other	-	-	1,120,000	1,120,000	1,120,000
Receivables from:					
Dept. of the Interior grants - TTG	1,047,100	-	-	1,047,100	783,015
FSM National Gov't.	-	235,523	-	235,523	177,905
Federal agencies	-	-	-	-	204,618
Advances	4,824	1,715	104,270	110,809	26,528
Due from other funds	-	-	1,590,323	1,590,323	581,311
<b>Total assets</b>	<b><u>\$1,051,924</u></b>	<b><u>\$237,238</u></b>	<b><u>\$28,036,971</u></b>	<b><u>\$29,326,133</u></b>	<b><u>\$28,642,837</u></b>
<b><u>Liabilities and Fund Balances (Deficit)</u></b>					
<b>Liabilities:</b>					
Notes payable	\$ -	\$ 1,324	\$ 329,179	\$ 330,503	\$ 329,179
Accounts payable	18,294	-	512,945	531,239	519,436
Due to other funds	1,128,004	235,914	-	1,363,918	1,254,093
Accrued payroll	687	-	2,707	3,394	1,748
<b>Total liabilities</b>	<b><u>1,146,985</u></b>	<b><u>237,238</u></b>	<b><u>844,831</u></b>	<b><u>2,229,054</u></b>	<b><u>2,104,456</u></b>
<b>Fund balances (deficit):</b>					
<b>Reserved for:</b>					
Investments	-	-	541,660	541,660	541,660
Related assets	-	-	1,120,000	1,120,000	1,120,000
Encumbrances	92,203	390	1,979,717	2,072,310	2,137,692
Continuing appropriations	-	-	8,345,277	8,345,277	17,769,677
Unreserved	(187,264)	(390)	15,205,486	15,017,832	4,969,352
<b>Total fund balances (deficit)</b>	<b><u>(95,061)</u></b>	<b><u>-</u></b>	<b><u>27,192,140</u></b>	<b><u>27,097,079</u></b>	<b><u>26,538,381</u></b>
<b>Total liabilities and fund balances (deficit)</b>	<b><u>\$1,051,924</u></b>	<b><u>\$237,238</u></b>	<b><u>\$28,036,971</u></b>	<b><u>\$29,326,133</u></b>	<b><u>\$28,642,837</u></b>



**CHUUK STATE GOVERNMENT  
CAPITAL PROJECTS FUNDS**

Combining Statement of Revenues, Expenditures by Function  
and Changes in Fund Balances (Deficit)  
For the year ended September 30, 1992

(With comparative totals for the year ended September 30, 1991)

	<u>TTG Capital Projects Fund</u>	<u>CFSM State Projects Fund</u>	<u>Compact 211(a)(2) Capital Projects Fund</u>	<u>Totals</u>	
				<u>1992</u>	<u>1991</u>
<b>Revenues:</b>					
U.S. Compact of Free Association:					
Section 211 (a)(2) - base grant	\$ -	\$ -	\$ 7,833,600	\$ 7,833,600	\$ 9,216,000
Section 217 - inflation adjustment	-	-	2,976,768	2,976,768	3,133,440
U.S. Department of the Interior grants	764,684	-	-	764,684	680,450
Other federal contributions	<u>-</u>	<u>57,619</u>	<u>-</u>	<u>57,619</u>	<u>204,618</u>
<b>Total revenues</b>	<u>764,684</u>	<u>57,619</u>	<u>10,810,368</u>	<u>11,632,671</u>	<u>13,234,508</u>
<b>Expenditures:</b>					
Capital projects	<u>468,184</u>	<u>57,619</u>	<u>9,391,966</u>	<u>9,917,769</u>	<u>11,230,653</u>
<b>Total expenditures</b>	<u>468,184</u>	<u>57,619</u>	<u>9,391,966</u>	<u>9,917,769</u>	<u>11,230,653</u>
Revenues in excess of expenditures	296,500	-	1,418,402	1,714,902	2,003,855
<b>Other sources (uses):</b>					
Operating transfers out	<u>(296,500)</u>	<u>-</u>	<u>(859,704)</u>	<u>(1,156,204)</u>	<u>(881,939)</u>
<b>Excess of revenues and other sources over expenditures and other uses</b>	-	-	558,698	558,698	1,121,916
Fund balances (deficit), beginning of year	<u>(95,061)</u>	<u>-</u>	<u>26,633,442</u>	<u>26,538,381</u>	<u>25,416,465</u>
Fund balances (deficit), end of year	<u>\$ (95,061)</u>	<u>\$ -</u>	<u>\$27,192,140</u>	<u>\$27,097,079</u>	<u>\$26,538,381</u>

**CHUUK STATE GOVERNMENT  
CAPITAL PROJECTS FUNDS**

Combining Statement of Revenues, Expenditures by Account  
and Changes in Fund Balances (Deficit)  
For the year ended September 30, 1992

(With comparative totals for the year ended September 30, 1991)

	TTG Capital Projects Fund	CFSM State Projects Fund	Compact 211(a)(2) Capital Projects Fund	<u>Totals</u>	
				1992	1991
<b>Revenues:</b>					
U.S. Compact of Free Association:					
Section 211 (a)(2) - base grant	\$ -	\$ -	\$ 7,833,600	\$ 7,833,600	\$ 9,216,000
Section 217 - inflation adjustment	-	-	2,976,768	2,976,768	3,133,440
U.S. Department of the Interior grants	764,684	-	-	764,684	680,450
Other federal contributions	-	57,619	-	57,619	204,618
<u>Total revenues</u>	<u>764,684</u>	<u>57,619</u>	<u>10,810,368</u>	<u>11,632,671</u>	<u>13,234,508</u>
<b>Expenditures:</b>					
Personnel	24,746	835	207,507	233,088	414,321
Travel	10,656	684	195,678	207,018	112,238
Contractual services	263,062	-	3,690,008	3,953,070	4,784,776
POL	289	1,162	24,901	26,352	379
Other:					
Equipment	4,047	39,020	2,507,954	2,551,021	2,574,311
Medical supplies	-	-	-	-	-
Medical referral	-	-	-	-	-
supplies and materials	24,035	10,985	1,372,393	1,407,413	974,822
Scholarships	-	-	-	-	-
All others	140,019	4,933	740,366	885,318	2,225,573
Food	-	-	1,476	1,476	80,059
Books	-	-	-	-	-
Miscellaneous	1,330	-	651,683	653,013	64,174
<u>Total expenditures</u>	<u>468,184</u>	<u>57,619</u>	<u>9,391,966</u>	<u>9,917,769</u>	<u>11,230,653</u>
Revenues in excess of expenditures	296,500	-	1,418,402	1,714,902	2,003,855
<b>Other sources (uses):</b>					
Operating transfers out	(296,500)	-	(859,704)	(1,156,204)	(881,939)
<u>Excess of revenues and     other sources over     expenditures and     other uses</u>	<u>-</u>	<u>-</u>	<u>558,698</u>	<u>558,698</u>	<u>1,121,916</u>
Fund balances (deficit), beginning of year	(95,061)	-	26,633,442	26,538,381	25,416,465
Fund balances (deficit), end of year	<u>\$ (95,061)</u>	<u>\$ -</u>	<u>\$27,192,140</u>	<u>\$27,097,079</u>	<u>\$26,538,381</u>

**CHUUK STATE GOVERNMENT**  
**ENTERPRISE FUNDS**  
September 30, 1992

Government entities which provide goods or services on a user fee basis are accounted for in the State's Enterprise Funds. A brief discussion of the State's Enterprise Funds as of September 30, 1992, follows:

Chuuk Housing Authority

This fund accounts for the operations of the Chuuk Housing Authority. The Chuuk Housing Authority receives rental subsidies from the U.S. Department of Housing and Urban Development to operate Section 8 housing renovation and income programs.

Chuuk Coconut Processing Authority

This fund accounts for the operations of the Chuuk Coconut Processing Authority. The Chuuk Coconut Processing Authority manufactures soap and soap by-products for resale. As of September 30, 1992, the Authority is still in the development stage as prime operations have not commenced.

**CHUUK STATE GOVERNMENT**  
**ENTERPRISE FUNDS**  
Combining Balance Sheet  
September 30, 1992

(With comparative totals as of September 30, 1991)

	Chuuk Housing Authority	Chuuk Coconut Processing Authority	Totals	
			<u>1992</u>	<u>1991</u>
<u>Assets</u>				
Cash and equivalents	\$ 452,513	\$ 7,989	\$ 460,502	\$ 426,549
Receivables from federal agencies	34,214	87,453	121,667	57,193
General receivables, net of allowance for doubtful accounts for \$14,790 in 1992	4,344	11,192	15,536	18,354
Loans receivable, net of allowance for doubtful accounts of \$226,140 in 1992	1,209,696	-	1,209,696	1,171,809
Other assets	-	12,994	12,994	14,048
Inventories	-	79,824	79,824	75,320
Prepaid expenses	1,365	32,784	34,149	2,470
Fixed assets, net	<u>169,567</u>	<u>934,249</u>	<u>1,103,816</u>	<u>937,832</u>
Total assets	<u>\$ 1,871,699</u>	<u>\$ 1,166,485</u>	<u>\$3,038,184</u>	<u>\$2,703,575</u>
 <u>Liabilities and Fund Equity</u>				
Liabilities:				
Accounts payable	\$ 34,349	\$ 37,546	\$ 71,895	\$ 132,595
Notes payable	<u>88,456</u>	<u>671,946</u>	<u>760,402</u>	<u>474,380</u>
Total liabilities	<u>122,805</u>	<u>709,492</u>	<u>832,297</u>	<u>606,975</u>
Fund equity:				
Contributed capital	1,217,431	452,835	1,670,266	1,670,266
Retained earnings	<u>531,463</u>	<u>4,158</u>	<u>535,621</u>	<u>426,334</u>
Total fund equity	<u>1,748,894</u>	<u>456,993</u>	<u>2,205,887</u>	<u>2,096,600</u>
Total liabilities and fund equity	<u>\$ 1,871,699</u>	<u>\$ 1,166,485</u>	<u>\$3,038,184</u>	<u>\$2,703,575</u>

**CHUUK STATE GOVERNMENT  
ENTERPRISE FUNDS**

Combining Statement of Revenues, Expenses and  
Changes in Fund Equity

For the year ended September 30, 1992

(With comparative totals for the year ended September 30, 1991)

	<u>Chuuk Housing Authority</u>	<u>Chuuk Coconut Processing Authority</u>	<u>Totals</u>	
			<u>1992</u>	<u>1991</u>
Operating revenues:				
Interest income	\$ 70,840	\$ -	\$ 70,840	\$ 58,805
Coconut product sales	-	49,961	49,961	62,320
Federal contributions	36,352	-	36,352	36,125
Other	<u>28,648</u>	<u>1,160</u>	<u>29,808</u>	<u>3,511</u>
Total revenues	<u>135,840</u>	<u>51,121</u>	<u>186,961</u>	<u>160,761</u>
Operating expenses:				
Cost of sales	-	151,707	151,707	104,589
Payroll and personnel	64,048	35,266	99,314	81,030
Travel	20,968	18,703	39,671	19,058
Bad debts	28,027	1,856	29,883	24,915
Depreciation	15,724	12,496	28,220	28,493
Rent	2,070	15,557	17,627	8,620
Other	<u>17,728</u>	<u>67,106</u>	<u>84,834</u>	<u>62,351</u>
Total operating expenses	<u>148,565</u>	<u>302,691</u>	<u>451,256</u>	<u>329,056</u>
Operating loss	<u>(12,725)</u>	<u>(251,570)</u>	<u>(264,295)</u>	<u>(168,295)</u>
Non-operating revenue (expenses):				
Transfers in	241,570	139,300	380,870	552,214
Interest expense	<u>(7,288)</u>	<u>-</u>	<u>(7,288)</u>	<u>(10,963)</u>
Total non-operating revenues, net	<u>234,282</u>	<u>139,300</u>	<u>373,582</u>	<u>541,251</u>
Net earnings (loss)	221,557	(112,270)	109,287	372,956
Retained earnings, beginning of year	<u>309,906</u>	<u>116,428</u>	<u>426,334</u>	<u>53,378</u>
Retained earnings, end of year	<u>\$ 531,463</u>	<u>\$ 4,158</u>	<u>\$ 535,621</u>	<u>\$ 426,334</u>
Contributed capital, beginning of year	\$ 1,217,431	\$ 452,835	\$1,670,266	\$1,670,266
Additions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contributed capital, end of year	<u>\$ 1,217,431</u>	<u>\$ 452,835</u>	<u>\$1,670,266</u>	<u>\$1,670,266</u>

**CHUUK STATE GOVERNMENT**  
**FEDERATED STATES OF MICRONESIA**  
**INDEPENDENT AUDITORS' REPORTS ON COMPLIANCE**  
**WITH LAWS AND REGULATIONS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 1992**

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
BASED ON THE AUDIT OF FINANCIAL STATEMENTS**

Honorable Sasao Gouland  
Governor, State of Chuuk  
Federated States of Micronesia

We have audited the general purpose financial statements of the State of Chuuk as of and for the year ended September 30, 1992, and have issued our report thereon dated January 19, 1993. Our report on the audit of the general purpose financial statements was modified due to of our inability to form an opinion as to the fairness of presentation of the General Fixed Assets Account Group and the omission of the financial statements of the State's eleven development authorities from the Governmental Fund Type - Special Revenue Funds.

We conducted our audit in accordance with generally accepted auditing standards and 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 general purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the State of Chuuk is the responsibility of the management of Chuuk State. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we performed tests of Chuuk State's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

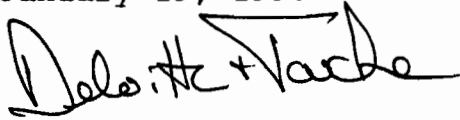
The results of our tests indicate that, with respect to the items tested, the State of Chuuk complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the State of Chuuk had not complied, in all material respects, with those provisions.

We noted certain immaterial instances of noncompliance that we have reported to the management of Chuuk State, which are described in the accompanying Schedule of Questioned Costs, Identified Noncompliance and Internal Control Weaknesses (pages 85 to 92).

We also noted matters involving compliance with laws and regulations related to federal financial assistance which we reported to the State of Chuuk's management in our reports dated January 19, 1993, on general requirements, on specific requirements for major programs and on specific compliance for nonmajor program transactions.

This report is intended for the information of the management of the State of Chuuk, the cognizant audit and other federal agencies. However, this report is a matter of public record and its distribution is not limited.

January 19, 1993

A handwritten signature in cursive script, appearing to read "Deloitte + Tatchell", written over a horizontal line.

Certified Public Accountants





**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE**  
**WITH SPECIFIC REQUIREMENTS APPLICABLE**  
**TO MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

Honorable Sasao Gouland  
Governor, State of Chuuk  
Federated States of Micronesia

We have audited the general purpose financial statements of the State of Chuuk as of and for the year ended September 30, 1992, and have issued our report thereon dated January 19, 1993. Our report on the general purpose financial statements was modified due to our inability to form an opinion as to the fairness of presentation of the General Fixed Assets Account Group and the omission of the financial statements of the State's eleven development authorities from the Governmental Fund Type - Special Revenue Funds.

We have also audited the State of Chuuk's compliance with the requirements governing the Compact of Free Association; types of services; eligibility; matching; level of effort or earmarking; and reporting that are applicable to each of its major federal financial assistance programs, which are identified in the accompanying Schedule of Federal Financial Assistance (pages 63 through 81), for the year ended September 30, 1992. The management of the State of Chuuk is responsible for Chuuk State's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

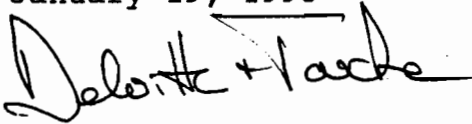
We conducted our audit of compliance with these requirements in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-128, "Audits of State and Local Governments." Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about Chuuk State's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying Schedule of Questioned Costs, Identified Noncompliance and Internal Control Weaknesses (pages 85 to 91). We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the State of Chuuk complied, in all material respects, with the requirements governing the Compact of Free Association; types of services; eligibility; matching; level of effort or earmarking; and reporting that are applicable to each of its major federal financial assistance programs for the year ended September 30, 1992.

This report is intended for the information of the management of the State of Chuuk, the cognizant audit and other federal agencies. However, this report is a matter of public record and its distribution is not limited.

January 19, 1993

A handwritten signature in cursive script, appearing to read "Deloitte + Tachle", written over a horizontal line.

Certified Public Accountants



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE**  
**WITH THE GENERAL REQUIREMENTS APPLICABLE TO**  
**FEDERAL FINANCIAL ASSISTANCE**

Honorable Sasao Gouland  
Governor, State of Chuuk  
Federated States of Micronesia

We have audited the general purpose financial statements of the State of Chuuk as of and for the year ended September 30, 1992, and have issued our report thereon dated January 19, 1993. Our report on the general purpose financial statements was modified due to our inability to form an opinion as to the fairness of presentation of the General Fixed Assets Account Group and the omission of the financial statements of the State's eleven development authorities from the Governmental Fund Type - Special Revenue Funds. We have also audited Chuuk State Government's compliance applicable to requirements of major federal financial assistance programs and have issued our report thereon dated January 19, 1993.

We have applied procedures to test the State of Chuuk's compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the Schedule of Federal Financial Assistance (pages 66 through 81), for the year ended September 30, 1992: cash management, federal financial reports, allowable costs/cost principles, Drug-Free Workplace Act, and administrative requirements.

The requirements of Political Activity, Davis-Bacon Act, Civil Rights and Relocation Assistance and Real Property Acquisition are not applicable to the federal financial assistance programs of the Federated States of Micronesia, which are identified in the Schedule of Federal Financial Assistance (pages 66 through 81).

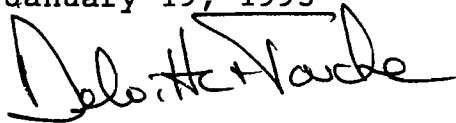
Our procedures were limited to the applicable procedures described in the Office of Management and Budget's Compliance Supplement for Single Audits of State and Local Governments. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on Chuuk State's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the State of Chuuk had not complied, in all material respects, with those requirements. However, the results of our procedures disclosed immaterial instances of noncompliance with those requirements, which are described in the accompanying Schedule of Questioned Costs, Identified Noncompliance and Internal Control Weaknesses (pages 85 to 92).

We also noted matters involving compliance with laws and regulations related to our audit of the general purpose financial statements and with requirements related to major and nonmajor federal financial assistance programs which we reported to the management of Chuuk State Government in our reports dated January 19, 1993.

This report is intended for the information of the management of the State of Chuuk, the cognizant audit and other federal agencies. However, this report is a matter of public record and its distribution is not limited.

January 19, 1993

A handwritten signature in cursive script, appearing to read "Deloitte Touche", written over a horizontal line.

Certified Public Accountants



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH REQUIREMENTS APPLICABLE TO NONMAJOR FEDERAL  
FINANCIAL ASSISTANCE PROGRAM TRANSACTIONS PROGRAMS**

Honorable Sasao Gouland  
Governor, State of Chuuk  
Federated States of Micronesia

We have audited the general purpose financial statements of the State of Chuuk as of and for the year ended September 30, 1992, and have issued our report thereon dated January 19, 1993. Our report on the general purpose financial statements was modified due to our inability to form an opinion as to the fairness of presentation of the General Fixed Assets Account Group and the omission of the financial statements of the State's eleven development authorities from the Governmental Fund Type - Special Revenue Funds. We have also audited Chuuk State Government's compliance applicable to requirements of major federal financial assistance programs and have applied procedures to test compliance with general requirements applicable to federal financial assistance programs and have issued our reports thereon dated January 19, 1993.

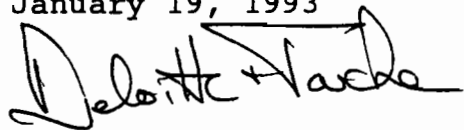
In connection with our audit of the 1992 general purpose financial statements of the State of Chuuk, and with our consideration of the State of Chuuk's control structure used to administer federal financial assistance programs, and assessment of control risk as required by Office of Management and Budget Circular A-128, Audits of State and Local Governments, we selected certain transactions applicable to certain nonmajor federal financial assistance programs for the year ended September 30, 1992.

As required by Circular A-128, we have performed auditing procedures to test compliance with the requirements governing types of services allowed or unallowed; eligibility; the Compact of Free Association; matching; level of effort or earmarking; and reporting that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on Chuuk State's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the State of Chuuk had not complied, in all material respects, with those requirements. However, the results of our procedures disclosed immaterial instances of noncompliance with those requirements, which are described in the accompanying Schedule of Questioned Costs, Identified Noncompliance and Internal Control Weaknesses (pages 85 to 92).

This report is intended for the information of the management of the State of Chuuk, the cognizant audit and other federal agencies. However, this report is a matter of public record and its distribution is not limited.

January 19, 1993

A handwritten signature in black ink, appearing to read "Deloitte + Tach", written over a horizontal line.

Certified Public Accountants



**INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROL  
STRUCTURE USED IN ADMINISTERING  
FEDERAL FINANCIAL ASSISTANCE**

Honorable Sasao Gouland  
Governor, State of Chuuk  
Federated States of Micronesia

We have audited the general purpose financial statements of the State of Chuuk, as of and for the year ended September 30, 1992, and have issued our report thereon dated January 19, 1993. Our report on the general purpose financial statements was modified due to our inability to form an opinion as to the fairness of presentation of the General Fixed Assets Account Group and the omission of the financial statements of the State's eleven development authorities from the Governmental Fund Type - Special Revenue Funds. We also have audited the State of Chuuk's compliance with requirements applicable to major federal financial assistance programs and have issued our report thereon dated January 19, 1993.

We conducted our audits in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-128, Audits of State and Local Governments. Those standards and OMB Circular A-128 require that we plan and perform the audits to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement and about whether the State of Chuuk complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing our audits for the year ended September 30, 1992, we considered the State of Chuuk's internal control structure and assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinions on the State of Chuuk State general purpose financial statements and on its compliance with requirements applicable to major programs and to report on the internal

control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the general purpose financial statements in a separate report dated January 19, 1993.

The management of the State of Chuuk is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles, and that federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

General Requirements

- Cash management
- Federal financial reports
- Allowable costs/cost principles
- Drug-Free Workplace Act
- Administrative requirements

Specific Requirements

- Types of services
- Eligibility
- Matching, level of effort, or earmarking
- Reporting
- Compact of Free Association



### Accounting Requirements

- Revenue/receipt
- Purchases/disbursements
- Payroll
- External financial reporting
- Cash
- Receivables
- Investments
- Payables and accrued liabilities
- Fund balance

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During the year ended September 30, 1992, Chuuk State expended 92% of its total federal financial assistance under major federal financial assistance programs.

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to each of the Chuuk State Government's major federal financial assistance programs, which are identified in the accompanying Schedule of Federal Financial Assistance (pages 66 to 81). Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgement, could adversely affect Chuuk State Government's ability to administer federal financial assistance programs in accordance with applicable laws and regulations. A description of these matters is presented in the accompanying Schedule of Questioned Costs, Identified Noncompliance and Internal Control Weaknesses (pages 85 to 92).

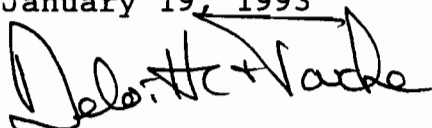
A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure policies and procedures used in administering federal financial assistance would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described above is a material weakness.

We also noted matters involving the internal control structure and its operation based on our audit of the general purpose financial statements which we reported to the management of Chuuk State Government in a report dated January 19, 1993.

This report is intended for the information of the management of the State of Chuuk, cognizant audit and other federal agencies. However, this report is a matter of public record and its distribution is not limited.

January 19, 1993

A handwritten signature in cursive script, appearing to read "Deloitte + Touche", written over a horizontal line.

Certified Public Accountants



**INDEPENDENT AUDITORS' REPORT ON THE  
SUPPLEMENTARY SCHEDULE OF  
FEDERAL FINANCIAL ASSISTANCE**

Honorable Sasao Gouland  
Governor, State of Chuuk  
Federated States of Micronesia

We have audited the general purpose financial statements of the State of Chuuk as of and for the year ended September 30, 1992, and have issued our report thereon dated January 19, 1993. Our report on the general purpose financial statements was modified due to our inability to form an opinion as to the fairness of presentation of the General Fixed Assets Account Group and the omission of the financial statements of the State's eleven development authorities from the Governmental Fund Type - Special Revenue Funds. These general purpose financial statements are the responsibility of Chuuk State's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

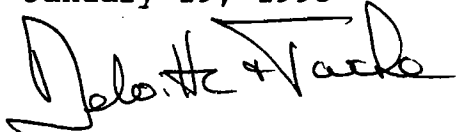
We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes 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 provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements of the State of Chuuk taken as a whole. The accompanying Schedule of Federal Financial Assistance (pages 66 to 81), which is also the responsibility of the management of the State of Chuuk, is presented for purposes of additional analysis and is not a required part of the general

purpose financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

This report is intended for the information of the management of the State of Chuuk, the cognizant audit and other federal agencies. However, this report is a matter of public record and its distribution is not limited.

January 19, 1993

A handwritten signature in cursive script, appearing to read "Deloitte & Touche", written in dark ink.

Certified Public Accountants

**STATE OF CHUUK**  
**FEDERATED STATES OF MICRONESIA**  
INTRODUCTION TO COMPACT OF FREE ASSOCIATION FUNDING,  
FEDERAL AND OTHER ASSISTANCE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 1992

Compact Funds

The Federated States of Micronesia (FSM) National Government and the Government of the United States implemented the Compact of Free Association during fiscal year 1987. The Compact funding replaced the U.S. Department of the Interior funding for general operations received through the Trust Territory of the Pacific Islands (TTPI) Government in previous fiscal years. Based on the terms of the Compact agreement, the FSM National Government receives funding in five year increments over a fifteen year period. The Compact funding is received in four different account classifications; current operations, capital projects, block grants, and inflation adjustments. A mutually agreed upon financial institution was selected as the trustee of the Compact funding to facilitate the FSM National Governments' and its four State entities' drawdown requirements.

During fiscal year 1992, the State of Chuuk Government submitted quarterly allocation requests to the FSM National Government for the current account. The current operation funds were transferred to State of Chuuk's designated banking institution based on the quarterly allocation requests. The capital project funds, which must comprise at least 40 percent of the total annual allocation, remain with the trustee institution and are drawdown upon request by State of Chuuk. Capital account funds are transferred in their annual base amounts on the first day of the fiscal year. Block grant funds are transferred with the initial quarterly current account allocation request and these funds were then appropriated by the Chuuk State Legislature in accordance with the guidelines of the Compact. The United States Government annually adjusts Compact funding for inflation.

Pursuant to section 233 of the Compact of Free Association and paragraph 1(d), Article IV of the Agreement Concerning Procedures for the Implementation of U.S. Economic Assistance, Programs, and Services provided in the Compact of Free Association between the Government of the U.S. and the Government of the FSM, audits of Compact funding shall be performed in compliance with Government Auditing Standards, issued by the Comptroller General of the United States, and the Single Audit Act of 1984. The above states that audits shall be performed in accordance with Circular A-128, but compliance testing of Compact funding shall not include specific federal guidelines applicable to federal program assistance grants, but rather shall be in conformance with local laws and regulations and the program intent as provided in the Compact of Free Association.

## Federal Funds

The State of Chuuk Government applies to the FSM National Government for grant funds, or receives an allocation of funds awarded to the FSM National Government. The award of the subrecipient grant typically comes in the form of an allotment advice, rather than a formal notice. The allotment advice specifies any imposed expenditure limitations. However, the limitations are normally represented solely by object code authorization totals and not by detailed budgets.

Revenues are recorded and recognized on the basis of expenditures. Drawdowns, typically occurring after expenditures are recorded, are made upon request by the State of Chuuk Government to the FSM National Government.

Although program guidelines may not be specifically referenced in the allotment advice, subgrantees of federal programs other than Compact funding must adhere to the same cost principles as the grantee, as stated in the Office of Budget and Management Circular A-87. Additionally, beneficiaries and program objectives may not typically depart from the federal purpose, as may be determined by an Act of Congress, and in accordance with such program regulations which may be promulgated in the Code of Federal Regulations.

## Introduction To Special Revenue and Capital Projects Funds

Receipt and use of monetary assistance from sources outside the general fund are accounted for in the following funds:

Federal Grant Assistance Fund  
Compact Other Grants Fund:

- Health and Medical
- Post Secondary Education
- Energy Block Grant
- Special Development Assistance

Compact 221 (a)(2) Capital Projects Fund

Compact Special Block Grant, Section  
- 221 (b)

Other Grant Assistance Fund

TTGI Capital Project Fund

CFSM State Projects Fund

As mentioned above, the Compact Major Block Grant, Compact Program and Compact Capital Project Funds are administered under the guidelines of the Compact of Free Association. With the exception of a few of the grants in the Foreign Assistance Fund and the CFSM Special Revenue Fund, the revenue of the Special Revenue and Capital Projects Funds is derived through allotments from the TTPI or the FSM National Government for specific purposes. All TTPI allotments are originally derived from U.S. Congressional appropriations. As the subrecipient, the State of Chuuk reports to the FSM National Government. The CFSM Special Revenue Fund is funded by appropriations from the Congress of the Federated States of Micronesia, while the foreign assistance grants are received from various foreign governments and international organizations. The State of Chuuk, through the Federated States of Micronesia, reports to the applicable grantor concerning direct assistance grants.

**CHUUK STATE GOVERNMENT**  
**FEDERATED STATES OF MICRONESIA**  
**SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE**  
**FSM FEDERAL ASSISTANCE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 1992**  
(The following grants are received in a subrecipient capacity through the FSM National Government)

Grantor Account Title	Chuuk Org. #	CFDA I.D. #	Total Authorizations	Prior Expenditures	1992	Total	Authorizations	Questioned Costs	
					Fiscal Year Expenditures	Program Expenditures	Over Program Expenditures	Amount	Detailed at Page
<u>U.S. Department of Agriculture</u>									
<u>CFDA #10.560</u>									
Food Service Program	3310	10.560	\$ -	\$ 4,025	\$ -	\$ 4,025	\$ (4,025)	\$ -	
Food Service Program	3315	10.560	1,813,792	1,748,365	-	1,748,365	65,427	-	
Food Service Program	3331	10.560	2,464,420	2,457,262	-	2,457,262	7,158	-	
Food Service Program	3388	10.560	<u>905,068</u>	<u>1,012,290</u>	<u>-</u>	<u>1,012,290</u>	<u>(107,222)</u>	<u>-</u>	
Subtotal CFDA #10.560			<u>5,183,280</u>	<u>5,221,942</u>	<u>-</u>	<u>5,221,942</u>	<u>(38,662)</u>	<u>-</u>	
<u>CFDA #10.664</u>									
Forestry Project	3343	10.664	12,750	4,020	-	4,020	8,730	-	
FY92 Forestry Project	3451	10.664	5,000	-	3,477	3,477	1,523	-	
Forestry Program	7701	10.664	4,200	5,982	-	5,982	(1,782)	-	
Forestry Program	7703	10.664	<u>5,333</u>	<u>5,321</u>	<u>-</u>	<u>5,321</u>	<u>12</u>	<u>-</u>	
Subtotal CFDA #10.664			<u>27,283</u>	<u>15,323</u>	<u>3,477</u>	<u>18,800</u>	<u>8,483</u>	<u>-</u>	
Total Department of Agriculture			<u>\$ 5,210,563</u>	<u>\$5,237,265</u>	<u>\$ 3,477</u>	<u>\$ 5,240,742</u>	<u>\$ (30,179)</u>	<u>\$ -</u>	
Family Food Nutrition									
Proj.	3959	UNDP	<u>6,260</u>	<u>-</u>	<u>1,785</u>	<u>1,785</u>	<u>4,475</u>	<u>-</u>	
Total UNDP			<u>\$ 6,260</u>	<u>\$ -</u>	<u>\$ 1,785</u>	<u>\$ 1,785</u>	<u>\$ 4,475</u>	<u>\$ -</u>	
<u>U.S. Department of Education</u>									
<u>CFDA #.84.126</u>									
Vocational Rehab. Case									
Services	3088	84.126	<u>\$ 164,219</u>	<u>\$ 159,959</u>	<u>\$ -</u>	<u>\$ 159,959</u>	<u>\$ 4,260</u>	<u>\$ -</u>	
Subtotal CFDA #84.126			<u>164,219</u>	<u>159,959</u>	<u>-</u>	<u>159,959</u>	<u>4,260</u>	<u>-</u>	
<u>CFDA #84.010</u>									
Chapter 1 GAP	3007	84.010	2,649,424	1,489,830	-	1,489,830	1,159,594	-	
Chapter 1	3106	84.010	2,390,635	2,214,960	-	2,214,960	175,675	-	
Chapter 1	3118	84.010	1,674,565	1,594,216	2,952	1,597,168	77,397	-	
Chapter 1	3147	84.010	<u>1,176,415</u>	<u>859,836</u>	<u>224,461</u>	<u>1,084,297</u>	<u>92,118</u>	<u>-</u>	
Subtotal CFDA #84.010			<u>7,891,039</u>	<u>6,158,842</u>	<u>227,413</u>	<u>6,386,255</u>	<u>1,504,784</u>	<u>-</u>	
<u>CFDA #84.151</u>									
Chapter 2	3107	84.151	1,278,255	1,233,250	-	1,233,250	45,005	-	
FY88 Chapter 2	3119	84.151	771,497	582,429	3,031	585,460	186,037	-	
Chapter 2	3148	84.151	<u>332,935</u>	<u>230,088</u>	<u>2,389</u>	<u>232,477</u>	<u>100,458</u>	<u>-</u>	
Subtotal CFDA #84.151			<u>2,382,687</u>	<u>2,045,767</u>	<u>5,420</u>	<u>2,051,187</u>	<u>331,500</u>	<u>-</u>	
Total U.S. Department of Education			<u>\$10,437,945</u>	<u>\$8,364,568</u>	<u>\$ 232,833</u>	<u>\$ 8,597,401</u>	<u>\$ 1,840,544</u>	<u>\$ -</u>	

see accompanying notes to schedule of federal financial assistance.



**CHUUK STATE GOVERNMENT**  
**FEDERATED STATES OF MICRONESIA**  
**SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE, CONTINUED**  
**FSM FEDERAL ASSISTANCE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 1992**

(The following grants are received in a subrecipient capacity through the FSM National Government)

Grantor Account Title	Chuuk Org. #	CFDA I.D. #	Total Authorizations	Prior Expenditures	1992	Total	Authorizations	Questioned Cost
					Fiscal Year Expenditures	Program Expenditures	Over Program Expenditures	Detailed Amount at Page
<b>U.S. Department of Health and Human Services</b>								
<b>CFDA #13.110</b>								
FY89 SPRANS	3657	13.110	\$ 49,850	\$ 40,693	\$ -	\$ 40,693	\$ 9,157	\$ -
	7588	13.110	63,213	56,301	2,582	58,883	4,330	-
Subtotal CFDA 13.110			113,063	96,994	2,582	99,576	13,487	-
<b>CFDA #13.217</b>								
Family Planning	3671	13.217	-	621	-	621	(621)	-
FY89 Family Planning	3789	13.217	20,934	15,351	-	15,351	5,583	-
FY89 Aids	7551	13.217	9,499	3,664	-	3,664	5,835	-
FY90 Family Planning	7574	13.217	20,931	18,238	-	18,238	2,693	-
FY90 Aids	7621	13.217	7,728	5,655	6,596	12,251	(4,523)	-
FY91 Family Planning	7629	13.217	25,704	16,790	5,350	22,140	3,564	-
Aids Prevent	7660	13.217	8,062	3,784	-	3,784	4,278	-
FY92 Family Planning	7673	13.217	25,704	-	25,559	25,559	145	-
FY92 AIDS Prevention	7759	13.217	9,197	-	2,207	2,207	6,990	-
FY93 Family Planning	7768	13.217	30,716	-	3,593	3,593	27,123	-
Subtotal CFDA 13.217			158,475	64,103	43,305	107,408	51,067	-
<b>CFDA # 13.268</b>								
FY88 Immun. Prog.	3795	13.268	28,075	15,595	-	15,595	12,480	-
FY89 Immun. Prog.	7534	13.268	8,265	2,465	-	2,465	5,800	-
FY90 Immun. Prog.	7617	13.268	12,516	9,752	10,046	19,798	(7,282)	-
FY91 Immun. Prog.	7652	13.268	13,305	-	3,375	3,375	9,930	-
FY92 Immun. Prog.	7692	13.268	23,295	-	7,741	7,741	15,554	-
Subtotal CFDA 13.268			85,456	27,812	21,162	48,974	36,482	-
<b>CFDA #13.359</b>								
Continuing Education for Nurses	7568	13.359	8,690	3,621	-	3,621	5,069	-
<b>CFDA 13.633</b>								
Aging Support FY87	3711	13.633	281,775	269,271	-	269,271	12,504	-
Aging Support FY88	3776	13.633	187,850	142,179	-	142,179	45,671	-
Aging Support FY90	7559	13.633	93,924	54,944	-	54,944	38,980	-
Subtotal CFDA #13.633			563,549	466,394	-	466,394	97,155	-
<b>CFDA #13.994</b>								
MCHS	3718	13.994	71,950	58,216	-	58,216	13,734	-
MCHS FY88	3747	13.994	94,449	67,832	-	67,832	26,617	-
MCHS FY889	7538	13.994	7,700	4,759	-	4,759	2,941	-
MCHS FY89	7543	13.994	87,460	70,780	-	70,780	16,680	-
MCHS FY90	7601	13.994	86,762	81,455	12,340	93,795	(7,033)	-
MCHIP FY90	7622	13.994	5,700	640	-	640	5,060	-
MCHIP	7648	13.994	11,400	5,428	2,624	8,052	3,348	-
FY91 MCH	7663	13.994	80,210	-	64,662	64,662	15,548	-
MCH/Dental Health	7664	13.994	13,440	-	499	499	12,941	-
Subtotal CFDA #13.994			459,071	289,110	80,125	369,235	89,836	-
<b>CFDA #13.991</b>								
FY89 P. Basin	3680	13.991	20,000	20,000	-	20,000	-	-
Preventive Health	3725	13.991	-	360	-	360	(360)	-
FY89 PH & PH	7585	13.991	11,570	9,899	-	9,899	1,671	-
FY90 PH & PH	7605	13.991	14,141	11,857	12,416	24,273	(10,132)	-
Substantive Abuse	7608	13.991	65,800	67,081	21,539	88,620	(22,820)	-
FY91 PH & PH	7678	13.991	14,492	-	236	236	14,256	-
FY91 PH & PH/Adms	7679	13.991	95,000	-	53,038	53,038	41,962	-
Subtotal CFDA #13.991			221,003	109,197	87,229	196,426	24,577	-
Total U.S. Department of Health and Human Services			\$ 1,609,307	\$ 1,057,231	\$ 234,403	\$ 1,291,634	\$ 317,673	\$ -
Child Abuse and Neglect	7806	University of Guam	8,277	-	8,462	8,462	(185)	-
Total University of Guam			\$ 8,277	\$ -	\$ 8,462	\$ 8,462	\$ (185)	\$ -

See accompanying notes to schedule of federal financial assistance.

**CHUUK STATE GOVERNMENT**  
**FEDERATED STATES OF MICRONESIA**  
**SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE, CONTINUED**  
**FSM FEDERAL ASSISTANCE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 1992**

(The following grants are received in a subrecipient capacity through the FSM National Government)

Grantor Account Title	Chuuk Org. #	CFDA I.D. #	Total Authorizations	Prior Expenditures	1992	Total	Authorizations	Questioned Cost	
					Fiscal Year Expenditures	Program Expenditures	Over Program Expenditures	Amount	Detailed at Page
<b>U.S. Department of Housing and Urban Development</b>									
<b>CFDA #14.219</b>									
FY84 CDBG Admin.	3153	14.219	\$ 8,794	\$ 20	\$ -	\$ 20	\$ 8,774	\$ -	
Housing Rehab.	3155	14.219	4,192	(594)	4,192	3,598	594	-	
FY84 Housing Rehab.	3156	14.219	58,162	455	47,037	47,492	10,670	-	
THA Rehab. Admin.	3158	14.219	23,000	9,580	-	9,580	13,420	-	
FY85 Housing Renovation Program	3159	14.219	23,000	-	23,000	23,000	-	-	
FY82 Housing Rehab.	3198	14.219	573	-	573	573	-	-	
FY83 Housing Rehab.	3199	14.219	17,439	-	17,439	17,439	-	-	
FY87 CDBG Admin.	3356	14.219	14,000	16,265	-	16,265	(2,265)	-	
Public Market Improv.	3357	14.219	20,000	3,864	-	3,864	16,136	-	
Fish Marketing Center	3359	14.219	50,653	37,550	-	37,550	13,103	-	
FY89 Housing Rehab.	3392	14.219	38,217	-	88,217	88,217	(50,000)	-	
Total U.S. Department of Housing and Urban Development			\$ 258,030	\$ 67,140	\$ 180,458	\$ 247,598	\$ 10,432	\$ -	
<b>U.S. Department of the Interior</b>									
<b>CFDA #15.875</b>									
Technical Assistance	3452	15.875	20,000	23,064	-	23,064	(3,064)	-	
Transition-Computer Software	3476	15.875	8,000	9,096	-	9,096	(1,096)	-	
Technical Assistance	3491	15.875	123,186	120,978	-	120,978	2,208	-	
Waste Water '85 O&M	3542	15.875	15,000	19,187	-	19,187	(4,187)	-	
Biomedical Equipment '85 O&M	3543	15.875	70,000	160,259	-	160,259	(90,259)	-	
Power Plant '85 O&M	3545	15.875	80,000	(91,869)	3,608	(88,261)	168,261	-	
Subtotal CFDA #15.875			316,186	240,715	3,608	244,323	71,863	-	
<b>CFDA #15.904</b>									
Historic Preservation	3461	15.904	18,545	25,780	-	25,780	(7,235)	-	
Historic Preservation	7504	15.904	23,000	23,022	-	23,022	(22)	-	
Historic Preservation	7526	15.904	27,429	27,059	-	27,059	370	-	
Historic Preservation	7667	15.904	33,357	16,298	16,541	32,839	518	-	
FY91 Historic Pres.	7862	15.904	36,000	-	26,046	26,046	9,954	-	
FY92 Historic Pres.	7877	15.904	36,000	-	3,189	3,189	32,811	-	
Subtotal CFDA #15.904			174,331	92,159	45,776	137,935	36,396	-	
Total U.S. Department of the Interior			\$ 490,517	\$ 332,874	\$ 49,384	\$ 382,258	\$ 108,259	\$ -	
<b>U.S. Department of Labor</b>									
<b>CFDA #17.250</b>									
JTPA Administration	3204	17.250	688,016	227,198	887	228,085	459,931	-	
FY88 JTPA Admin.	3248	17.250	79,380	79,265	-	79,265	115	-	
FY88 JTPA Training	3249	17.250	449,823	422,549	-	422,549	27,274	-	
FY91 JTPA Admin.	3261	17.250	100,870	-	112,959	112,959	(12,089)	-	
JTPA Adult Program	3262	17.250	268,889	-	264,938	264,938	3,951	34,870	85 & 87
JTPA Youth Program	3263	17.250	206,671	-	215,751	215,751	(9,080)	-	
FY89 JTPA Admin.	3275	17.250	79,872	89,751	-	89,751	(9,879)	-	
JTPA Adult Program	3276	17.250	260,187	237,696	7,440	245,136	15,051	-	
JTPA Youth Program	3277	17.250	192,422	177,378	-	177,378	15,044	-	
FY91 JTPA Participant Support	3280	17.250	96,032	-	89,070	89,070	6,962	1,912	85
JTPA Administration	3293	17.250	91,864	107,876	4,317	112,193	(20,329)	-	
JTPA Adult Program	3294	17.250	312,339	298,875	10,112	308,987	3,352	-	
JTPA Youth Program	3295	17.250	208,226	200,268	32,339	232,607	(24,381)	-	
FY89 JTPA Educ. Grant	3296	17.250	24,280	-	13,877	13,877	10,403	-	
FY92 JTPA Admin.	3455	17.250	83,360	-	6,598	6,598	76,762	-	
FY92 JTPA Adult Prog.	3456	17.250	233,408	-	15,836	15,836	217,572	2,585	85
FY92 JTPA Youth Prog.	3457	17.250	155,605	-	-	-	155,605	-	
Total U.S. Department of Labor			\$ 3,531,244	\$1,840,856	\$ 774,124	\$ 2,614,980	\$ 916,264	\$ 39,367	

See accompanying notes to schedule of federal financial assistance.

**CHUUK STATE GOVERNMENT**  
**FEDERATED STATES OF MICRONESIA**  
**SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE, CONTINUED**  
**FSM FEDERAL ASSISTANCE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 1992**

(The following grants are received in a subrecipient capacity through the FSM National Government)

Grantor Account Title	Chuuk Org. #	CFDA I.D. #	Total Authorizations	Prior Expenditures	1992	Total Program Expenditures	Authorizations Over Program Expenditures	Questioned Cost	
					Fiscal Year Expenditures			Amount	Detailed at Page
<u>Federal Emergency</u>									
<u>Management Agency</u>									
<u>CFDA #83.516</u>									
Typhoon Owen Public Assistance	3820	83.516	\$ 1,659,395	\$ 691,683	\$ 492,614	\$ 1,184,297	\$ 475,098	\$ -	
Typhoon Owen Public Assistance.	3821	83.516	3,000	671,658	189	671,847	(668,847)	-	
IFGP	3822	83.516	<u>6,200,000</u>	<u>6,188,383</u>	<u>-</u>	<u>6,188,383</u>	<u>11,617</u>	<u>-</u>	
Total Federal Emergency Management Agency			<u>\$ 7,862,395</u>	<u>\$7,551,724</u>	<u>\$ 492,803</u>	<u>\$ 8,044,527</u>	<u>\$ (182,132)</u>	<u>\$ -</u>	
<u>U.S. Environmental</u>									
<u>Protection Agency</u>									
<u>CFDA #66.600</u>									
EPA	3570	66.600	-	(1)	-	(1)	1	-	
S. Field/West Sewer	3572	66.600	726,130	99	657,144	657,243	68,887	-	
EPA FY90	3598	66.600	43,240	8,636	-	8,636	34,604	-	
Truk Rural San. Prog.	7576	66.600	<u>200,000</u>	<u>3,920</u>	<u>243,536</u>	<u>247,456</u>	<u>(47,456)</u>	<u>-</u>	
Total U.S. Environmental Protection Agency			<u>\$ 969,370</u>	<u>\$ 12,654</u>	<u>\$ 900,680</u>	<u>\$ 913,334</u>	<u>\$ 56,036</u>	<u>\$ -</u>	
<u>U.S. Federal</u>									
<u>Aviation Administration</u>									
<u>CFDA #20.106</u>									
Chuuk Inter. Airport	6661	20.106	<u>\$ 721,000</u>	<u>\$ -</u>	<u>\$ 458,269</u>	<u>\$ 458,269</u>	<u>\$ 262,731</u>	<u>\$ -</u>	
Total Federal Financial Assistance Fund			<u>\$31,104,908</u>	<u>\$24,464,312</u>	<u>\$3,336,678 (A)</u>	<u>\$27,800,990</u>	<u>\$3,303,918</u>	<u>\$ -</u>	

(A) For general purpose financial statements presentation, total expenditures are reconciled as follows:

Audited expenditures	\$3,165,600
Add: transfer out to Chuuk Housing Authority	<u>171,078</u>
	<u>\$3,336,678</u>

See accompanying notes to schedule of federal financial assistance.

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA  
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE, CONTINUED  
OTHER FEDERAL AND DIRECT ASSISTANCE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 1992**

Grantor Account Title	Chuuk Org. #	CFDA I.D. #	Total Authorizations	Prior Expenditures	1992	Total	Authorizations	Questioned Cost	
					Fiscal Year Expenditures	Program Expenditures	Over Program Expenditures	Amount	Detailed at Page
<u>U.S. Department of Education</u>									
<u>CFDA #84.003</u>									
Bilingual Training	3092	84.003	\$ 178,740	\$ 148,974	\$ -	\$ 148,974	\$ 29,766	\$ -	
Bilingual Training	3093	84.003	33,000	26,151	-	26,151	6,849	-	
Bilingual Instruction	3094	84.003	420,337	438,070	-	438,070	(17,733)	-	
Bilingual Training	3095	84.003	57,000	47,508	-	47,508	9,492	-	
Bilingual Instruction	3143	84.003	41,632	55,679	-	55,679	(14,047)	-	
Bilingual Training	3144	84.003	<u>4,532</u>	<u>3,310</u>	<u>-</u>	<u>3,310</u>	<u>1,222</u>	<u>-</u>	
Total U.S. Department of Education (84.003)			<u>\$ 735,241</u>	<u>\$ 719,692</u>	<u>\$ -</u>	<u>\$ 719,692</u>	<u>\$ 15,549</u>	<u>\$ -</u>	
<u>Non U.S. Grants</u>									
Photocopier	3944	-	\$ -	\$ -	\$ 4,860	\$ 4,860	\$ (4,860)	\$ -	
FY '89 Population Census	3956	-	<u>-</u>	<u>-</u>	<u>9,829</u>	<u>9,829</u>	<u>(9,829)</u>	<u>-</u>	
Total Non U.S. Grants			<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,689</u>	<u>\$ 14,689</u>	<u>\$ (14,689)</u>	<u>\$ -</u>	
Total Other Federal and Direct Assistance Fund			<u>\$ 735,241</u>	<u>\$ 719,692</u>	<u>\$ 14,689</u>	<u>\$ 734,381</u>	<u>\$ 860</u>	<u>\$ -</u>	

Note: The above grants were received in a grantee capacity directly from the grantors.

See accompanying notes to schedule of federal financial assistance.

**CHUUK STATE GOVERNMENT**  
**FEDERATED STATES OF MICRONESIA**  
**SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE, CONTINUED**  
**TTPI CAPITAL PROJECTS FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 1992**

Grantor Account Title	Chuuk Org. #	CFDA I.D. #	Total Authorizations	Prior Expenditures	1992	Total	Authorizations	Questioned Cost	
					Fiscal Year Expenditures	Program Expenditures	Over Program Expenditures	Amount	Detailed at Page
<b>CFDA #15.875</b>									
Airport Runway									
Seal Coat	6360	15.875	\$ 46,429	\$ 18,221	\$ -	\$ 18,221	\$ 28,208	\$ -	
Dublon/Moen Water									
System Improvement	6362	15.875	3,177,000	3,189,083	96,557	3,285,640	(108,640)	-	
Moen Road									
Improvement	6363	15.875	1,472,900	1,472,622	27,254	1,499,876	(26,976)	-	
Power Plant	6364	15.875	-	9,788	400	10,188	(10,188)	-	
Chuuk Sanitary									
Facility	6366	15.875	290,000	197,988	32,689	230,677	59,323	-	
Power Upgrade	6367	15.875	184,000	181,008	4,047	185,055	(1,055)	-	
Wichen River	6368	15.875	-	-	99,203	99,203	(99,203)	-	
Airport Terminal									
TTPI	6369	15.875	791,000	651,067	1,089	652,156	138,844	-	
Chuuk Int'l Airport	6661	15.875	721,000	213,521	296,500	510,021	210,979	-	
Weno Power Gen.									
Rehab.	6663	15.875	<u>670,000</u>	<u>397,687</u>	<u>206,945</u>	<u>604,632</u>	<u>65,368</u>	<u>-</u>	
Total CFDA #15.875			<u>\$ 7,352,329</u>	<u>\$6,330,985</u>	<u>\$ 764,684 (A)</u>	<u>\$ 7,095,669</u>	<u>\$ 256,660</u>	<u>\$ -</u>	

Note: These grants are received in a sub-grantee through the Trust Territory of the Pacific Islands (TTPI) Government.

(A) For general purpose financial statement presentation, total expenditures are reconciled as follows:

Audited expenditures per the general purpose financial statement	\$468,184
Operating transfer out to federal grants (org. 6661).	<u>296,500</u>
	<u>\$764,684</u>

See accompanying notes to schedule of federal financial assistance.

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA  
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE, CONTINUED  
CFSM SPECIAL REVENUE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 1992**

Grantor Account Title	Chuuk Orq. #	CFDA I.D. #	Total Authorizations	Prior Expenditures	1992	Total	Authorizations	Questioned Cost	
					Fiscal Year Expenditures	Program Expenditures	Over Program Expenditures	Amount	Detailed at Page
<u>CFDA #15.875</u>									
FSM Con-Con Travel	4410	N/A	\$ 102,000	\$ 7,186	\$ -	\$ 7,186	\$ 94,814	\$ -	
Chuuk Joint Law Enforcement FY88	4489	N/A	150,000	117,159	550	117,709	32,291	-	
Chuuk Joint Law Enforcement FY90	4490	N/A	107,000	128,556	-	128,556	(21,556)	-	
Chuuk Joint Law Enforcement FY89	4491	N/A	150,000	233,575	-	233,575	(83,575)	-	
Moen Plant Spare Parts	9237	N/A	15,000	14,690	-	14,690	310	-	
Chuuk State Law Enforcement	9437	N/A	<u>130,000</u>	<u>132,623</u>	<u>122,900</u>	<u>255,523</u>	<u>(125,523)</u>	<u>-</u>	
Total			<u>\$ 654,000</u>	<u>\$ 633,789</u>	<u>\$ 123,450</u>	<u>\$ 757,239</u>	<u>\$ (103,239)</u>	<u>\$ -</u>	

Note: The above grants are received based on appropriations made by the Congress of the Federated States of Micronesia.

See accompanying notes to schedule of federal financial assistance.

**CHUUK STATE GOVERNMENT**  
**FEDERATED STATES OF MICRONESIA**  
**SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE, CONTINUED**  
**COMPACT OF FREE ASSOCIATION CAPITAL PROJECTS FUND**  
**SECTION 211 (A)(2)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 1992**

Grantor Account Title	Chuuk Org. #	CFDA I.D. #	Total Authorizations	Prior Expenditures	1992	Total	Authorizations	Questioned Cost
					Fiscal Year Expenditures	Program Expenditures	Over Program Expenditures	Detailed Amount at Page
<b>Section 211 (A)(2)</b>								
<b>CFDA #15.875</b>								
FY87 Chuuk Cold Storage	6012	15.875	\$ 50,000	\$ 49,367	\$ -	\$ 49,367	\$ 633	\$ -
Romomanu Market	6036	15.875	58,828	-	53,959	53,959	4,869	-
100 Tin Cargo Ship	6121	15.875	-	68	-	68	(68)	-
7004 Dublon Fish/Cold Storage	6122	15.875	1,000,000	996,109	-	996,109	3,891	-
7006 Tourist Promotion & Dev.	6123	15.875	15,000	18,595	-	18,595	(3,595)	-
Jr. High Chuuk High Repair	6129	15.875	100,000	99,268	-	99,268	732	-
Chuuk Road Improve. Carry Over Air	6130	15.875	168,480	194,238	-	194,238	(25,758)	-
Terminal	6134	15.875	563,690	777,565	-	777,565	(213,875)	-
Moen Waste Disposal Moen/Dublon	6135	15.875	200,000	181,176	2,097	183,273	16,727	-
H2O Improvement	6136	15.875	200,000	189,347	-	189,347	10,653	-
Marine Security Ctr.	6138	15.875	80,000	80,898	-	80,898	(898)	-
Coconut Rehab.	6139	15.875	60,000	40,974	2,640	43,614	16,386	-
Broiler/Hatchery	6140	15.875	100,000	99,508	-	99,508	492	-
Public Assist. Prog. Onou Fishing Coop.	6141	15.875	1,932,736	1,868,661	56,921	1,925,582	7,154	-
Gov't Facilities Cons. Ext. FY88	6142	15.875	96,367	-	77,628	77,628	18,739	-
Electric Dist. Ext. FY88	6143	15.875	135,000	141,593	-	141,593	(6,593)	-
Pattin Jr. High Sch. FY88	6144	15.875	350,000	354,586	-	354,586	(4,586)	-
Overhead Elect. Dist. FY87	6145	15.875	150,000	137,150	-	137,150	12,850	-
Power Plant	6146	15.875	200,000	199,863	-	199,863	137	-
Moen Jr. High FY87	6147	15.875	250,000	287,660	-	287,660	(37,660)	-
Project Admin.	6148	15.875	100,000	10,941	2,280	13,221	86,779	-
Sewer System FY88	6149	15.875	40,000	40,400	-	40,400	(400)	-
Road Improv. FY88	6150	15.875	600,000	271,886	198,947	470,833	129,167	-
Ag. Infrastructure	6151	15.875	1,800,000	1,710,314	86,497	1,797,411	2,589	-
Garment Industry	6152	15.875	180,000	90,961	57,397	148,358	31,642	-
FY87 Moen Farm Proj.	6153	15.875	120,000	87,142	12,512	99,654	20,346	-
Ettal Classroom	6154	15.875	155,376	202,524	-	202,524	(47,148)	-
Const. FY87 1987/Moch Cold Storage	6155	15.875	69,993	60,444	4,913	65,357	4,636	-
Tamatam Housing Proj.	6156	15.875	85,216	82,841	2,374	85,215	1	-
Magur Coop Assoc.	6157	15.875	148,668	95,856	-	95,856	52,812	-
Magur Cold Storage	6160	15.875	33,380	23,625	3,052	26,677	6,703	-
Onary Coop Assoc.	6161	15.875	42,591	48,033	-	48,033	(5,442)	-
Wonei Marketing Coop.	6162	15.875	38,323	31,521	2,010	33,531	4,792	-
Elin & Sangku Boat	6163	15.875	33,395	29,248	902	30,150	3,245	-
Onop Fishing Dev.	6164	15.875	34,000	12,789	-	12,789	21,211	-
Ono Coop Assoc.	6165	15.875	73,034	33,251	13,271	46,522	26,512	-
Mana Passenger Boat	6166	15.875	38,323	33,877	3,141	37,018	1,305	-
Power Plant Gen.	6167	15.875	3,000,000	3,352	-	3,352	(352)	-
Data Fishing Project	6170	15.875	2,980,036	2,980,036	9,907	2,989,943	10,907	-
Typhoon Owen Dis. Rel. Fund	6171	15.875	207,577	203,055	3,769	206,824	753	-
Nepukos Water Tank	6172	15.875	332,494	394,102	20,326	414,428	(81,934)	-
Moen Fishing Boat	6173	15.875	6,975	-	4,270	4,270	2,705	-
Payment of Land Lease	6174	15.875	318,000	313,060	-	313,060	4,940	-
Contingency CIP	6175	15.875	1,100,000	1,475,503	-	1,475,503	(375,503)	-
Airport	6180	15.875	102,916	90,506	-	90,506	12,410	-
Udot Water Project	6186	15.875	58,500	-	15,726	15,726	42,774	-
Nukanap Fishing Dev.	6187	15.875	20,000	-	14,190	14,190	5,810	-
Dry Docking Micro	6191	15.875	500,000	-	359,273	359,273	140,727	-
Wichap Fishing Proj.	6192	15.875	43,000	-	19,000	19,000	24,000	-
Wichap Garment Manufacturing	6193	15.875	17,000	-	1,451	1,451	15,549	-
Winipis Fishing Proj.	6194	15.875	18,731	-	3,740	3,740	14,991	-
Onou Housing Proj.	6196	15.875	4,580	-	4,580	4,580	-	-
Epin Fishing Project	6197	15.875	20,000	-	5,166	5,166	14,834	-
Eor Fishing Project	6198	15.875	20,000	-	19,690	19,690	310	-
Onou Housing Project	6201	15.875	11,290	-	11,290	11,290	-	-
Mechitiw Fish Dev.	6202	15.875	9,000	-	5,000	5,000	4,000	-
Mechitiw Sewing	6203	15.875	5,000	-	1,000	1,000	4,000	-
Fono Sewing	6204	15.875	5,000	-	4,999	4,999	1	-
Winipis Fishing Proj.	6208	15.875	16,269	-	5,404	5,404	10,865	-
State Airport Equip.	6210	15.875	25,000	-	10,000	10,000	15,000	-
Newman Fishing Proj.	6211	15.875	30,999	-	28,480	28,480	2,519	-
Weno Jail/Courthouse	6213	15.875	50,000	-	50,000	50,000	-	-
Weno Primary Road	6218	15.875	162,710	-	22,500	22,500	140,210	-
State CIP Impl/Court	6224	15.875	256,472	-	280,807	280,807	(24,335)	-
Nepukos Erosion	6228	15.87	10,000	-	383	383	9,617	-
Subtotal CFDA #15.875			15,656,913	14,042,493	1,481,492	15,523,985	132,928	-

See accompanying notes to schedule of federal financial assistance.

**CHUUK STATE GOVERNMENT**  
**FEDERATED STATES OF MICRONESIA**  
**SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE, CONTINUED**  
**COMPACT OF FREE ASSOCIATION CAPITAL PROJECTS FUND**  
**SECTION 211 (A)(2)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 1992**

Grantor Account Title	Chuuk Org. #	CFDA I.D. #	Total Authorizations	Prior Expenditures	1992	Total	Authorizations Over Program	Questioned Cost Amount	Detailed at Page
					Fiscal Year Expenditures	Program Expenditures			
Balance forwarded			\$15,656,913	\$14,042,493	\$ 1,481,492	\$15,523,985	\$ 132,928	\$ -	
Udot Municipal Land Acquisition	6234	15.875	10,000	-	10,000	10,000	-	-	
Udot Land Acquisition	6236	15.875	10,000	-	10,000	10,000	-	-	
Udot Com. System	6240	15.875	7,725	-	7,725	7,725	-	-	
Udot Com. System	6241	15.875	6,545	-	7,726	7,726	(1,181)	-	
Udot Com. System	6242	15.875	7,725	-	3,740	3,740	3,985	-	
Install New Aircon.	6275	15.875	150,000	100,000	50,000	150,000	-	-	
Ettal Fishing Proj.	6301	15.875	62,783	-	55,506	55,506	7,277	-	
Peneu Fishing Proj.	6302	15.875	15,000	-	15,000	15,000	-	-	
Parem Fishing Proj.	6303	15.875	97,674	-	70,450	70,450	27,224	-	
Chuuk High School	6305	15.875	150,000	-	2,495	2,495	147,505	-	
Uman Dispensary Renovation	6307	15.875	3,399	-	3,369	3,369	30	-	
Uman Dispensary Renovation	6308	15.875	6,604	-	1,540	1,540	5,064	-	
Neauo Admin. Building	6309	15.875	30,000	-	7,282	7,282	22,718	-	
Nukanap Dock School Site	6310	15.875	6,000	-	3,032	3,032	2,968	-	
School Site Acquisition	6312	15.875	30,000	-	30,000	30,000	-	-	
School Site Acquis.	6313	15.875	30,000	-	30,000	30,000	-	-	
Kuttu Fishing Project	6314	15.875	70,778	-	18,185	18,185	52,593	-	
Lukunoch Fishing Project	6315	15.875	22,448	-	22,448	22,448	-	-	
Lukunoch Fishing Project	6316	15.875	45,000	-	19,378	19,378	25,622	-	
Murilo Fishing Proj.	6317	15.875	33,901	-	33,901	33,901	-	-	
Wonei Economic Proj.	6318	15.875	42,137	-	32,500	32,500	9,637	-	
Wonei Water Catchment	6319	15.875	12,294	-	9,495	9,495	2,799	-	
Sapore Culture Center	6320	15.875	4,000	-	2,105	2,105	1,895	-	
Udot Road/Dock Upgrade	6321	15.875	54,999	-	75	75	54,924	-	
Udot Road/Dock	6322	15.875	54,999	-	39,868	39,868	15,131	-	
Udot Road/Dock	6323	15.875	55,002	-	39,511	39,511	15,491	-	
Pierarh Housing Proj.	6324	15.875	41,117	-	41,117	41,117	-	-	
Wonei Admin.	6325	15.875	1,416	-	1,416	1,416	-	-	
Wonei Admin.	6326	15.875	1,416	-	1,416	1,416	-	-	
Power Generation & Distribution	6327	15.875	500,000	-	41,095	41,095	458,905	-	
Tonas Reg. Fishing	6328	15.875	324,484	-	321,055	321,055	3,429	-	
Weno Social/Economic Development	6330	15.875	14,020	-	13,963	13,963	57	-	
Weno Social/Economic Development	6331	15.875	14,272	-	12,827	12,827	1,445	-	
Weno Phys. Cup. Sup	6332	15.875	60,000	-	45,958	45,958	14,042	-	
EDT Vehicles & Boat	6334	15.875	15,632	-	15,632	15,632	-	-	
Weno Fishing Proj.	6335	15.875	44,111	-	39,009	39,009	5,102	-	
Fananu Public Facil.	6340	15.875	20,125	-	20,125	20,125	-	-	
Newwan Fishing Proj.	6341	15.875	31,001	-	32,200	32,200	(1,199)	-	
Tamatam Market	6342	15.875	48,000	-	28,566	28,566	19,434	-	
Wonei Economic Proj.	6343	15.875	85,967	-	97,124	97,124	(11,157)	-	
Wonei Social Proj.	6344	15.875	42,000	-	42,000	42,000	-	-	
Wonei Social Proj.	6345	15.875	30,000	-	30,000	30,000	-	-	
Patta Fishing Proj.	6346	15.875	20,000	-	8,980	8,980	11,020	-	
Patta Middle School	6347	15.875	30,000	-	17,442	17,442	12,558	-	
Nepukos Fish Project	6348	15.875	35,000	-	32,440	32,440	2,560	-	
Wonei Public Land Acquisition	6349	15.875	60,000	-	60,000	60,000	-	-	
Oneop Municipal Bldg.	6354	15.875	35,000	-	35,000	35,000	-	-	
Sanumi Piggery Proj.	6357	15.875	4,500	-	1,214	1,214	3,286	-	
Parem Shoreline	6358	15.875	5,700	-	2,503	2,503	3,197	-	
Iras Water Catchment	6359	15.875	10,000	-	2,986	2,986	7,014	-	
Etiamar Village Off.	6370	15.875	10,000	-	2,500	2,500	7,500	-	
Fono Cookhouse Lease	6371	15.875	10,000	-	10,000	10,000	-	-	
Fono Site Lease	6372	15.875	5,000	-	5,000	5,000	-	-	
Fono School Dispensary	6373	15.875	10,000	-	10,000	10,000	-	-	
Ukusop Fishing Proj.	6380	15.875	10,000	-	10,000	10,000	-	-	
Sefin Fishing Deve.	6381	15.875	21,970	-	19,626	19,626	2,344	-	
Iras Water Catchment	6402	15.875	5,000	-	2,763	2,763	2,237	-	
Nukenpinuk Shoreline	6403	15.875	2,000	-	565	565	1,435	-	
Typhoon Owen Disaster	6404	15.875	100,000	-	36,254	36,254	63,746	-	
Tunnuk-Sapuk Road	6405	15.875	350,000	-	290,799	290,799	59,201	-	
Extension OP Health Services	6406	15.875	500,000	-	364,065	364,065	135,935	-	
Eou & Southfield Water/Sewer	6407	15.875	450,000	-	388,520	388,520	61,480	-	
Water Project	6408	15.875	200,000	-	191,715	191,715	8,285	-	
Romonum Munic. Off.	6409	15.875	6,015	-	5,088	5,088	927	-	
Romonum Munic. Off.	6410	15.875	7,768	-	4,205	4,205	3,563	-	
Chuuk Harbor/Fisheries Development	6411	15.875	85,000	-	84,900	84,900	100	-	
Coconut Products Dev.	6412	15.875	60,000	-	60,000	60,000	-	-	
Subtotal CFDA #15.875			19,982,440	14,142,493	4,436,891	18,579,384	1,403,056	-	

See accompanying notes to schedule of federal financial assistance.



**CHUUK STATE GOVERNMENT**  
**FEDERATED STATES OF MICRONESIA**  
**SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE, CONTINUED**  
**COMPACT OF FREE ASSOCIATION CAPITAL PROJECTS FUND**  
**SECTION 211 (A)(2)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 1992**

Grantor Account Title	Chuuk Org. #	CFDA I.D. #	Total Authorizations	Prior Expenditures	1992	Total	Authorizations	Questioned Cost	
					Fiscal Year Expenditures	Program Expenditures	Over Program Expenditures	Amount	Detailed at Page
Balance forwarded			\$19,982,440	\$14,142,493	\$ 4,436,891	\$18,579,384	\$1,403,056	\$ -	-
Acquisition of Equip.	6413	15.875	250,000	-	249,994	249,994	6	-	-
Romalum Road Improv.	6414	15.875	3,500	-	1,814	1,814	1,686	-	-
Tol Marketing									
Enhancement	6415	15.875	91,965	-	3,163	3,163	88,802	-	-
Faison Market	6416	15.875	4,900	-	4,900	4,900	-	-	-
Winipis Village Off.	6417	15.875	15,000	-	12,559	12,559	2,441	-	-
Small Industry	6418	15.875	57,500	-	57,500	57,500	-	-	-
Weno Municipal Off.	6419	15.875	37,000	-	42,586	42,586	(5,586)	-	-
Longline Fishing									
Training	6420	15.875	160,300	-	7,005	7,005	153,295	-	-
State Implementation									
Trees & Crops	6425	15.875	200,000	-	195,170	195,170	4,830	-	-
Project Admin. Cost	6426	15.875	30,000	-	25,808	25,808	4,192	-	-
Eot Housing Project	6427	15.875	-	-	37,671	37,671	(37,671)	-	-
Eot Housing Project	6428	15.875	46,020	-	46,020	46,020	-	-	-
Chuuk State Matching	6429	15.875	699,706	-	699,703	699,703	3	-	-
Tol 12 Village									
Offices	6430	15.875	93,000	-	68,850	68,850	24,150	-	-
Moch School Bldg.	6431	15.875	45,000	-	17,002	17,002	27,998	-	-
Fanapanges Fishing									
Project	6432	15.875	57,869	-	57,810	57,810	59	-	-
Polle Social Proj.	6434	15.875	75,000	-	55,000	55,000	20,000	-	-
Pefan Fishing Proj.	6435	15.875	43,461	-	40,667	40,667	2,794	-	-
Peniesene Water Proj.	6452	15.875	5,000	-	5,000	5,000	-	-	-
Mok Sewing Project	6453	15.875	5,000	-	5,000	5,000	-	-	-
Nepukos Electric Shop	6454	15.875	20,000	-	8,801	8,801	11,199	-	-
Oneop Road Repair	6455	15.875	10,000	-	10,000	10,000	-	-	-
Sefin Seawall	6456	15.875	29,091	-	14,197	14,197	14,894	-	-
Onoun Housing Proj.	6458	15.875	67,828	-	67,828	67,828	-	-	-
Sannuk Family	6459	15.875	9,000	-	9,000	9,000	-	-	-
Pefan Fishing Proj.	6487	15.875	16,431	-	6,726	6,726	9,705	-	-
Patta Land Acquis.	6488	15.875	20,000	-	20,000	20,000	-	-	-
Nepukos Water									
Catchment	6489	15.875	5,000	-	1,855	1,855	3,145	-	-
Duplon Fisheries									
Complex	6490	15.875	646,700	-	397,409	397,409	249,291	-	-
Polle Fishing Proj.	6494	15.875	96,610	-	90,455	90,455	6,155	-	-
Tourism Promotion	6495	15.875	100,000	-	100,000	100,000	-	-	-
UPC (Pefan) Water									
System	6496	15.875	13,800	-	4,437	4,437	9,363	-	-
Penia Water Proj.	6499	15.875	5,000	-	2,497	2,497	2,503	-	-
Fanapanges Market									
Project	6500	15.875	33,395	24,293	1,532	25,825	7,570	-	-
Dublon Capital									
Support	6501	15.875	317,000	51,062	207,933	258,995	58,005	-	-
Fanapanges Solar									
Ice Plan	6502	15.875	95,283	6,728	83,276	90,004	5,279	-	-
EDT Mun. Social Proj.	6503	15.875	63,223	22,804	9,107	31,911	31,312	-	-
Pulap Economic Dev.	6504	15.875	196,703	195,799	-	195,799	904	-	-
Puluwat Social									
& Dev. Project	6505	15.875	73,038	15,700	1,112	16,812	56,226	-	-
Polle Marketing									
Project	6506	15.875	79,294	34,615	3,350	37,965	41,329	-	-
Tamamam Coop Assoc.	6507	15.875	47,175	18,729	2,133	20,862	26,313	-	-
Murilo Municipal									
Classrooms.	6509	15.875	35,496	25,350	-	25,350	10,146	-	-
Ului Social Project	6511	15.875	41,454	752	-	752	40,702	-	-
Chuuk Tourism Promo.	6512	15.875	200,000	200,785	-	200,785	(785)	-	-
Newwan Piggyery Proj.	6514	15.875	10,000	2,960	-	2,960	7,040	-	-
Weno-Village									
Admin/Office	6515	15.875	55,000	31,034	100	31,134	23,866	-	-
Moen Village Sewing									
Assistance Project	6516	15.875	30,000	30,218	-	30,218	(218)	-	-
Moen Village Fish									
Project	6517	15.875	115,000	117,021	-	117,021	(2,021)	-	-
Admin. Cost 1.5%	6518	15.875	25,447	24,724	1,020	25,744	(297)	-	-
Ruo Fishing Project	6519	15.875	66,534	69,428	-	69,428	(2,894)	-	-
& Improv.									
Ulul Sub-State	6520	15.875	326,000	318,362	7,854	326,216	(216)	-	-
Center	6521	15.875	25,000	19,137	2,827	21,964	3,036	-	-
Fanapanges Fishing									
Project	6523	15.875	21,115	21,025	-	21,025	90	-	-
Moen Housing									
Revolving Fund	6524	15.875	376,601	376,796	-	376,796	(195)	-	-
Patta Soc. Dev.									
Project	6525	15.875	81,338	72,790	4,759	77,549	3,789	-	-
Food Prod. Ag/Animal									
Husbandry	6528	15.875	30,000	25,891	-	25,891	4,109	-	-
Nomwin Admin. Bldg.	6532	15.875	50,140	42,466	-	42,466	7,674	-	-
Fananu Municipal Dock	6533	15.875	15,000	11,689	-	11,689	3,311	-	-
Fananu Fishing Proj.	6534	15.875	30,725	37,160	-	37,160	(6,435)	-	-
Subtotal CFDA #15.875			25,382,082	15,939,811	7,128,321	23,068,132	2,313,950	-	-

See accompanying notes to schedule of federal financial assistance.

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA  
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE, CONTINUED  
COMPACT OF FREE ASSOCIATION CAPITAL PROJECTS FUND  
SECTION 211 (A)(2)  
FOR THE YEAR ENDED SEPTEMBER 30, 1992**

Grantor Account Title	Chuuk Org. #	CFDA I.D. #	Total Authorizations	Prior Expenditures	1992	Total	Authorizations	Questioned Cost	
					Fiscal Year Expenditures	Program Expenditures	Over Program Expenditures	Amount	Detailed at Page
Balance forwarded			\$25,382,082	\$15,939,811	\$ 7,128,321	\$23,068,132	\$2,313,950	\$ -	
Lukunor Copra Coop. Association	6535	15.875	35,320	33,839	-	33,839	1,481	-	
Chuuk Airport Terminal Sap	6536	15.875	440,000	485,948	-	485,948	(45,948)	-	
Losap Agriculture Project	6537	15.875	95,000	88,610	-	88,610	6,390	-	
Losap Housing Loan Project	6538	15.875	55,813	52,075	1,949	54,024	1,789	-	
Losap Garment Cottage Ind.	6539	15.875	50,000	26,767	-	26,767	23,233	-	
Romalum Dispensary	6543	15.875	-	-	4,634	4,634	(4,634)	-	
Romalum Dispensary	6544	15.875	-	-	1,210	1,210	(1,210)	-	
Pollap Multi Purpose Center	6545	15.875	47,000	-	13,800	13,800	33,200	-	
Dublon fisheries Complex	6546	15.875	250,000	248,286	-	248,286	1,714	-	
Wonei Classroom Construction Proj.	6547	15.875	32,105	13,650	16,879	30,529	1,576	-	
Food Crop Development	6548	15.875	100,000	98,537	-	98,537	1,463	-	
Weno-Village Sewing Project	6549	15.875	84,843	74,145	1,075	75,220	9,623	-	
Weno-Village Fishing Project	6550	15.875	104,516	115,979	-	115,979	(11,463)	-	
Satawan Sub-Staff Center	6551	15.875	67,655	45,394	6,843	52,237	15,418	-	
Unupuker Community Hall-Sapuk	6552	15.875	5,000	952	258	1,210	3,790	-	
Weno-Penia Water Tank Project	6553	15.875	5,000	5,348	-	5,348	(348)	-	
Tonowas-Memete Road/Dock	6554	15.875	14,000	4,400	820	5,220	8,780	-	
Tonowas-Etten Dock Improvement	6555	15.875	10,000	9,157	871	10,028	(28)	-	
Romalum Sewing Proj.	6556	15.875	257	-	5,762	5,762	(5,505)	-	
Fanip Sewing Proj.	6557	15.875	5,000	-	5,060	5,060	(60)	-	
Lukunor Copra Office	6560	15.875	11,480	9,154	-	9,154	2,326	-	
Lukunor Class Room	6561	15.875	25,000	21,172	3,778	24,950	50	-	
Polle-Nethon Dispensary	6562	15.875	22,000	8,521	2,383	10,904	11,096	-	
Polle-Manalo Dispensary	6563	15.875	22,000	14,637	-	14,637	7,363	-	
Polle-Municipal Office	6564	15.875	40,111	10,315	1,500	11,815	28,296	-	
Five Year Dev. Plan Update	6565	15.875	140,000	340,207	-	340,207	(200,207)	-	
Tonowas-Nangko Road/Dock	6566	15.875	14,000	9,881	-	9,881	4,119	-	
Romalum Market	6567	15.875	69,172	-	68,725	68,725	447	-	
Handicraft Market	6568	15.875	62,500	-	40,277	40,277	22,223	-	
Oneop Fish Proj.	6569	15.875	20,236	-	13,951	13,951	6,285	-	
Chukuran Dock Polle	6570	15.875	50,949	42,176	900	43,076	7,873	-	
Eppin Annuk Dock, Polle	6571	15.875	62,519	6,584	-	6,584	55,935	-	
Contingency Fund Project Admin-State CIP	6572	15.875	34,500	33,457	-	33,457	1,043	-	
Oneop Taro Patch Project	6573	15.875	75,000	53,307	17,808	71,115	3,885	-	
Oneop Taro Patch Project	6574	15.875	37,278	32,127	400	32,527	4,751	-	
Nelrenom Dock Polle	6575	15.875	17,649	5,032	-	5,032	12,617	-	
Weno. Mun. Office Building	6576	15.875	340,000	149,164	190,836	340,000	-	-	
Peniesene Ind. Road Weno	6577	15.875	5,000	3,000	-	3,000	2,000	-	
Bank of FSM	6578	15.875	250,000	250,000	2,500	252,500	(2,500)	-	
Uman Fisheries Development	6581	15.875	200,000	37,414	-	37,414	162,586	-	
Fono Fishing Project	6582	15.875	101,811	142,866	-	142,866	(41,055)	-	
Tonowas-Etten Fish Project	6583	15.875	5,000	4,995	-	4,995	5	-	
Losap Supplmntl Oper.	6584	15.875	26,672	12,080	-	12,080	14,592	-	
Tonowas Supplmntl Pass. Boat	6585	15.875	20,000	11,516	8,483	19,999	1	-	
Broiler/Hatchery	6586	15.875	100,000	88,151	682	88,833	11,167	-	
MS Fuun Metaw Supp. & Rev.	6589	15.875	57,999	57,531	-	57,531	468	-	
Pjanu Taro Patch (Fefan)	6590	15.875	4,000	1,835	-	1,835	2,165	-	
Epiton Shore Line (Fefan)	6591	15.875	4,000	2,902	144	3,046	954	-	
Nikai Seawall (Fefan)	6592	15.875	6,000	4,395	1,438	5,833	167	-	
Oneop Tailor-Made Factory	6593	15.875	20,000	-	9,018	9,018	10,982	-	
Subtotal CFDA #15.875			28,628,467	18,595,317	7,550,305	26,145,622	2,482,845	-	

See accompanying notes to schedule of federal financial assistance.

**CHUUK STATE GOVERNMENT**  
**FEDERATED STATES OF MICRONESIA**  
**SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE, CONTINUED**  
**COMPACT OF FREE ASSOCIATION CAPITAL PROJECTS FUND**  
**SECTION 211 (A)(2)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 1992**

Grantor Account Title	Chuuk Org. #	CFDA I.D. #	Total Authorizations	Prior Expenditures	1992	Total	Authorizations	Questioned Cost	
					Fiscal Year Expenditures	Program Expenditures	Over Program Expenditures	Amount	Detailed at Page
Balance forwarded			\$28,628,467	\$18,595,317	\$ 7,550,305	\$26,145,622	\$2,482,845	\$ -	
Hospital Air Conditioning State Facilities Rehab.	6594	15.875	31,168	31,000	-	31,000	168	-	
Lukunor Civic Compl. Southern Namoneis JHS	6595 6596	15.875 15.875	250,000 61,380	241,818 -	325 52,955	242,143 52,955	7,857 8,425	- -	
Nefate Comm. Ctr. (Pefan)	6599	15.875	50,000	48,519	-	48,519	1,481	-	
Chuuk State Legis. Complex	6600	15.875	4,000	2,051	1,406	3,457	543	-	
Copra Subsidy Project Admin.	6603 6604	15.875 15.875	750,000 150,000	754,853 149,352	- -	754,853 149,352	(4,853) 648	- -	
Romanum Seawall	6606	15.875	51,150	37,780	12,610	50,390	760	-	
Ettal Seawall/Taro Project	6606	15.875	56,807	30,272	9,290	39,562	17,245	-	
Satawan Fisheries Dev.	6610	15.875	13,162	-	5,990	5,990	7,172	-	
Sangkumi Artisanal Fish	6607	15.875	94,350	52,418	18,845	71,263	23,087	-	
Ettal Mun. Dispensary	6611	15.875	92,923	79,563	2,784	82,347	10,576	-	
Saporenong Shoreline	6613	15.875	15,000	300	14,082	14,382	618	-	
Coconut Rehab. Proj.	6614	15.875	-	-	2,677	2,677	(2,677)	-	
Fisheries Development	6615	15.875	100,000	85,403	9,222	94,625	5,375	-	
Airport Terminal	6617	15.875	200,000	192,668	2,731	195,399	4,601	-	
Parking	6619	15.875	150,000	73,597	-	73,597	76,403	-	
Fanapanges Housing Project	6620	15.875	3,148	910	-	910	2,238	-	
Nomwin Fishing Proj. Water System	6621	15.875	104,191	104,288	-	104,288	(97)	-	
Improve. Div. Wonei Classroom Construction	6622	15.875	460,000	72,210	98,238	170,448	289,552	-	
Weno Road Improv. Project	6625	15.875	-	-	7,474	7,474	(7,474)	-	
Dublon Taro Patch Dev.	6626	15.875	600,000	13,234	209,115	222,349	377,651	-	
Weno Admin. Cost	6627	15.875	35,000	16,080	3,248	19,328	15,672	-	
Purchase of Vehicle-Fono	6628	15.875	12,524	1,557	2,977	4,534	7,990	-	
Maqur Housing Proj.	6629	15.875	12,000	-	-	-	12,000	-	
Ono Housing Project	6630	15.875	75,034	-	18	18	75,016	-	
Agri. (Swine Dev. Project)	6631	15.875	65,356	-	-	-	65,356	-	
Agri. (Food Crop Dev. Project)	6632	15.875	80,000	54,389	19,254	73,643	6,357	-	
Long Line Base	6633	15.875	75,000	57,463	11,737	69,200	5,800	-	
Fanip Farming Project (Pefan)	6636	15.875	500,000	370,000	-	370,000	130,000	-	
Power Generation	6637	15.875	12,000	11,593	205	11,798	202	-	
Power Distribution Upgrade	6638	15.875	800,000	786,818	376	787,194	12,806	-	
Fefan Basketball Crt.	6639	15.875	300,000	288,543	11,034	299,577	423	-	
Truk Coconut Authority	6640	15.875	5,000	1,836	69	1,905	3,095	-	
TA Airport	6641	15.875	250,000	210,038	-	210,038	39,962	-	
Road Construction	6642	15.875	200,000	171,085	48,274	219,359	(19,359)	-	
CIP Contingency	6643	15.875	400,000	135,181	107,749	242,930	157,070	-	
PIFIS Shoreline	6644	15.875	100,000	11,091	-	11,091	88,909	-	
Taro Patch	6646	15.875	10,000	6,818	1,443	8,261	1,739	-	
Ununo Fishing Project	6647	15.875	12,931	12,039	-	12,039	892	-	
Sapore Fishing Proj.	6648	15.875	38,500	33,446	4,033	37,479	1,021	-	
Fanip Fishing Project	6649	15.875	42,000	37,979	3,105	41,084	916	-	
Udot Fishing Project	6650	15.875	118,707	120,770	-	120,770	(2,063)	-	
Udot Fishing Project	6651	15.875	115,035	112,352	-	112,352	2,683	-	
Udot Fishing Project	6652	15.875	59,569	58,481	800	59,281	288	-	
Ulurilo Fishing Proj.	6653	15.875	22,319	18,580	3,600	22,180	139	-	
Fefan Municipal Office	6654	15.875	36,890	17,800	7,988	25,788	11,102	-	
Purchase of Computer	6655	15.875	65,000	64,445	-	64,445	555	-	
Totiw Dock Ext.	6656	15.875	5,000	-	4,800	4,800	200	-	
Udot Building Renovation	6657	15.875	43,466	27,294	16,971	44,265	(799)	-	
Refer Facilities	6659	15.875	993,000	990,117	2,182	992,299	701	-	
Hawaii	6660	15.875	132,463	77,413	29,416	106,829	25,634	-	
Uman Fishing Project	6664	15.875	115,569	108,703	3,033	111,736	3,833	-	
Paata Housing Project	6665	15.875	58,976	58,965	-	58,965	11	-	
Namoluk Fishing Proj.	6666	15.875	5,000	-	7,354	7,354	(2,354)	-	
Mechitiw Comm. Youth Land Lease-Fono Municipal	6667	15.875	23,000	23,000	-	23,000	-	-	
Subtotal CFDA #15.875			36,685,085	24,449,429	8,287,715	32,737,144	3,947,941	-	

See accompanying notes to schedule of federal financial assistance.

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA  
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE, CONTINUED  
COMPACT OF FREE ASSOCIATION CAPITAL PROJECTS FUND  
SECTION 211 (A)(2)  
FOR THE YEAR ENDED SEPTEMBER 30, 1992**

Grantor Account Title	Chuuk Org. #	CFDA I.D. #	Total Authorizations	Prior Expenditures	1992	Total	Authorizations Over Program Expenditures	Questioned Cost
					Fiscal Year Expenditures	Program Expenditures		Detailed Amount at Page
Balance forwarded			\$36,685,085	\$24,449,429	\$ 8,287,715	\$32,737,144	\$3,947,941	\$ -
Tol Municipal Road Improvement	6668	15.875	600,000	195,650	199,050	394,700	205,300	-
Moch School Building	6670	15.875	165,159	10,920	165,104	176,024	(10,865)	-
C.S Deed Trust H. Dev. Project	6672	15.875	200,000	200,000	-	200,000	-	-
Newon Dock Repair	6673	15.875	-	-	10,575	10,575	(10,575)	-
Project Admin.	6675	15.875	16,730	15,798	425	16,223	507	-
Tolokas Fishing Proj.	6676	15.875	10,000	10,000	-	10,000	-	-
Wonei Fishing Project	6677	15.875	105,000	105,000	-	105,000	-	-
Tuna Longline Fishing	6678	15.875	1,000,000	418,035	579,741	997,776	2,224	-
Nukanap Water Tank	6679	15.875	4,500	-	4,411	4,411	89	-
Weno Housing Project	6680	15.875	150,000	150,000	-	150,000	-	-
Wonei Nenon Fishing Project	6681	15.875	10,000	10,000	-	10,000	-	-
Wonei Sapetin Fishing	6682	15.875	9,000	9,000	-	9,000	-	-
Weno Housing Authority	6683	15.875	280,000	280,000	-	280,000	-	-
Micro Vessels Dry-Docking	6684	15.875	375,000	365,248	8,600	373,848	1,152	-
Sewer System	6685	15.875	500,000	67,351	378,371	445,722	54,278	-
Tol Fishing Market	6686	15.875	354,950	354,950	-	354,950	-	-
Onongoch Fishing Market	6687	15.875	37,000	29,400	1,261	30,661	6,339	-
Paata Housing Project	6689	15.875	72,831	47,831	64,350	112,181	(39,350)	-
Public Market	6690	15.875	35,000	-	35,000	35,000	-	-
Weipat Jr. High Solar System	6692	15.875	50,000	-	24,983	24,983	25,017	-
Tamatam Land Acquisition	6694	15.875	52,000	51,220	75	51,295	705	-
Iras Fishing Dev. Project	6695	15.875	20,000	20,000	-	20,000	-	-
Fongon Agricultural Project	6696	15.875	8,000	2,000	4,434	6,434	1,566	-
Longline Fishing Dev. Project	6699	15.875	160,000	5,149	134,549	139,698	20,302	-
Mechitiw Fishing Dev. Project	6700	15.875	55,000	44,950	8,659	53,609	1,391	-
Tanapanges School & Disp.	6701	15.875	70,000	70,000	-	70,000	-	-
Sefin Seawall	6702	15.875	-	-	3,618	3,618	(3,618)	-
Muriro Dry-Docking	6703	15.875	56,700	1,597	2,661	4,258	52,442	-
Chuuk Match Credit with FEMA	6704	15.875	468,000	466,469	-	466,469	1,531	-
N. Nam Public School Renovation-Weno	6705	15.875	60,000	32,478	18,144	50,622	9,378	-
Pollap Fishing Proj.	6706	15.875	26,332	-	26,045	26,045	287	-
Piisenwar Fish Proj.	6707	15.875	51,725	-	50,251	50,251	1,474	-
Road Bridge Upgrade	6708	15.875	17,000	-	8,394	8,394	8,606	-
Darlem Sewing Project	6709	15.875	3,814	2,314	1,500	3,814	-	-
Unikup Fish Project	6710	15.875	355	-	1,255	1,255	(900)	-
Neauo Fishing Project	6711	15.875	10,000	8,890	1,110	10,000	-	-
Piisenwar Fish BT	6712	15.875	50,125	-	50,125	50,125	-	-
Piisenwar Fish BT	6713	15.875	56,115	-	56,115	56,115	-	-
Piisenwar Fish BT	6714	15.875	56,115	-	56,115	56,115	-	-
Piisenwar Fish BT	6715	15.875	50,125	-	50,125	50,125	-	-
Upgrade-Weno Secondary Road	6823	15.875	5,000	-	579	579	4,421	-
Upgrade-Weno Secondary Road	6824	15.875	60,000	-	11,739	11,739	48,261	-
Sopo Dock Project	6825	15.875	5,000	-	4,898	4,898	102	-
Anom Water Improvement	6830	15.875	3,000	-	1,693	1,693	1,307	-
Total Compact of Free Association Capital Projects Fund -Section 211 (A)(2)			<u>\$42,004,661</u>	<u>\$27,423,679</u>	<u>\$10,251,670</u>	<u>\$37,675,349</u>	<u>\$4,329,312</u>	<u>\$ -</u>

The above grants are received in a subrecipient capacity through the FSM National Government.

See accompanying notes to schedule of federal financial assistance.

**CHUUK STATE GOVERNMENT**  
**FEDERATED STATES OF MICRONESIA**  
**SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE, CONTINUED**  
**COMPACT OF FREE ASSOCIATION CAPITAL PROJECTS FUND**  
**SECTION 211 (A)(2)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 1992**

For general purpose financial statement presentation, total expenditures are reconciled as follows:

Audited expenditures per the general purpose financial statements	\$ 9,391,966
Repayment of FEMA Loan	699,704
Operating transfer out to Chuuk Coconut Authority	60,000
Operating transfer out to Chuuk Visitors Bureau	<u>100,000</u>
Expenditures per statement of expenditures and questioned costs and budgetary position by grantor	<u>\$ 10,251,670</u>

Note: These funds are made available by Title Two, Article I, Section 211 of the Compact of Free Association

These funds are disbursed through the Office of Territorial and International Affairs (OTIA), U.S. Department of the Interior and bear CFDA #15.875. The National Government of the FSM receives all grant awards on behalf of the FSM and then reallots such to the component States.

See accompanying notes to schedule of federal financial assistance.

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA  
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE, CONTINUED  
COMPACT OF FREE ASSOCIATION OTHER GRANTS FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 1992**

Grantor Account Title	Chuuk Orq. #	CFDA I.D. #	Total Authorizations	Prior Expenditures	1992 Fiscal Year Expenditures	Total Program Expenditures	Authorizations Over Program Expenditures	Questioned Cost Amount	Detailed at Page
<u>CFDA #15.875</u>									
Section 212									
Civic Action Team	2182	15.875	\$ 232,500	\$ 366,192	\$ 333,305	\$ 699,497	\$ (466,997)	\$ -	
Section 214(b)									
Energy	2780	15.875	3,732,715	2,690,879	1,248,882	3,939,761	(207,046)	-	
Section 214(a)									
Chuuk Elec.	2782	15.875	<u>150,000</u>	<u>111,492</u>	<u>-</u>	<u>111,492</u>	<u>38,508</u>	<u>-</u>	
Subtotal Section 214			<u>3,882,715</u>	<u>2,802,371</u>	<u>1,248,882</u>	<u>4,051,253</u>	<u>(168,538)</u>	<u>-</u>	
Section 216(a)(2)									
Health & Medical	2901	15.875	<u>1,382,238</u>	<u>864,988</u>	<u>437,882</u>	<u>1,302,870</u>	<u>79,368</u>	<u>-</u>	
Section 216(a)(3)									
Post-Secondary									
Education-87	2609	15.875	-	420,709	60,255	480,964	(480,964)	-	
Section 216(a)(3)									
Post-Secondary									
Education	2613	15.875	823,432	406,401	389,100	795,501	27,931	-	
Section 216(a)(3)									
Post-Secondary									
Education	2614	15.875	411,716	390,398	-	390,398	21,318	-	
Section 216(a)(3)	2902	15.875	<u>411,716</u>	<u>222,636</u>	<u>500</u>	<u>223,136</u>	<u>188,580</u>	<u>-</u>	
Subtotal									
Section 216(a)(3)			<u>1,646,864</u>	<u>1,440,144</u>	<u>449,855</u>	<u>1,889,999</u>	<u>(243,135)</u>	<u>-</u>	
Total Compact of Free Association-Other Grants Fund									
			<u>\$ 7,144,317</u>	<u>\$5,473,695</u>	<u>\$ 2,469,924</u>	<u>\$ 7,943,619</u>	<u>\$ (799,302)</u>	<u>\$ -</u>	

Note: The funds are disbursed through the Office of Territorial and International Affairs (OTIA), U.S. Department of the Interior and bear CFDA #15.875. The National Government of the FSM receives all grant awards on behalf of the FSM and the reallots such to the component States.

See accompanying notes to schedule of federal financial assistance.

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA  
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE, CONTINUED  
COMPACT OF FREE ASSOCIATION SPECIAL  
BLOCK GRANT FUND - SECTION 221(B)  
FOR THE YEAR ENDED SEPTEMBER 30, 1992**

Grantor Account Title	Chuuk Org. #	CFDA I.D. #	Total Authorizations	Prior Expenditures	1992	Total	Authorizations	Questioned Cost
					Fiscal Year Expenditures	Program Expenditures	Over Program Expenditures	Detailed Amount at Page
Health Planning	2001	15.875	\$ 35,400	\$ 35,425	\$ 10,641	\$ 46,066	\$ (10,666)	\$ -
Dental Services	2002	15.875	60,000	5,689	-	5,689	54,311	-
EPA	2003	15.875	162,100	103,293	54,914	158,207	3,893	-
Communicable Diseases	2004	15.875	79,400	13,762	62,063	75,825	3,575	-
Mental Health	2005	15.875	106,000	67,823	31,830	99,653	6,347	-
Geriatric Health	2006	15.875	256,367	150,711	99,428	250,139	6,228	-
Chapter I and II Health Center	2113	15.875	2,595,718	1,624,690	189,100	1,813,790	781,928	-
Delivery Health Services	2114	15.875	450,000	207,702	(1,455)	206,247	243,753	-
Rural Sanitation Program	2115	15.875	177,000	177,051	-	177,051	(51)	-
Health Education	2116	15.875	260,400	180,468	87,673	268,141	(7,741)	-
Physiotherapy	2117	15.875	184,869	121,944	58,288	180,232	4,637	-
Special Block Grant Office	2118	15.875	17,000	17,268	-	17,268	(268)	-
Medical Referral	2119	15.875	57,300	51,375	-	51,375	5,925	-
Medical Supplies and Material	2120	15.875	804,472	1,001,219	331,006	1,332,225	(527,753)	-
House Development Loan Fund	2121	15.875	461,087	11,507	-	11,507	449,580	-
Medical Supplies	2122	15.875	-	-	7,800	7,800	(7,800)	-
Immunization	2123	15.875	1,275,000	452,050	585,792	1,037,842	237,158	-
Bilingual Ed.	2125	15.875	13,600	10,140	225	10,365	3,235	-
Teacher Training	2126	15.875	646,648	331,202	188,801	520,003	126,645	-
Food Services	2127	15.875	98,786	75,083	19,853	94,936	3,850	-
Elementary Education	2128	15.875	2,338,256	1,427,780	864,580	2,292,360	45,896	-
VRS	2129	15.875	1,118,949	-	1,149,785	1,149,785	(30,836)	-
Secondary Ed.	2135	15.875	164,850	158,453	45,214	203,667	(38,817)	-
Vocational Education	2142	15.875	1,570,200	1,373,245	130,243	1,503,488	66,712	-
Education Program	2143	15.875	-	-	2,938	2,938	(2,938)	-
TOCA	2145	15.75	901,200	1,216,921	-	1,216,921	(315,721)	-
TOCA Headstart	2146	15.875	145,737	179,934	45,700	225,634	(79,897)	-
Vocational Rehab.	2147	15.875	281,509	209,004	-	209,004	72,505	-
	2235	15.875	-	-	33,267	33,267	(33,267)	-
Total Compact of Free Association Block Grant Fund -Section 221(b)			<u>\$14,261,848</u>	<u>\$9,203,739</u>	<u>\$ 3,997,686(A)</u>	<u>\$13,201,425</u>	<u>\$ 1,060,423</u>	<u>\$ -</u>

Note: These funds are made available by Title Two, Article I, Section 221(b) of the Compact of Free Association.

These funds are disbursed through the Office of Territorial and International Affairs (OTIA), U.S. Department of the Interior and bear CFDA# 15.875. The National Government of the FSM receives all grant awards on behalf of the FSM and then reallots such to the component States.

(A) Expenditures per general purpose financial statements	\$3,910,013
Transfer out to federal grants org. 2116	<u>87,673</u>
	<u>\$3,997,686</u>

See accompanying notes to schedule of federal financial assistance.

**CHUUK STATE GOVERNMENT**  
**FEDERATED STATES OF MICRONESIA**  
Notes to Schedule of Federal Financial Assistance  
For the year ended September 30, 1992

(1) Scope of Review

The State of Chuuk is one of the four States of the Federated States of Micronesia. All significant operations of the State are included in the scope of the OMB Circular A-128 audit (the "Single Audit"). The U.S. Department of the Interior has been designated as the State's cognizant agency for the Single Audit.

A. Programs Subject to Single Audit

Statement of expenditures and questioned costs and budgetary position by grantor are presented for each federal program related to the following agencies:

- . U.S. Department of Agriculture
- . U.S. Department of Education
- . U.S. Department of Health and Human Services
- . U.S. Department of Housing and Urban Development
- . U.S. Department of the Interior
- . U.S. Department of Labor
- . U.S. Environmental Protection Agency
- . U.S. Federal Emergency Management Agency
- . U.S. Federal Aviation Administration

At the request of the FSM Office of the Public Auditor, funds received from the U.S. Federal Emergency Management Agency were not subject to the Single Audit and as such, were not included in the calculation of a major program.

B. Fiscal Period Audited

Single audit testing procedures were performed for program transactions during the fiscal year ended September 30, 1992.

(2) Summary of Significant Accounting Policies

A. Basis of Accounting

For purposes of this report, certain accounting procedures were followed, which help illustrate the total authorization of the current year and total expenditures of the individual program. All authorizations represent the total allotment or grant award received. All expenses and capital outlays are reported as expenditures.



**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**  
Notes to Schedule of Federal Financial Assistance, Continued  
For the year ended September 30, 1992

(2) Summary of Significant Accounting Policies, Continued

B. Subgrantees

Certain program funds are passed through the State to subgrantee organizations. The statement of expenditures and questioned costs by grantor does not contain separate schedules disclosing how the subgrantee outside of the State's control utilize these funds.

C. Indirect Cost Allocation

The State does not receive any indirect cost allocation and does not charge indirect costs against federal programs.

(3) Findings of Noncompliance

The findings of noncompliance identified in connection with the 1992 Single Audit are discussed in the Schedule of Questioned Costs, Identified Noncompliance and Internal Control Weaknesses. In determining compliance with requirements of awards received by the State, a representative sample was selected from 1992 expenditures for testing each major program as shown on the Schedule of Programs Selected for Audit in Accordance with OMB Circular A-128.

(4) Loan Funds

Chuuk Housing Authority

As of September 30, 1992 \$1,435,836 of loans made out of U.S. federal assistance were outstanding. The assistance was made to the Chuuk Housing Authority (the Authority) by the U.S. Department of Housing and Urban Development (CFDA #14.219). For the year ended September 30, 1992, \$226,140 in doubtful accounts have been recorded. In accordance with OMB Circular A-87, these bad debts have been questioned; however, such costs are not included in the accompanying schedules. Additionally, the Authority received \$171,078 of HUD Section 8 low income federal contributions for the year ended September 30, 1992. All of the above grants pass through Chuuk State government and are reported in Chuuk State's Schedule of Federal Financial Assistance.

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**  
Schedule of Programs Selected for Audit  
in Accordance with OMB Circular A-128  
For the year ended September 30, 1992

The following list specifies grants selected for detailed compliance testing in accordance with applicable OMB Circular A-128 requirements.

<u>Grantor</u>	<u>CFDA #</u>	<u>Chuuk Org. #</u>	<u>Description</u>	<u>Fiscal Year 1992 Expenditures</u>
U.S. Department of EPA	66.600 66.600	3572 7576	S. Field/W. Sewer Truk Rural San. Program	\$ 657,144 243,536
U.S. Department of Labor	17.250 17.250 17.250 17.250 17.250 17.250 17.250 17.250 17.250 17.250 17.250 17.250 17.250	3204 3261 3262 3263 3276 3280 3293 3294 3295 3296 3455 3456	JTPA Administration JTPA Administration JTPA Adult Program JTPA Youth Program JTPA Adult Program JTPA Participant Support JTPA Administration JTPA Adult Program JTPA Youth Program JTPA Educ. Grant JTPA Administration JTPA Adult Program	887 112,959 264,938 215,751 7,440 89,070 4,317 10,112 32,339 13,877 6,598 <u>15,836</u>
Total FSM Federal Assistance Fund				<u>1,674,804</u>
 <u>U.S. Department of the Interior, CFDA #15.875:</u>				
TTG Capital Projects Fund				468,184
Compact of Free Association Capital Projects Fund, Title Two, Article I, Section 211 (a) (2)				10,251,670
Compact of Free Association, Section 214 Energy Grant				1,248,882
Compact of Free Association, Section 216 (a) (3) Education				1,221,042
Compact of Free Association Block Grant, Title Two, Article I, Section 221 (b)				<u>3,997,686</u>
Total CFDA #15.875				<u>17,187,464</u>
Total Programs Selected for Audit				<u>\$18,862,268</u>
Total Federal Grant Assistance Expenditures				<u>\$20,524,142</u>
Percentage of Program Assistance Expenditures Tested				<u>92%</u>

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**  
Schedule of Questioned Costs, Identified Noncompliance  
and Internal Control Weaknesses  
For the year ended September 30, 1992

**Federal Findings**

**Federal Grants - Questioned Costs**

<u>Program</u>	<u>Reason for Questioned Cost</u>	<u>Questioned Cost</u>																								
U.S. Dept. of Labor/Job Training Partnership Act/ CFDA #17.250	<p><u>Criteria:</u> Per OMB Circular A-87, Attachment A, Section A, paragraph 2(b), the grantee assumes the responsibility for ensuring that federally assisted program funds have been expended and accounted for consistently with underlying agreements and program objectives.</p> <p><u>Condition:</u> We noted no supporting documentation for the following transactions.</p> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;"><u>ORG. NO.</u></th> <th style="text-align: center;"><u>APV NO.</u></th> <th style="text-align: right;"></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">3262</td> <td style="text-align: center;">020022</td> <td style="text-align: right;">\$ 4,050</td> </tr> <tr> <td style="text-align: center;">3262</td> <td style="text-align: center;">923476</td> <td style="text-align: right;">2,850</td> </tr> <tr> <td style="text-align: center;">3262</td> <td style="text-align: center;">020344</td> <td style="text-align: right;">3,280</td> </tr> <tr> <td style="text-align: center;">3262</td> <td style="text-align: center;">020448</td> <td style="text-align: right;">3,955</td> </tr> <tr> <td style="text-align: center;">3280</td> <td style="text-align: center;">021229</td> <td style="text-align: right;">1,912</td> </tr> <tr> <td style="text-align: center;">3456</td> <td style="text-align: center;">021991</td> <td style="text-align: right;"><u>2,585</u></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>18,632</u></td> </tr> </tbody> </table>	<u>ORG. NO.</u>	<u>APV NO.</u>		3262	020022	\$ 4,050	3262	923476	2,850	3262	020344	3,280	3262	020448	3,955	3280	021229	1,912	3456	021991	<u>2,585</u>			<u>18,632</u>	
<u>ORG. NO.</u>	<u>APV NO.</u>																									
3262	020022	\$ 4,050																								
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3280	021229	1,912																								
3456	021991	<u>2,585</u>																								
		<u>18,632</u>																								

(The above was drawn from a sample of 33 non-payroll items aggregating \$209,465 out of total non-payroll expenditures aggregating \$639,114)

Cause: The cause of the above condition is a lack of control over follow-up procedures dealing with cash advances to JTPA participants for expected expenses.

Effect: The effect of the above condition is a questioned cost.

Recommendation: We recommend that Chuuk State should attempt to collect such from the participant.

Auditee Response: The Department of Finance is attempting to locate the documentation from JTPA and will provide such, if available for the September 30, 1993 audit.

Corrective Action Plan: (See above)

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**  
Schedule of Questioned Costs, Identified Noncompliance  
and Internal Control Weaknesses, Continued  
For the year ended September 30, 1992

**Federal Findings, Continued**

**Federal Grants - Questioned Costs, Continued**

<u>Program</u>	<u>Reason for Questioned Cost</u>	<u>Questioned Cost</u>						
U.S. Dept. of Labor/Job Training Partnership Act/CFDA # 17.250	<p><u>Criteria:</u> Per JTPA Training Plan, training will be provided for the development of the private communities and public sectors in the areas of fisheries, tourism, agriculture, construction, small industries and other related areas for the purpose of improving employment opportunities.</p> <p><u>Condition:</u> No documentation exists to evidence that a workshop for a State Judge in South America aligned with the training objectives of the JTPA program for the following expenditures:</p> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;"><u>ORG. NO.</u></th> <th style="text-align: center;"><u>APV NO.</u></th> <th style="text-align: center;"><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">3456</td> <td style="text-align: center;">021991</td> <td style="text-align: center;"><u>\$2,585</u></td> </tr> </tbody> </table> <p>This expenditure has already been questioned on page 85, so it is not questioned again here.</p> <p><u>Cause:</u> The cause of the above condition is unknown.</p> <p><u>Effect:</u> The effect of the above condition is a possible liability to the grantor agency.</p> <p><u>Recommendation:</u> We recommend that JTPA office adhere to the Grant Agreement Title C, Section 3 (r).</p> <p><u>Auditee Response:</u> We agree with the above finding.</p> <p><u>Corrective Action Plan:</u> Approval of grantor agencies will be obtained in the future.</p>	<u>ORG. NO.</u>	<u>APV NO.</u>	<u>Amount</u>	3456	021991	<u>\$2,585</u>	
<u>ORG. NO.</u>	<u>APV NO.</u>	<u>Amount</u>						
3456	021991	<u>\$2,585</u>						

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**  
Schedule of Questioned Costs, Identified Noncompliance  
and Internal Control Weaknesses, Continued  
For the year ended September 30, 1992

**Federal Findings, Continued**

**Federal Grants - Questioned Costs, Continued**

<u>Program</u>	<u>Reason for Questioned Cost</u>	<u>Questioned Cost</u>															
U.S. Dept. of Labor/Job Training Partnership Act/CFDA # 17.250	<p><u>Criteria:</u> Per OMB Circular A-87, Attachment A, Section A, paragraph 2(b), the grantee assumes the responsibility for ensuring that federally assisted program funds have been expended and accounted for consistently with underlying agreements and program objectives.</p> <p><u>Condition:</u> We noted no supporting source documents for the following contractual services payments:</p> <table style="margin-left: 40px; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;"><u>ORG. NO.</u></th> <th style="text-align: left; border-bottom: 1px solid black;"><u>APV NO.</u></th> <th style="text-align: right; border-bottom: 1px solid black;"><u>Questioned Cost</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">3262</td> <td style="text-align: center;">920207</td> <td style="text-align: right;">\$ 12,125</td> </tr> <tr> <td style="text-align: center;">3262</td> <td style="text-align: center;">925947</td> <td style="text-align: right;">3,450</td> </tr> <tr> <td style="text-align: center;">3262</td> <td style="text-align: center;">920458</td> <td style="text-align: right;">5,160</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">20,735</td> </tr> </tbody> </table>	<u>ORG. NO.</u>	<u>APV NO.</u>	<u>Questioned Cost</u>	3262	920207	\$ 12,125	3262	925947	3,450	3262	920458	5,160			20,735	
<u>ORG. NO.</u>	<u>APV NO.</u>	<u>Questioned Cost</u>															
3262	920207	\$ 12,125															
3262	925947	3,450															
3262	920458	5,160															
		20,735															

(Refer sample size and universe on page 85)

Cause: The cause of the above condition is a lack of control over source documentation and a lack of administrative control over expenditures charged to federal grants.

Effect: The effect of the above condition is a possible liability to the grantor agency.

Recommendation: We recommend policies and procedures surrounding source documentation be upgraded to ensure documentation for expenditures is retained and properly filed.

Auditee Response: The Department of Finance is attempting to locate the documentation from JTPA and will provide such, if available for the September 30, 1993 audit.

Corrective Action Plan: (See above)

Total U.S. Department of Labor Questioned Costs	<u><u>\$ 39,367</u></u>
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**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**  
Schedule of Questioned Costs, Identified Noncompliance  
and Internal Control Weaknesses, Continued  
For the year ended September 30, 1992

Federal Findings, Continued

JTPA (CFDA # 17.250)

Finding No. 2

Criteria: Periodic audits should be performed of all major subrecipients of Federal funds.

Condition: The Private Industry Council appears to be a recipient of JTPA funds and thus would be subject to audit. At this time no audit of this organization has been performed.

Cause: Unknown.

Effect: Possible noncompliance with federal funds could occur.

Recommendation: We recommend that Chuuk State ensure that periodic audits of all subrecipients be performed.

Auditee Response: The Department of Finance is communicating with JTPA officials to inform them of this responsibility so that they can determine whether an audit requirement exists.

Corrective Action Plan: See above.

Federal Emergency Management Agency (CFDA # 15.875)

Finding No. 3

Criteria: The State should establish procedures to ensure that all federal program matching requirements have been met and recorded in the year end compilations.

Condition: The State has incurred federal assistance from the Federal Emergency Management Agency (FEMA) which, in certain instances, requires matching funds from the State. The State has no appropriated funds from the local sources to be used for this matching purpose. However, the actual match has not yet been recorded in the State's financial statements.

Cause: Unknown.

Effect: The FEMA match requirements have not been formally documented.

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**  
Schedule of Questioned Costs, Identified Noncompliance  
and Internal Control Weaknesses, Continued  
For the year ended September 30, 1992

**Federal Findings, Continued**

**Finding No. 3, continued**

Recommendation: The match should be calculated and the respective percentages recorded in the proper funds. We understand that this matter is one of timing. Therefore, we believe that the issue will be resolved in fiscal year 1993 and that action by the grantor agency with respect to this finding should await the 1993 resolution.

Auditee Response: The Department of Finance concurs that this issue is one of timing and it will be resolved in fiscal year 1993.

Corrective Action Plan: See above.

**Local Findings**

**Compact CIP - (CFDA # 15.875)**

**Finding No. 1**

Criteria: Formal guidelines should be established to ensure that no more than 1.5% of total Compact Capital account funds are used to fund administrative costs.

Condition: The allotment of Capital Fund Projects from the FSM National Government specified an amount for the 1.5%. However, guidelines for the use of these funds have not been established. Additionally, it is not known if the Chuuk State legislature is aware that the appropriation could be used in this manner.

Cause: Unknown.

Effect: State fund may be expended in contravention of laws.

Recommendation: We recommend that Chuuk State examine this matter and establish formal guidelines to oversee and determine the appropriate use of its 1.5% allowance.

Auditee Response: See Corrective Action Plan.

Corrective Action Plan: The Director of Finance shall communicate with the Chuuk State Legislature to ensure that use of the 1.5%, if such occurs, will be authorized by Chuuk State Law. It is anticipated that corrective action will occur by September 30, 1993.

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**  
Schedule of Questioned Costs, Identified Noncompliance  
and Internal Control Weaknesses, Continued  
For the year ended September 30, 1992

**Previous Years' Findings**

Criteria: Findings from prior audit reports should be resolved.

Condition: The following findings from previous years' Single Audit Reports remain unresolved.

<u>Finding No.</u>	<u>Page No.</u>	<u>Description</u>
------------------------	-----------------	--------------------

**FISCAL YEAR 1991**

**Local Findings**

1	87	Residual Inventory
2	92	Acquisition of Fixed Assets
3	93	Proper Monitoring of subrecipient
4	94	Proper Supporting documentation
5	96	Improper Classification of Expenditures
6	99	Code of Federal Regulations
7	100	Scholarship Application
8	101	Student Files
9	102	Municipal Projects
10	108	Annual Assessment of Educational Needs
11	109	Private Schools

**Federal Findings**

1	88	Grant benefit - JTPA
2	89	Fund Certification - JTPA
3	90	<b>Procurement - Chapter I</b>
4	91	Fund Certification - Chapter I
5	95	Training Programs for JTPA
6	97	Grant Master Plan - Chapter I
7	98	Transfer of Funds - Chapter I
8	103	Job Placement Requirement - JTPA
9	104	Course and Instructor Evaluations - JTPA
10	105	Drug-Free Workplace
11	107	Matching - Chapter I

**FISCAL YEAR 1990**

**Local Findings**

**Accounting**

1	80	Fixed Assets
2	80	Compliance



**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**  
Schedule of Questioned Costs, Identified Noncompliance  
and Internal Control Weaknesses, Continued  
For the year ended September 30, 1992

Previous Years' Findings, continued

Local Findings, continued

**Administrative**

1	81	Expenditures/Disbursements
2	81	Expenditures/Disbursements
5	82	Budget
6	83	Payroll

Cause: Unknown.

Effect: Lack of timely resolution of audit findings hinders the effectiveness of the Chuuk State's administrative controls over federal financial assistance.

Recommendation: Administrative control findings from previous Single Audit Reports should be satisfactorily resolved in a timely manner.

**CHUUK STATE GOVERNMENT**  
**FEDERATED STATES OF MICRONESIA**  
Resolution of Prior Year Questioned Costs  
For the year ended September 30, 1992

Total unresolved questioned costs for prior years are as follows:

Unresolved 1984 questioned costs	\$ 221,836
Unresolved 1985 questioned costs	193,164
Unresolved 1986 questioned costs	685,713
Unresolved 1987 questioned costs	833,896
Unresolved 1988 questioned costs	4,385,827
Unresolved 1989 questioned costs	779,850
Unresolved 1990 questioned costs	1,337,063
Unresolved 1991 questioned costs	<u>167,352</u>
 Total unresolved questioned costs for prior years	 8,604,701
 Fiscal year 1992 questioned costs	 <u>39,367</u>
 Total questioned costs for fiscal years 1984 to 1992 grants	 <u>\$8,644,068</u>

**STATE OF CHUUK  
FEDERATED STATES OF MICRONESIA  
INDEPENDENT AUDITORS' REPORT  
ON THE INTERNAL CONTROL STRUCTURE  
FOR THE YEAR ENDED SEPTEMBER 30, 1992**



**INDEPENDENT AUDITORS' REPORT ON**  
**THE INTERNAL CONTROL STRUCTURE BASED ON**  
**THE AUDIT OF THE FINANCIAL STATEMENTS**

Honorable Sasao Gouland  
Governor, State of Chuuk  
Federated States of Micronesia

We have audited the general purpose financial statements of the State of Chuuk as of and for the year ended September 30, 1992, and have issued our report thereon dated January 19, 1993. Our report on the general purpose financial statements was modified due to our inability to form an opinion as to the fairness of presentation of the General Fixed Assets Account Group and the omission of the financial statements of the State's eleven development authorities from the Governmental Fund Type - Special Revenue Funds.

We conducted our audit in accordance with generally accepted auditing standards and 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 general purpose financial statements are free of material misstatement.

In planning and performing our audit of the general purpose financial statements of the State of Chuuk for the year ended September 30, 1992, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

The management of the State of Chuuk, is responsible for establishing and maintaining the internal control structure. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of internal control structure policies and

procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected.

Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:

- Revenue/receipts
- Purchases/disbursements
- Payroll
- External financial reporting
- Cash
- Receivables
- Investments
- Payables and accrued liabilities
- Fund balance

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements. A description of these matters is presented in the following pages 97 through 107.

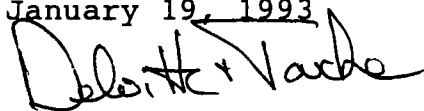
A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described above is a material weaknesses.

We also noted matters involving the internal control structure and its operation used to administer federal financial assistance programs which we have reported to the management of the State of Chuuk in a report dated January 19, 1993.

This report is intended for the information of the management of the State of Chuuk, the cognizant audit and other federal agencies. However, this report is a matter of public record and its distribution is not limited.

January 19, 1993

A handwritten signature in cursive script, appearing to read "Deloitte + Varde", written over the typed date.

Certified Public Accountants

## Prior Year Internal Control Findings

### Finding No. 1

**Criteria:** Findings from the Report on Internal Control for the year ending September 30, 1991, and other prior years, should be adequately resolved by Chuuk State Management.

**Condition:** The following findings from the Report on Internal Controls for the year ending September 30, 1991, and other prior year reports, were found not to be resolved during the audit of the period ending September 31, 1992:

<u>Finding No.</u>	<u>Heading</u>	<u>Page No.</u>
<b>Fiscal Year 1990</b>		
1	Payroll account reconciliations	94
9	Outstanding travel advances	98
19	Filing of contracts	104
21	Segregation of duties - payroll	105
22	Updating of personnel files	106
27	Untimely forwarding of documents	109
33	Nonintegration of budgeted revenues	112
34	Budgetary authority	113
35	Fire alarms in EDP	114
41	Multi-year grants	116
42	Utility operations	118
<b>Fiscal Year 1991</b>		
2	Other investments	121
4	Purchase orders	123
5	Receiving reports	124
6	Federal requirements	125
7	Competitive bidding procedures	126
8	Outstanding encumbrances	127
9	Periodic reconciliation of encumbrances	128
10	Approval of purchase requisition	129
11	Unlocated personnel files	130
13	Personnel policies	132
14	Sales tax return	133
16	Segregation of duties, Revenues Division	135
17	Filing system - tax returns	136
18	Reconciliation of DILOG with allotment advices	137
19	Budget for special revenue funds	138
20	Computerized file backups	139
21	Insurance coverage - EDP	140
22	Travel advance policies	141

**Prior Year Internal Control Findings, continued**

**Fiscal Year 1991  
(continued)**

	<b>Chuuk Visitor's Bureau:</b>	
23	Subsidiary ledger	142
24	Accounting system	143
25	Computerized file backups	144
	<b>Coconut Processing Authority:</b>	
26	Travel advance	145
27	Reprogramming	146
28	Cash	147
29	Segregation of duties	148
30	Fixed assets	149
31	Loans	150
32	Prenumbered sales invoices	151
33	Sales invoices	152
34	Proper recording of sales	153
35	Cutoff procedures	154
36	Inventory valuation	155
37	Inventory count	156
38	Insurance	157
39	Accounting policies	158
40	Employee withholdings	159
	<b>Chuuk Housing Authority:</b>	
41	Board allowance	160
42	Insurance payment	161
43	Loans subledger	162
44	Timely bank reconciliations	163
45	Interest on loans	164
46	Accounts payable subledger	165
47	Community Development Block Grant	166
48	Municipalities	167

**Cause:** Unknown.

**Effect:** The non-resolution of these prior year findings will continue to hinder the effective maintenance of the State's accounting records.

**Recommendation:** Chuuk State management should take action to resolve these prior year audit findings.



## Cash Receipts

### Finding No. 2

Criteria: All cash receipts shall be dated to ensure an adequate audit trail and prompt banking of amounts received.

Condition: Our audit testing revealed two Treasury cash receipts that had not been dated.

Cause: Unknown.

Effect: The lack of a date on cash receipts may raise doubts as to the prompt banking of cash received.

Recommendation: We recommend that all Treasury personnel be made aware of the importance of fully completing all items on a cash receipt.

Auditee Response: We agree to this finding.

Corrective Action Plan: The Tax and Revenue personnel (origin of Cash Receipts) have been made aware of the importance of fully completing all the items in the Cash Receipt. The Chief of Revenue checks the Cash Receipts for accuracy and completeness before they are transmitted to the Treasury Section for deposit to the bank. This corrective action is now in effect.

### Finding No. 3

Criteria: An adequate audit trail must exist to enable tracing of cash receipt totals to appropriate supporting documents.

Condition: Our testing of Treasury cash receipts revealed that supporting receipts issued for passenger and departure fees were kept in a drawer in no logical order.

Cause: Unknown.

Effect: This condition resulted in a lack of adequate audit trail to support items selected for testing. Such documentation was eventually located by searching through all documents.

Recommendation: We recommend that a chronological filing system be introduced to ensure that supporting documentation for passenger and departure fees can be readily located.

Auditee Response: We agree to this finding.

Cash Receipts, continued

Finding No. 3, continued

Corrective Action Plan: A file for passenger fees and another for departure fees is now established. One person in the Tax and Revenue Division handles the passenger fees file and another handles the departure fees file. The Chief of Tax and Revenue checks the files on a periodic basis. This corrective action is now in effect.

Finding No. 4

Criteria: All cash receipts should include details of collection including relevant organization number and account allocation.

Condition: Five cash receipts of twenty five randomly selected receipts for audit testing did not contain details of the relevant organization number or account allocation.

Cause: Unknown.

Effect: This condition may result in incorrect postings of cash receipts to the general ledger as the posting details have not been included at the time of receipt.

Recommendation: It is recommended that all relevant employees be made aware of the importance of completing this information on a cash receipt and a procedure be introduced for situations when the employee is unsure of the allocation to be made.

Auditee Response: We agree to this finding though we are sure that incorrect postings are avoided. This is so because the Reconciliations section who is in charge of inputting the cash receipts checks first on the correctness of accounts used before input.

Corrective Action Plan: The relevant employees have been made aware of this importance of completing informations required with a cash receipt. As to allocations they are unsure of, they are instructed to consult the Chief of Revenue or the Chief of Reconciliations, for the correct account to be used. This corrective action is now in effect.

## Travel advances

### Finding No. 5

Criteria: The value of travel advances reported in the general ledger should be supported by a detailed subsidiary ledger of travel advances outstanding at September 30, 1992.

Condition: No subsidiary ledger supporting the value of outstanding travel advances was available at September 30, 1992.

Cause: Unknown.

Effect: The effect of the above condition is the possible misstatement of travel advances outstanding as of September 30, 1992, and a lack of control over the clearing of long outstanding advances.

Recommendation: We recommend that a subsidiary ledger be prepared to provide a detailed record of amounts recorded in the general ledger.

Auditee Response: We agree to this finding.

Corrective Action Plan: Starting October 1, 1993, one employee in travel section will be assigned to maintain a manual subsidiary ledger for travel advances. Also, this matter have been discussed during the previous Finance Conferences and the plan is to develop/adopt an automated Receivable subsidiary ledger system to be used by all states. Until the automated system is developed the manual system should be used to substantiate the general ledger account balances for travel advances.

### Finding No. 6

Criteria: All amounts recorded as travel advances should be supported by appropriate travel authorizations.

Condition: For two travel authorizations out of ten selected for testing, the relevant travel authorization could not be located.

Cause: The cause of the above condition is the lack of adequate filing for travel authorizations.

Effect: The effect of the above condition is insufficient supporting documentation for travel advances included in the general ledger as of September 30, 1992.

Travel advances, continued

Finding No. 6, continued

Recommendation: We recommend that the filing system for travel authorizations be reviewed to ensure that all documentation can be located when required.

Auditee Response: We agree to this finding.

Corrective Action Plan: The Travel Section personnel have been made aware of the importance of maintaining a complete file for all travel authorizations. They have been instructed to maintain the files in a numerical order. We are confident that this weakness is resolved by the end of fiscal year 1993.

Finding No. 7

Criteria: All travel authorizations must be verified for the availability of funds and entered into the encumbrance ledger before any disbursements can be made.

Condition: Our review of travel authorizations relating to travel advances outstanding at September 30, 1992 revealed that only 42 percent of travel authorizations tested had been included in the encumbrance ledger.

Cause: Unknown.

Effect: The effect of the above condition is an understatement of encumbrances for travel authorizations as of September 30, 1992. Additionally, this situation indicates that the funds certification procedures are not operating in accordance with specified procedures, and may possibly result in disbursements for which no funds are available.

Recommendation: We recommend that the proper system for processing travel authorizations and disbursing travel advances be adhered to, to ensure the correct recording of funds encumbered at any point in time.

Auditee Response: We agree to this finding to a certain extent. The treatment for a regular travel authorization and a medical referral travel authorization is different. The regular travel authorization is encumbered manually and in the system. The medical referral travel authorization is not encumbered in the system but it is encumbered in our manual ledgers. This is so because travel advances on the regular travel authorizations are recorded as travel advances whereas those under the medical referral travel authorizations are recorded as outright expenditures. This treatment was recommended by the auditors.

Travel advances, continued

Finding No. 7, continued

Corrective Action Plan: Effective October 1, 1993, we will input medical referral travel authorizations as encumbrances in Dilog. The EDP Manager will see to it that this is done.

Cash

Finding No. 8

Criteria: All bank accounts held by the State of Chuuk should be reconciled on a monthly basis.

Condition: Our audit work as of September 30, 1992 revealed that no reconciliation or outstanding check listing had been prepared for the payroll checking account.

Cause: Unknown.

Effect: The effect of the above condition is the possible misstatement of cash balances as of September 30, 1992.

Recommendation: It is recommended that reconciliations for this account be prepared on a monthly basis to ensure the accuracy of the general ledger cash basis at any point in time.

Auditee Response: We agree to this finding. The resolution of this weakness is the responsibility of the Reconciliations Section of the Department of Treasury. However, due to the limited personnel in the section (only 2) against the responsibilities attached to it, this area is considered the lesser priority. The request of the Chief of Reconciliations for one more personnel has not yet been granted due to budget constraints.

Corrective Action Plan: Hire one more personnel for Reconciliations Section to do this job. The existing personnel have the knowledge to reconcile the accounts but does not have the time to do it as there are other greater priorities. No time frame can be given to correct this weakness. It will depend on when the third person will be on board.

Finding No. 9

Criteria: All imprest bank accounts should be maintained with zero or very small balances to cover any unforeseen charges. These low balances ensure that funds are not being held in separate deposits that could more fully utilized elsewhere by the State.

Cash, continued

Finding No. 9

Condition: Our review of balances as of September 30, 1992 revealed that the Treasury Funds shows a balance of \$42,955.75 in the payroll imprest account.

Cause: It appears that at some stage, a transfer was made in excess of the current payroll requirements and never corrected.

Effect: There is no financial statement effect of such a situation. However, the separate holdings of such funds means that they are not available for use by the State for other purposes.

Recommendation: We recommend that the State transfer the excess funds to the general bank account and maintain a zero or negligible balance in this bank account to ensure the full utilization of funds available to the State.

Auditee Response: We agree to this finding but not to the recommendation. The Payroll Fund is the only fund not reconciled since inception. Hence, it is not certain whether the book balance of \$42,955.75 is indeed the correct balance. Transferring this amount to maintain a zero balance might result to bounced checks. We intend to retain such amount in the Payroll Fund until such time as the Payroll Fund is reconciled and the correct book and bank balances are known.

Corrective Action Plan: Same as finding No. 8.

Finding No. 10

Criteria: Cash received by the State of Chuuk should be deposited as soon as possible to guard against possible misuse of funds.

Condition: Our review of the bank reconciliation for Treasury Fund account 130 as of September 30, 1992 revealed several deposits in transit that took up to 14 days after the end of the fiscal year to be deposited.

Cause: Unknown.

Effect: The effect of such a delay in the depositing of cash received is an increased possibility of misappropriation of funds collected and the delay in making funds available as early as possible for expenditures by the State.

Recommendation: We recommend that funds collected by the State be deposited in the appropriate bank accounts on a daily basis.

Cash, continued

Finding No. 10, continued

Auditee Response: We agree to this finding. However, we have to explain the circumstances that caused it. The subject deposits in transit are checks. These are the checks that as of September 30 or October 1 do not have enough funds to cover them, so the bank refused to accept them. What the cashier did was to deposit them when the bank accepts them for deposit (when the checks are funded). It took until October 14 to deposit all of these checks.

Corrective Action Plan: None. This finding is justifiable.

Payroll

Finding No. 11

Criteria: All amounts withheld from payroll upon authorization by employees, shall be disbursed to the appropriate payee in full and on a regular basis.

Condition: Our review of the Payroll Revolving Fund as of September 30, 1992 revealed a liability for \$23,392.71. Upon investigation, it was found that the amount related to withholdings for insurance premiums payable by employees. This amount had also been carried forward as outstanding as of September 30, 1991.

Cause: Unknown.

Effect: The effect of the above condition is a possible liability of the State, as any claims made by the relevant employees not honored by the insurance company as a result of the non-payment of allotments will become a liability of the State.

Recommendation: It is recommended that the State investigate this balance to determine any amounts still payable for insurance premiums. If no liability appears to exist, the balance should be written off.

Auditee Response: We agree to this finding.

Corrective Action Plan: As this liability relates to prior years, we need to investigate to whom the liability is to be paid - to the employee or to the insurance company. The Payroll Supervisor (Ruth Selifis) and the Chief of Reconciliations (Susan Novilla) will work together such that this is resolved by fiscal year 1994.

## Receivables

### Finding No. 12

Criteria: All amounts recorded as accounts receivable must be considered collectible or provided for as an allowance for doubtful accounts.

Condition: Per review of the balance receivable from the FSM National Government for the Compact Special Block Grant as of September 30, 1992, it was found that the amount has been outstanding for over three years.

Cause: It appears that collection of this receivable is dependent upon the payment of certain amounts to the National Government which have yet to be paid or recorded as accounts payable.

Effect: The effect of the above condition is the overstatement of accounts receivable for compact Special Block Grant as of September 30, 1992. An audit adjustment has been recorded to reserve for the amount of the receivable as a related asset out of fund balance as of September 30, 1992 to ensure that the Unreserved Fund Balance is not overstated.

Recommendation: We recommend that the situation be resolved by determining whether the amounts owed to the National Government will be paid and therefore determine the collectibility of the receivable currently on the books.

Auditee Response: We agree to this finding.

Corrective Action Plan: We have already communicated to the FSM National Government of our desire to offset the amounts owed by us against the amount they owe us. Hopefully, we can settle this issue before the end of fiscal year 1993. Of course it is dependent on FSM National Government's favorable reply.

## Airport Revolving Fund

### Finding No. 13

Criteria: Per FSM National Government requirements, all airport landing fees are to be held in trust and used for development, maintenance and other matters relating to the airport facility.

Condition: For fiscal year 1992, \$24,549 of revenue was recorded in the General Fund for landing fees, instead of being separately recorded as revenue of the Airport Revolving Fund.



Airport Revolving Fund, continued

Finding No. 13, continued

Cause: It appears that some cash receipts for landing fees were erroneously posted to the General Fund.

Effect: The effect of the above condition is an understatement of revenues to be held in the Airport Revolving Fund. Such an understatement has not been adjusted through audit procedures as of September 30, 1992 due to its insignificance to the financial statements.

Recommendation: It is recommended that a restriction be placed on all amounts posted to account 7511, Landing Fees, to ensure that they are all recorded in the Airport Revolving Fund and not in the General Fund in future fiscal years.

Auditee Response: We agree to this finding.

Corrective Action Plan: The recommendation has been implemented. Account 7511 is now restricted for use only in Fund 45000 - Airport Revolving Fund.

Taxes

Finding No. 14

Criteria: Periodic audits should be performed of businesses in Chuuk to ensure that all local taxes are being properly paid.

Condition: In fiscal year 1992, we noted a large decrease (29%) in taxes for alcohol possession.

Cause: Unknown.

Effect: Improper filing of alcohol possession taxes by businesses could occur.

Recommendation: We recommend that Chuuk State investigate this matter to ensure that taxes are being properly paid by businesses.

Auditee Response: We agree to this finding.

Corrective Action Plan: This matter is under investigation. No corrective action can be made unless we know the cause of this finding.