

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

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

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**YEAR ENDED SEPTEMBER 30, 1999**

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA  
YEAR ENDED SEPTEMBER 30, 1999**

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**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

**INDEPENDENT AUDITORS' REPORT,  
GENERAL PURPOSE FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION**

**YEAR ENDED SEPTEMBER 30, 1999**



## INDEPENDENT AUDITORS' REPORT

Honorable Ansito Walter  
Governor, State of Chuuk  
Federated States of Micronesia:

We were engaged to audit the accompanying general purpose financial statements of the State of Chuuk, as of September 30, 1999, and for the year then ended, as set forth in Section II of the foregoing table of contents. These general purpose financial statements are the responsibility of the management of the State of Chuuk.

Because of inadequacies in the State of Chuuk's accounting records and internal control, we were unable to form an opinion on accounts payable and expenditures of the Governmental Fund Types as of and for the year ended September 30, 1999.

Property comprising the State of Chuuk's General Fixed Assets Account Group has not been inventoried as of September 30, 1999, nor have existing records been adequately assembled to permit the application of auditing procedures and verification of the detail of account balances. Accordingly, a statement of changes in general fixed assets has not been included within the accompanying general purpose financial statements.

As discussed in Note 1A, the accompanying general purpose financial statements do not include the State's development authorities, which in our opinion, should be included to conform with generally accepted accounting principles. The development authorities would be reported as blended Component Units - Special Revenue Funds.

We were unable to perform audit procedures on the Chuuk Coconut Authority (CCA) as of September 30, 1999, as financial statements were not provided to us for inspection. The general purpose financial statements referred to above do not include CCA, a Component Unit - Proprietary Fund of the State of Chuuk, which in our opinion, should be included to conform with generally accepted accounting principles.

Because of inadequacies in the Chuuk Visitor's Bureau's (CVB) accounting records, we were unable to form an opinion on CVB financial statements for the year ended September 30, 1999. CVB is presented as a Governmental Fund Type - Special Revenue Fund in the accompanying general purpose financial statements.

The accompanying general purpose financial statements do not include a statement of cash flows of the Chuuk State Housing Authority (CSHA) for the year ended September 30, 1999. Due to inadequacies in CSHA's accounting records, such a statement could not be prepared. The statement of cash flows is required by generally accepted accounting principles.

We were unable to obtain audited financial statements supporting the State of Chuuk's investments in Western Pacific Tuna Group (WESTPAC) and Chuuk Fresh Tuna (CFTI), in the Governmental Fund Type - Capital Projects Funds at September 30, 1999, as described in note 9 to the general purpose financial statements. The State of Chuuk has not adjusted these investments to reflect the equity in the investees' earnings or losses. We were not able to satisfy ourselves as to the carrying value of these investments or the equity in their earnings or losses by other auditing procedures.

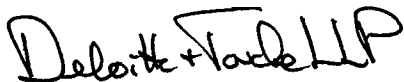
The State has yet to determine whether Chuuk Organization for Community Action (COCA) should be accounted for as a Component Unit - Governmental Fund. Therefore COCA's financial statements are not included in the accompanying general purpose financial statements. The impact of this matter on the accompanying general purpose financial statements is not determinable.

The State did not provide a schedule detailing continuing appropriations for all funds as of September 30, 1999. We were unable to perform adequate alternative audit procedures with respect to continuing appropriations set forth in the accompanying general purpose financial statements.

Because of the matters discussed in the preceding paragraphs, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the general purpose financial statements referred to in the first paragraph.

The combining and individual fund financial statements and schedules listed in Section IV of the foregoing Table of Contents, which are also the responsibility of the State of Chuuk's management, are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the State of Chuuk. The scope of our work was not sufficient to enable us to express, and we do not express, and opinion on this additional information.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2000, on our consideration of the State of Chuuk's (primary Government only) internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an engagement to audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our engagement.



June 16, 2000

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Combined Balance Sheet - All Fund Types, Account Groups and Discretely Presented Component Units  
September 30, 1999  
(With Comparative Totals as of September 30, 1998)

Assets	Governmental Fund Types			Account Groups		Totals Primary Government (Memorandum Only)	Discretely Presented Component Units	Totals Reporting Entity (Memorandum Only)	
	General	Special Revenue	Capital Projects	General Fixed Assets	General Long-Term Debt			1999	1998
Cash and equivalents (note 2)	\$ 1,918,215	\$ 30,793	\$ 754,650	\$ -	\$ -	\$ 2,703,658	\$ 733,486	\$ 3,437,144	\$ 786,303
Restricted cash (note 2)	923,420	-	-	-	-	923,420	-	923,420	594,145
Investments (note 2)	6,107,805	-	19,186,847	-	-	25,294,652	-	25,294,652	35,941,196
Early Retirement Trust Fund (notes 2 and 5)	1,649,105	-	-	-	-	1,649,105	-	1,649,105	330,531
Investments - other (note 9)	-	-	14,264,005	-	-	14,264,005	-	14,264,005	7,264,005
Receivables from other governments (note 3)	733,582	3,061,585	172,503	-	-	3,967,670	-	3,967,670	3,237,020
Receivables, federal agencies	-	-	-	-	-	-	-	-	766,415
General receivables, net	-	1,900	-	-	-	1,900	525,546	527,446	1,403,574
Allowance for uncollectibles	(182,239)	(2,167,957)	-	-	-	(2,350,196)	-	(2,350,196)	(4,011,791)
Advances	341,210	-	-	-	-	341,210	-	341,210	903,445
Loans receivable, net of an allowance for doubtful accounts of \$722,626 in 1999	-	-	-	-	-	-	1,134,555	1,134,555	-
Loans receivable, other (note 14)	467,202	-	-	-	-	467,202	-	467,202	7,338,480
Due from other funds (note 8)	-	7,218,025	-	-	-	7,218,025	-	7,218,025	8,355,753
Other assets	-	-	24,831	-	-	24,831	4,140	28,971	24,831
Fixed assets, net (note 4)	-	-	-	67,581,884	-	67,581,884	8,509,352	76,091,236	68,225,628
Amount to be provided for retirement of long-term debt	-	-	-	-	13,965,639	13,965,639	-	13,965,639	16,442,440
<b>Total assets</b>	<b>\$ 11,958,300</b>	<b>\$ 8,144,346</b>	<b>\$ 34,402,836</b>	<b>\$ 67,581,884</b>	<b>\$ 13,965,639</b>	<b>\$ 136,053,005</b>	<b>\$ 10,907,079</b>	<b>\$ 146,960,084</b>	<b>\$ 147,601,975</b>

See accompanying notes to financial statements.



**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Combined Balance Sheet - All Fund Types, Account Groups and Discretely Presented Component Units, Continued  
September 30, 1999  
(With Comparative Totals as of September 30, 1998)

<u>Liabilities and Fund Equity</u>	Governmental Fund Types			Account Groups		Totals	Discretely Presented Component Units	Totals Reporting Entity (Memorandum Only)	
	General	Special Revenue	Capital Projects	General	General	Primary Government (Memorandum Only)		1999	1998
				Fixed Assets	Long-Term Debt				
<b>Liabilities:</b>									
Accounts payable	\$ 754,827	\$ 3,314,111	\$ 5,472,554	\$ -	\$ -	\$ 9,541,492	\$ 84,307	\$ 9,625,799	\$ 8,202,331
Accrued payroll and annual leave	284,885	35,062	-	-	878,192	1,198,139	176,320	1,374,459	1,131,547
Due to other funds (note 8)	6,537,691	394,711	285,623	-	-	7,218,025	-	7,218,025	8,355,753
Payable to other governments	92,798	411,987	-	-	-	504,785	-	504,785	482,154
Notes payable (notes 5, 13 and 14)	467,202	-	329,179	-	13,087,447	13,883,828	513,652	14,397,480	16,665,251
Deferred revenue	1,000	277,320	-	-	-	278,320	-	278,320	278,320
Total liabilities	8,138,403	4,433,191	6,087,356	-	13,965,639	32,624,589	774,279	33,398,868	35,115,356
<b>Fund equity:</b>									
Investment in general fixed assets (note 4)	-	-	-	67,581,884	-	67,581,884	-	67,581,884	67,581,884
Contributed capital	-	-	-	-	-	-	9,054,173	9,054,173	-
Retained earnings	-	-	-	-	-	-	1,078,627	1,078,627	808,185
<b>Fund balances:</b>									
Reserved for:									
Related assets (note 15)	2,572,525	25,264	14,288,836	-	-	16,886,625	-	16,886,625	15,526,815
Encumbrances	224,707	662,372	577,654	-	-	1,464,733	-	1,464,733	1,312,458
Continuing appropriations (note 6)	790,395	-	3,986,560	-	-	4,776,955	-	4,776,955	15,894,447
Unreserved	232,270	3,023,519	9,462,430	-	-	12,718,219	-	12,718,219	11,362,830
Total fund equity	3,819,897	3,711,155	28,315,480	67,581,884	-	103,428,416	10,132,800	113,561,216	112,486,619
<b>Commitments and contingencies</b> (notes 11 and 16)									
Total liabilities and fund equity	\$ 11,958,300	\$ 8,144,346	\$ 34,402,836	\$ 67,581,884	\$ 13,965,639	\$ 136,053,005	\$ 10,907,079	\$ 146,960,084	\$ 147,601,975

See accompanying notes to financial statements.

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Combined Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)-  
All Governmental Fund Types  
Year Ended September 30, 1999  
(With comparative totals for the year ended September 30, 1998)

	Governmental Fund Types			Totals Reporting Entity (Memorandum Only)	
	General	Special Revenue	Capital Projects	1999	1998
<b>Revenues:</b>					
U.S. Compact of Free Association:					
Section 211(a)(2) - base grant	\$ 8,816,000	\$ -	\$ 6,144,000	\$ 14,960,000	\$ 14,960,000
Section 217 - inflation adjustment	4,672,480	-	3,256,320	7,928,800	7,928,800
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	-	635,894	-	635,894	635,894
Section 212 - base grant	-	250,000	-	250,000	250,000
FSM revenue sharing	3,401,968	-	-	3,401,968	3,398,507
Other federal contributions	-	2,565,316	-	2,565,316	1,329,180
State taxes and licenses	1,690,738	-	-	1,690,738	1,352,573
Other	1,065,642	436,913	-	1,502,555	1,341,531
Investment income (note 2)	7,294,734	-	-	7,294,734	1,352,694
<b>Total revenues</b>	<b>26,941,562</b>	<b>8,029,010</b>	<b>9,400,320</b>	<b>44,370,892</b>	<b>36,690,066</b>
<b>Expenditures:</b>					
General government	4,632,232	463,332	-	5,095,564	4,640,237
Education	4,700,941	2,765,091	-	7,466,032	7,862,860
Health services	2,522,679	1,712,895	-	4,235,574	3,397,115
Economic development	801,977	-	-	801,977	882,579
Public works and utilities	312,968	1,318,885	-	1,631,853	979,187
Public safety	767,259	228,720	-	995,979	943,356
Transportation	754,061	-	-	754,061	700,738
Community affairs	166,269	281,834	-	448,103	453,826
Boards and commissions	756,057	-	-	756,057	490,805
Capital projects	-	-	18,671,390	18,671,390	10,172,459
Debt service - principal (note 5)	1,700,000	-	3,000,000	4,700,000	1,300,000
Debt service - interest	-	-	492,600	492,600	428,862
Other	6,620,684	724,962	-	7,345,646	5,057,435
<b>Total expenditures</b>	<b>23,735,127</b>	<b>7,495,719</b>	<b>22,163,990</b>	<b>53,394,836</b>	<b>37,309,459</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>3,206,435</b>	<b>533,291</b>	<b>(12,763,670)</b>	<b>(9,023,944)</b>	<b>(619,393)</b>
<b>Other financing sources (uses):</b>					
Loan proceeds (note 5)	2,128,335	-	-	2,128,335	6,659,112
Operating transfers in (note 7)	-	165,192	-	165,192	164,901
Operating transfers out (note 7)	(311,576)	(950,000)	(386,400)	(1,647,976)	(1,357,756)
Other income	-	-	33,314	33,314	10
<b>Total other financing sources (uses), net</b>	<b>1,816,759</b>	<b>(784,808)</b>	<b>(353,086)</b>	<b>678,865</b>	<b>5,466,267</b>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses before the cumulative effect of a change in accounting principle</b>	<b>5,023,194</b>	<b>(251,517)</b>	<b>(13,116,756)</b>	<b>(8,345,079)</b>	<b>4,846,874</b>
<b>Add: cumulative effect of a change in accounting principle</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,603,258</b>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>5,023,194</b>	<b>(251,517)</b>	<b>(13,116,756)</b>	<b>(8,345,079)</b>	<b>9,450,132</b>
<b>Fund balances (deficit) at beginning of year</b>	<b>(1,203,297)</b>	<b>3,962,672</b>	<b>41,432,236</b>	<b>44,191,611</b>	<b>34,646,418</b>
<b>Fund balances at end of year</b>	<b>\$ 3,819,897</b>	<b>\$ 3,711,155</b>	<b>\$ 28,315,480</b>	<b>\$ 35,846,532</b>	<b>\$ 44,096,550</b>

See accompanying notes to financial statements.

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Statement of Revenues, Expenditures and Changes in Deficit -  
Budget and Actual, Budgetary Basis - General Fund  
Year Ended September 30, 1999  
(With comparative totals for the year ended September 30, 1998)

	1999			1998		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Compact of Free Association Section 211 and 217	\$ 13,576,640	\$ 13,488,480	\$ (88,160)	\$ 13,224,000	\$ 13,488,480	\$ 264,480
Local Revenue	6,294,000	13,453,082	7,159,082	7,305,460	6,925,347	(380,113)
<b>Total revenues</b>	<b>19,870,640</b>	<b>26,941,562</b>	<b>7,070,922</b>	<b>20,529,460</b>	<b>20,413,827</b>	<b>(115,633)</b>
<b>Expenditures-budgetary basis:</b>						
General government	4,655,075	4,670,513	(15,438)	4,454,027	4,013,843	440,184
Health services	2,420,467	2,383,027	37,440	2,463,810	2,372,717	91,093
Education	4,859,649	4,698,633	161,016	5,732,920	5,247,977	484,943
Economic development	840,850	798,257	42,593	936,450	855,579	80,871
Public safety	752,700	764,157	(11,457)	760,800	773,319	(12,519)
Transportation	743,700	734,467	9,233	770,990	691,630	79,360
Public works	332,500	311,246	21,254	377,200	334,404	42,796
Community affairs	179,600	164,439	15,161	235,300	171,005	64,295
Board and commissions	764,370	763,861	509	520,400	464,439	55,961
Special programs	3,852,523	3,965,480	(112,957)	608,640	558,204	50,436
Legislative external appropriations	1,601,131	1,572,288	28,843	1,570,920	1,535,555	35,365
Early retirement (note 5)	974,312	974,312	-	2,595,997	2,595,997	-
Debt service	3,336,300	1,700,000	1,636,300	-	-	-
Uncollectible grants fund reserve and other	-	-	-	-	339,363	(339,363)
<b>Total expenditures</b>	<b>25,313,177</b>	<b>23,500,680</b>	<b>1,812,497</b>	<b>21,027,454</b>	<b>19,954,032</b>	<b>1,073,422</b>
Excess (deficiency) of revenues over (under) expenditures	(5,442,537)	3,440,882	8,883,419	(497,994)	459,795	957,789
<b>Other financing sources (uses):</b>						
Loan proceeds (note 5)	2,128,335	2,128,335	-	6,659,112	6,659,112	-
Operating transfers out (note 7)	(238,300)	(309,887)	(71,587)	(208,600)	(308,205)	(99,605)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses before the cumulative effect of a change in accounting principle	(3,552,502)	5,259,330	8,811,832	5,952,518	6,810,702	858,184
Add: cumulative effective of a change in accounting principle	-	-	-	-	4,603,258	4,603,258
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(3,552,502)	5,259,330	8,811,832	5,952,518	11,413,960	5,461,442
Deficit at beginning of year	(4,092,440)	(4,092,440)	-	(14,021,742)	(14,021,742)	-
<b>Other changes in deficit:</b>						
Increase in reserve for related assets	-	(2,241,994)	(2,241,994)	-	(330,531)	(330,531)
Decrease in reserve for continuing appropriations	-	1,307,374	1,307,374	-	(1,154,127)	(1,154,127)
<b>Deficit at end of year</b>	<b>\$ (7,644,942)</b>	<b>\$ 232,270</b>	<b>\$ 7,877,212</b>	<b>\$ (8,069,224)</b>	<b>\$ (4,092,440)</b>	<b>\$ 3,976,784</b>

See accompanying notes to financial statements.

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Combined Statement of Revenues, Expenses and Changes in Fund Equity -  
All Discretely Presented Component Units - Proprietary Fund Types  
Year Ended September 30, 1999  
(With comparative totals for the year ended September 30, 1998)

	Totals	
	1999	1998
Operating revenues:		
Sales	\$ 1,902,672	\$ 1,989,586
Total operating revenues	1,902,672	1,989,586
Operating expenses:		
Payroll and personnel	1,894,074	1,305,902
Fuel	1,297,195	1,299,260
Depreciation	243,910	47,669
Bad debt	306,678	283,523
Rent	1,475	-
Other	96,381	7,864
Total operating expenses	3,839,713	2,944,218
Operating loss	(1,937,041)	(954,632)
Nonoperating revenues (expenses):		
Transfers in (note 7)	1,381,871	1,053,000
Federal contributions	437,704	50,295
Other income (expense)	(80,302)	20,556
Total nonoperating revenues, net	1,739,273	1,123,851
Net earnings	(197,768)	169,219
Retained earnings at beginning of year	1,276,395	638,966
Retained earnings at end of year	1,078,627	808,185
Contributed capital at beginning of year	1,840,270	-
Contributions	7,213,903	-
Contributed capital at end of year	9,054,173	-
Total fund equity	\$ 10,132,800	\$ 808,185

See accompanying notes to financial statements.

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Combined Statement of Cash Flows -  
All Discretely Presented Component Units - Proprietary Fund Types  
Year Ended September 30, 1999

Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (1,551,358)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	218,993
Other income	4,674
Decrease (increase) in receivables	278,495
(Decrease) increase in accounts payable	(172,943)
Increase in other liabilities	83,879
	<hr/>
Total adjustments	413,098
	<hr/>
Net cash used for operating activities	(1,138,260)
	<hr/>
Cash flows from noncapital financing activities:	
Operating grants received	1,650,202
	<hr/>
Net cash provided by noncapital financing activities	1,650,202
	<hr/>
Cash flows from capital and related financing activities:	
Acquisition of utility plant	(733,170)
Proceeds from notes payable	175,172
	<hr/>
Net cash used for capital and related financing activities	(557,998)
	<hr/>
Net decrease in cash and equivalents	(46,056)
	<hr/>
Cash and equivalents at beginning of year	54,945
	<hr/>
Cash and equivalents at end of year	\$ 8,889
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See accompanying notes to financial statements.

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements  
September 30, 1999

(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 government accounting and financial reporting principles. The more significant of the State's accounting policies are described below.

A. Reporting Entity

The general purpose financial statements of the State of Chuuk have been prepared in conformity with GAAP as applied to government units. GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting", requires that proprietary activities apply all applicable GASB pronouncements as well as Statements and Interpretations issued by the Financial Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989. The State of Chuuk has implemented GASB 20 and elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

As required by generally accepted accounting principles, the general purpose financial statements of the State of Chuuk present the government and its component units; entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the governments' operations so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the general purpose financial statements to emphasize that they are legally separate from the government. Each blended and discretely presented component unit has a September 30 year end.

1. Blended Component Unit

Chuuk Visitors' Bureau

The Chuuk Visitor's Bureau (the Bureau) is used to account for all funds received by the Bureau. The Bureau was created in fiscal year 1988 by Truk State Law No. 6-39. The primary purpose of the Bureau is to improve and develop Chuuk's tourism industry. The Bureau is governed by a nine member board. Five of the Bureau's board members are appointed by the Governor and the remaining four are appointed by the Speaker of the Chuuk State Legislature. The Bureau is reported as a special revenue fund. The financial statements set forth in the accompanying financial statements have not been audited.

2. Discretely Presented Component Units

Chuuk State Public Utility Corporation

Chuuk State Public Utility Corporation (the Corporation) was established in 1992 by Chuuk State Law 192-12. The purpose of the Corporation is to provide electrical services to the public through the operation and the maintenance of the State's electrical power system. The affairs of the Corporation are managed by a five-member board, consisting of members of the Chuuk State Government and the private sector. The Corporation is reported as a discretely presented Component Unit-Proprietary Fund.

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements  
September 30, 1999

(1) Summary of Significant Accounting Policies, Continued

2. Discretely Presented Component Units, Continued

Chuuk State Housing Authority

Chuuk State Housing Authority (the Authority) was established in fiscal year 1980 by Truk State Law 3-30. The purpose of the Authority is to monitor the U.S. Department of Housing and Urban Development Section 8 and CDBG housing renovation loan program. Additionally, the Authority monitors the GLF loan fund of the State of Chuuk which provides low cost housing loans to the general public. The affairs of the Authority are managed by a five-member board, consisting of representatives of Chuuk State Government. The Authority was not able to present financial statements for inclusion in the 1998 general purpose financial statements.

3. Omitted Component Units

Chuuk Coconut Authority

Chuuk Coconut Authority (the Authority) was established in 1979 by Truk State Law 1-1-12. The purpose of the Authority is to manufacture, process, buy, collect, market, sell, export and deal with, in general, all products derived from the coconut tree. The affairs of the Authority are managed by a five-member board, consisting of members of Chuuk State Government. The Authority would have been reported as a discretely presented component unit - proprietary fund.

Development Authorities

The accompanying general purpose financial statements do not include the State's development authorities (component units). The majority of these entities do not present financial information concerning their operations, thus precluding presentation of financial statements for these funds. The development authorities would be reported as blended Component Units - Special Revenue Funds.

Chuuk Organization for Community Action

The State is currently reviewing this entity to determine whether it should be included as a component unit of the State.

B. Fund Accounting and Basis of Presentation

The State of Chuuk uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Chuuk State functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. They are concerned only with the measurement of financial position and are not involved with measurement of results of operations.

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements  
September 30, 1999

(1) Summary of Significant Accounting Policies, Continued

B. Fund Accounting and Basis of Presentation, Continued

Funds are classified into two categories: governmental and proprietary. Each category, in turn, is divided into separate "fund types."

Governmental funds are used to account for all or most of government's general activities, including the collection and disbursement of earmarked monies (special revenue funds) and the acquisition or construction of general fixed assets (capital projects funds). The general fund is used to account for all activities of the general government not accounted for in some other fund.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprises funds) or to other departments or agencies primarily within the government (internal service funds).

There are two account groups. The General Fixed Assets Account Group is used to account for fixed assets not accounted for in proprietary funds. The General Long-Term Debt Account Group is used to account for general long-term debt and certain other long-term liabilities that are not specific liabilities of proprietary funds.

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 these funds present increases (i.e., revenues and other financing uses) in net current assets.

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 (e.g. revenues) and decreases (e.g., expenses) in net total assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Those revenues susceptible to accrual are FSM shared revenues for business gross receipts tax, import tax, income tax, leases and interest revenue. Fine and permit revenues are not susceptible to accrual because they are generally not measurable until received in cash.

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.



**CHUUK STATE GOVERNMENT  
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Notes to Financial Statements  
September 30, 1999

(1) Summary of Significant Accounting Policies, Continued

B. Fund Accounting and Basis of Presentation, Continued

The State of Chuuk reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the State of Chuuk before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the State of Chuuk has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

C. 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 1999, 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.

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 canceled. If an encumbrance is subsequently canceled, the funds revert to the applicable unreserved fund balance unless otherwise required by law.

Budgetary expenditures, which are on a basis other than generally accepted accounting principles, represent current charges against appropriations; current charges consist of all current year liquidated and unliquidated encumbrances. Budgetary expenditures are therefore determined by subtracting both current year liquidations of prior year encumbrances and unliquidated prior year encumbrances from the combined total of current year. When reviewed in relation to respective budgets, budgetary expenditures provide the principal means of evaluating current year operating performance and management stewardship. Amounts included on the Statement of Revenues, Expenditures and Changes in Deficit - Budget and Actual, Budgetary Basis - General Fund (which are presented on a non-GAAP budgetary basis) are reconciled to unreserved fund balance of the Combined Balance Sheet within the other changes in unreserved fund balance section of that statement.

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.

**CHUUK STATE GOVERNMENT  
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Notes to Financial Statements  
September 30, 1999

(1) Summary of Significant Accounting Policies, Continued

C. Budgetary Process, Continued

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

D. Cash and Equivalents

Cash and equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the State of Chuuk.

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 component units-proprietary funds in 1999 (primarily Chuuk State Housing Authority which consisted of Community Development Block Grant (CDBG) loans and general loans extended to qualifying Federated States of Micronesia (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 between 1 and 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 component unit 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.

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.

**CHUUK STATE GOVERNMENT  
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Notes to Financial Statements  
September 30, 1999

(1) Summary of Significant Accounting Policies, Continued

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. The liability as of September 30, 1999 is \$878,192. 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" columns 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 of discretely presented component units-proprietary funds are carried at the lower of cost (first-in-first-out method) or market.

L. Reclassifications

Certain items in the 1998 general purpose financial statements have been reclassified to conform with the 1999 presentation.

M. Investments

Investments are recorded at fair value. Investments in the equity of companies are carried at cost if less than twenty percent of the companies' total equity, on the equity method if greater than twenty percent and less than fifty percent and on a consolidated basis if greater than fifty percent. (See Notes 2 and 9).

N. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements  
September 30, 1999

(2) Cash and Equivalents and Investments

Cash and Equivalents

The State considers cash and equivalents to be cash on hand, cash in checking and savings accounts, cash on deposit with trustee, and unrestricted time certificates of deposit with initial maturities of less than ninety days.

Cash Deposits

All of the State's certificates of deposit and cash-in-bank accounts are held with FDIC insured banks. The State of Chuuk does not require collateralization of its bank accounts. Therefore \$300,000 is subject to FDIC insurance with the balance being uncollateralized.

At September 30, 1999, the State had deposits as follows; in each situation, cost approximated fair value.

General Fund

Restricted cash in early retirement trust fund	\$ 1,649,105
Cash restricted (20% Health and Education revenue share)	923,420
Cash on deposit with trustee and in checking and savings accounts with FDIC insured banks	<u>1,918,215</u>
	\$ <u>4,490,740</u>

Special Revenue Funds

Cash in checking accounts with FDIC insured banks	\$ 11,428
Cash on deposit with trustee	<u>19,365</u>
	\$ <u>30,793</u>

Capital Projects Funds

Cash on deposit with trustee	\$ <u>754,650</u>
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Component Units

Cash in checking and savings accounts with FDIC insured banks	\$ <u>733,486</u>
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Investments

The State has appointed 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 Secretary of Finance maintains the accounting system and records necessary to account for investment funds placed with the Authority on behalf of the State.

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.

**CHUUK STATE GOVERNMENT  
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Notes to Financial Statements  
September 30, 1999

(2) Cash and Equivalents and Investments, Continued

Investments, Continued

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 rated.
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 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.
- 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, 1999, are summarized below:

	<u>Fair Value</u>
<u>Cash on Deposit with Trustee</u>	
Cash management fund	\$ <u>2,566,921</u>
<u>Investments</u>	
Pooled investment debt and equity securities	\$ <u>25,294,652</u>

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements  
September 30, 1999

(2) Cash and Equivalents and Investments, Continued

Investments, Continued

Cash on deposit with Trustee as of September 30, 1999 is comprised of the following:

General fund	\$ 1,792,906
Compact other grants fund	(433,419)
Compact special block grant funds	<u>1,207,434</u>
	\$ <u>2,566,921</u>

The State's investment income as of September 30, 1999, is summarized below:

Interest	\$ 1,049,015
Dividends	1,132,283
Realized gains	2,687,784
Unrealized gains	2,787,516
Management fees	(361,096)
Other expenses	<u>(768)</u>
	\$ <u>7,294,734</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 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) Fixed Assets

Chuuk State did not update the balances in the General Fixed Assets Account Group during fiscal year 1999.

A summary of the general fixed assets accounted for in the General Fixed Assets Account Group as of September 30, 1999, follows:

Roads	\$ 10,257,016
Port facilities	6,537,700
Airport facilities	24,506,300
Public utilities	22,961,621
Other	<u>3,319,247</u>
	\$ <u>67,581,884</u>

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements  
September 30, 1999

(4) Fixed Assets, Continued

A summary of fixed assets accounted for in the component units-proprietary funds as of September 30, 1999, follows:

	<u>Estimated Useful Lives</u>	
General plant in service	3-7 years	\$ 248,591
Electric plant in service	3-20 years	13,676,681
Water and sewer in service	3-20 years	5,754,633
Buildings and improvements	3-20 years	271,964
Equipment and furniture	3-5 years	38,225
Vehicles	3-5 years	32,934
Other assets	3 years	<u>12,772</u>
		20,035,800
Less accumulated depreciation		<u>(11,595,270)</u>
		8,440,530
Construction in progress		<u>68,822</u>
		<u>\$ 8,509,352</u>

(5) Notes Payable

Capital Projects Fund

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, 1999, 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

General Long-Term Debt Account Group

During the year ended September 30, 1993, the State undertook a single issue of notes payable under the Medium-Term Note (MTN) program entered into by the FSM National Government on behalf of itself and the four FSM states.

On June 14, 1993, Chuuk State issued four (4) notes for \$10,300,000 to finance Chuuk State's equity investment in Western Pacific Tuna Group (WESTPAC), a fishing joint venture, and a loan to Bonjenvall Holdings Ltd. The outstanding notes payable balance as of September 30, 1999, is comprised of several notes with varying interest rates and maturities as follows:

<u>Maturity</u>	<u>Interest Rate % P.A.</u>	<u>Principal Amount</u>
10/15/99	6.52	\$ 3,000,000
10/16/2000	6.75	<u>3,000,000</u>
Total		<u>\$ 6,000,000</u>

**CHUUK STATE GOVERNMENT  
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Notes to Financial Statements  
September 30, 1999

(5) Notes Payable, Continued

Payments of principal and interest are entrusted to Bankers Trust, as Trustee. The FSM has pledged, as security for payments by the Trustee, a first priority lien on, and security interest in, all Compact of Free Association payments from the U.S. Government.

Upon receipt of the Compact payments, the Trustee is responsible for withdrawal of amounts necessary for payments of principal and interest. Various other restrictive covenants exist and are detailed in the Trust Agreement dated April 1, 1990, as amended by a Supplemental Trust Agreement dated March 15, 1994. Management is of the opinion that it has complied with such covenants through September 30, 1999.

During the fiscal year ended September 30, 1999, Chuuk State Government and the FSM National Government entered into a loan agreement whereby the FSM National Government agreed to loan the State of Chuuk the sum of \$5,000,000 dollars ("Chuuk Recovery Loan"). The primary purpose of this loan was to assist the State in satisfying amounts due to various vendors for payroll allotments and the principal portion of the State's tax liabilities to the FSM Revenue and Taxation and the FSM Social Security Administration.

The loan is to be repaid in quarterly allotments of \$416,667 including interest thereon beginning October 1, 1998. Interest is at 1% per annum. The total amount outstanding on this loan at September 30, 1999 was \$1,959,112. The State paid \$1,700,000 against this loan during the fiscal year ended September 30, 1999 which was charged against the general fund.

During the fiscal year ended September 30, 1998, Chuuk State Government implemented an early retirement program for all eligible public service system employees. This program is funded through a loan from the Asian Development Bank through the FSM National Government. A total loan amount of \$5,300,000 is available to the State of Chuuk for this purpose. Under the terms of its loan agreement with the FSM National Government, the State shall pay the FSM National Government a service charge at the rate of (1%) per annum calculated based on the total loan balance outstanding from time to time.

Pursuant to the terms of the financing agreement between the State of Chuuk and the FSM National Government, the State is required to deposit into the Early Retirement Scheme Trust Account held in the name of the State within the FSM National Government's investment portfolio, 100% of the outstanding principal balance by September 30, 2001. Funds for the repayment of the loan are expected to be derived from annual appropriations for salaries and wages earmarked for the positions abolished under the Early Retirement Scheme. The Chuuk State Legislature has authorized for appropriation from the general fund certain percentages of amounts borrowed under the loan in each fiscal year until the Early Retirement Scheme Trust Account is fully replenished in fiscal year 2001. The loan is to be repaid by the FSM National Government in semi-annual installments commencing February 1, 2008. The total amount outstanding on this loan at September 30, 1999 was \$5,128,335 of which \$2,128,335 was drawn down during fiscal year 1999. Chuuk State expended \$944,388 under the program during the fiscal year ended September 30, 1999. Approximately \$1,649,105 of the \$5,128,335 drawn down on the loan as of September 30, 1999, was held in the Chuuk Early Retirement Trust fund at Pacific Century Trust as of September 30, 1999.



**CHUUK STATE GOVERNMENT  
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Notes to Financial Statements  
September 30, 1999

(5) Notes Payable, Continued

Future minimum payments on all notes payable outstanding as of September 30, 1999, are as follows:

<u>Year ending September 30,</u>	<u>Amount</u>
2000	\$ 4,666,668
2001	3,292,444
Thereafter	<u>5,128,335</u>
	\$ <u>13,087,447</u>

The State was not able to provide a schedule of future interest expense attendant to the debt maturities.

(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. \$ 790,395

Capital Projects

Each fiscal year, Chuuk State appropriates funds towards Capital Projects and Economic Development Projects. These funds are available until fully expended or project completion. \$ 3,986,560

(7) Operating Transfers In/Out

Material General Fund, Special Revenue Fund, Capital Projects Fund and Component Units - Proprietary Funds transfers in/out for the year ended September 30, 1999, are as follows:

	<u>Transfers Out</u>	<u>Transfers In</u>
<b>General Fund:</b>		
Transfers out to Component Units:		
Chuuk Housing Authority	\$ 76,871	\$ -
Chuuk Coconut Authority	<u>69,513</u>	<u>-</u>
Total transfers out to Component Units	<u>146,384</u>	<u>-</u>
Transfers out to Special Revenue Funds:		
Chuuk Visitors' Bureau	<u>165,192</u>	<u>-</u>
Total General Fund	<u>311,576</u>	<u>-</u>

**CHUUK STATE GOVERNMENT  
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Notes to Financial Statements  
September 30, 1999

(7) Operating Transfers In/Out, Continued

	<u>Transfers Out</u>	<u>Transfers In</u>
Special Revenue Funds:		
Transfers out to Component Units:		
Chuuk Public Utility Corporation	950,000	-
Total Special Revenue Funds	950,000	-
Compact Capital Projects Funds:		
Transfers out to Component Units:		
Chuuk Housing Authority	55,000	-
Chuuk Coconut Authority	31,400	-
Chuuk Public Utility Corporation	300,000	-
Total Compact Capital Project Funds	386,400	-
Transfers in to Component Units:		
Chuuk Housing Authority	-	131,871
Chuuk Coconut Authority	-	100,913
Chuuk Public Utility Corporation	-	1,250,000
Total transfers in to Component Units	-	1,482,784
Transfers in to Special Revenue Funds:		
Chuuk Visitors' Bureau	-	165,192
	\$ 1,647,976	\$ 1,647,976

(8) Interfund Assets/Liabilities

The following summarizes due from/to other funds as of September 30, 1999:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
Special Revenue Funds:		
Chuuk Airport Authority	\$ 1,015,195	\$ -
Compact - Special Block Grant	3,250,676	-
Federal Grant Assistance Fund	1,032,247	-
Compact - Other Grants Fund	1,919,907	-
CFSM Grant Fund	-	394,711
Capital Projects Funds:		
Compact Capital Projects Fund	-	285,623
General Fund	-	6,537,691
	\$ 7,218,025	\$ 7,218,025

**CHUUK STATE GOVERNMENT  
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Notes to Financial Statements  
September 30, 1999

(9) Investments - Other

During fiscal year 1993, the State purchased \$1,000,000 of common stock in the Bank of the Federated States of Micronesia. The State purchased \$250,000 of common stock in fiscal year 1990 and fiscal year 1989. This represents an interest of 16.08% as of September 30, 1999. The above investment is carried at cost since there is no method of ascertaining related value. \$ 1,500,000

During fiscal year 1991, the State purchased \$250,000 of common stock in the Pacific Islands Development Bank (a 7.36% interest at September 30, 1999). The above investment is carried at cost since there is no method of ascertaining related market value. 250,000

During fiscal year 1996, the State purchased \$125,000 of common stock in a joint venture with the National Fisheries Corporation for a longline base. The State also purchased \$875,000, \$130,000 and \$370,000 of common stock in fiscal years 1994, 1993 and 1991, respectively in the same joint venture. This represents an interest of 50% as of September 30, 1999. Under the equity method of accounting, which has been adopted for Chuuk's investment in Chuuk Fresh Tuna, Incorporated (CFTI), Chuuk State's share of earnings and losses incurred by the entity should be deducted from the carrying value. However as audited financial information was not available for this purpose, the carrying value as of September 30, 1999 does not reflect such adjustments, if any. 1,202,005

During fiscal year 1993, the State purchased \$812,000 of common stock in the Bank of Guam, which represents a .007% interest as of September 30, 1999. The above investment is carried at cost since there is no method of ascertaining related market value. 812,000

During fiscal year 1995, the State invested \$3,160,000 for a 40% interest in Western Pacific Tuna Group (WESTPAC), a fishing joint venture. During fiscal year 1995, Chuuk State invested \$40,000 for a 45% interest in Western Pacific Operating Group (WESTOP). During fiscal year 1999, WESTOP was dissolved and a new partnership formed for Western Pacific Tuna Group (WESTPAC). Under the new arrangement, the State of Chuuk acquired 99.9% ownership in WESTPAC. Per the terms of the settlement agreement, Chuuk State converted a \$7,000,000 prior note receivable through this process to an equity investment in WESTPAC. This investment is recorded at cost as financial information was not available to allow for accounting of this investment at equity. 10,200,000

During fiscal year 1996, Chuuk State purchased \$300,000 of common stock in the FSM Development Bank (an interest of approximately 1% interest at September 30, 1999). The above investment is carried at cost since there is no method of ascertaining related market value. 300,000

Total other investments \$ 14,264,005

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements  
September 30, 1999

(9) Investments – Other, Continued

Since the investments are considered unavailable to finance expenditures of the ensuing fiscal year, the investments are restricted in the reserve for related assets component of fund balance. Therefore, even though the State has been unable to obtain financial statements from WESTPAC for its interest in the partnership, there is no impact on appropriable fund balance reserves due to the aforementioned related asset designation.

(10) Segment Data for Component Unit - Proprietary Fund

The following represents key data extracted from the financial statements of the component unit - proprietary funds presented by the State as of September 30, 1999, and for the year then ended:

	<u>Chuuk Public Utility Corporation</u>	<u>Chuuk State Housing Authority</u>
Total assets	\$ <u>8,899,467</u>	\$ <u>2,007,612</u>
Total fund equity	\$ <u>8,125,606</u>	\$ <u>2,007,194</u>
Net fixed assets	\$ <u>8,371,824</u>	\$ <u>137,528</u>
FY99 operating loss	\$ <u>(1,551,358)</u>	\$ <u>(385,683)</u>
FY99 net earnings (loss)	\$ <u>103,518</u>	\$ <u>(301,286)</u>
FY99 operating revenues	\$ <u>1,779,655</u>	\$ <u>123,017</u>
FY99 operating transfers in	\$ <u>1,250,000</u>	\$ <u>131,871</u>

(11) Commitments and Contingencies

Federal Programs

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, \$99,626 in cumulative questioned costs exist for the operation of fiscal years 1998 and 1999 grants.

If the grantor agencies ultimately disallow these costs or a portion thereof, the General Fund will bear responsibility for reimbursing the affected agencies. Accordingly, no provision for any liability that may result from this matter has been recorded in the accompanying general purpose financial statements. Pursuant to Title I, Section 105 of United States Public Law 99-239 the Government of the Federated States of Micronesia (FSM) is no longer liable for debts to U.S. federal agencies arising prior to the date of the implementation of the Compact of Free Association. This matter has not yet been officially resolved with the U.S. Government.

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, 1999, was \$2,863,694.

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements  
September 30, 1999

(10) Segment Data for Component Unit - Proprietary Fund, Continued

Committed Compact Funding

Under Chuuk State Law No. 193-16, which amended State Law No. 193-06, the Legislature has appropriated future cash flows of the Compact of Free Association. The amounts will be used by the State to repay current and future borrowings under the Medium-Term Note program (Refer Note 5). Appropriations totaling \$14,813,000 have been committed up to and including fiscal year 2001. These funds have been appropriated from Compact Section 211 (a) Capital Account Funds for this purpose.

Loan to Western Pacific Tuna Group (WESTPAC)

During the year ended September 30, 1999, the State entered into an agreement whereby the State assumed joint liability for an FSM Development Bank loan to the Western Pacific Tuna Group (WESTPAC) in the amount of \$1,706,250 (See note 9). In the event of default on the loan by WESTPAC, the State of Chuuk will be liable for the loan.

Pending Litigation and Other Matters

The State of Chuuk is a party various legal proceedings. The State's Attorney General is of the opinion that a reasonable estimate of the amount of judgements against the State of Chuuk is approximately \$7,000,000. However, the State is currently negotiating with judgement creditors to arrive at settlement amounts favorable to both parties. As the ultimate outcome of these negotiations cannot be determined at this time, no provision for potential losses to the State has been accrued as of September 30, 1999. Additionally, no appropriation currently exists to finance these judgements.

(12) Fund Deficits

The following represents material fund deficits as of September 30, 1999. If operation of these funds cannot cover prior losses, the State's General Fund may have to absorb these amounts or a portion thereof:

Special Revenue Funds:  
CFSM Grant Fund

\$ (137,144)

(13) Notes Payable - Component Units-Proprietary Funds

Chuuk Public Utility Corporation, as of September 30, 1999, had the following notes payable:

Note payable to a vendor non-interest bearing \$ 46,450

Amount drawn on a note payable to the State of Chuuk, facilitated by an Asian Development Bank loan to the FSM, interest at 6.28% due in semi-annual principal installments commencing August 2007. The loan is ultimately collateralized by a Chuuk State pledge of Compact of Free Association revenues to the FSM National Government. The State has not imposed collateralization on the Corporation.

467,202

\$ 513,652

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements  
September 30, 1999

(14) Loans Receivable - Related Parties

At September 30, 1999, the State had an outstanding loan of \$467,202 due from the Chuuk Public Utility Corporation, a component unit of the State. The loan to the Chuuk Public Utility Corporation is facilitated through a loan from the Asian Development Bank to the FSM National Government, which in turn lent the money to the State (see note 13).

(15) Fund Balances Reserved For Related Assets

Fund balance reserves for related assets are comprised of the following as of September 30, 1999:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Funds</u>
Early Retirement Trust Fund	\$ 1,649,105	\$ -	\$ -
Restricted cash – additional 20% revenue shares	923,420	-	-
Receivables	-	15,448	-
Investments and other	<u>-</u>	<u>9,816</u>	<u>14,288,836</u>
	<u>\$ 2,572,525</u>	<u>\$ 25,264</u>	<u>\$ 14,288,836</u>

(16) Risk Management

Chuuk State Government does not purchase commercial insurance to cover its potential risks. Chuuk State Government is substantially self-insured for all risks. Management is of the opinion that no material losses have been sustained as a result of this practice.

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Combining Schedule of Expenditures by Account-  
All Governmental Fund Types  
Year Ended September 30, 1999  
(With comparative totals for the year ended September 30, 1998)

	Governmental Fund Types			Totals (Memorandum Only)	
	General	Special Revenue	Capital Projects	1999	1998
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Expenditures:					
Personnel	\$ 13,393,302	\$ 1,588,616	\$ 229,879	\$ 15,211,797	\$ 15,511,090
Travel	742,173	370,642	179,887	1,292,702	782,659
Contractual services	606,751	1,332,501	3,302,535	5,241,787	4,320,900
POL	179,799	1,038	34,032	214,869	257,238
Other :					
Equipment	242,678	132,575	3,844,949	4,220,202	3,678,216
Medical supplies	202,178	270,298	-	472,476	355,083
Medical referral	15,184	-	-	15,184	17,312
Supplies and materials	318,210	392,040	1,284,172	1,994,422	2,399,604
Scholarships	122,320	-	-	122,320	89,350
Food	11,999	683,855	5,762	701,616	780,315
Books	10,424	-	-	10,424	91,054
All others	5,805,955	2,164,583	9,789,174	17,759,712	6,362,161
Debt service-principal	1,700,000	-	3,000,000	4,700,000	1,300,000
Debt service-interest	-	-	492,600	492,600	428,862
Miscellaneous	384,154	559,571	1,000	944,725	935,615
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total expenditures	<u>\$ 23,735,127</u>	<u>\$ 7,495,719</u>	<u>\$ 22,163,990</u>	<u>\$ 53,394,836</u>	<u>\$ 37,309,459</u>

See Accompanying Independent Auditors' Report.

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

**GENERAL FUND**

Statement of Revenues, Expenditures by Function and Department and Changes in Fund Balance (Deficit)  
Year Ended September 30, 1999  
(With comparative totals for the year ended September 30, 1998)

	1999	1998
<b>Revenues:</b>		
U.S. Compact of Free Association:		
Section 211(a)(2) - base grant	\$ 8,816,000	\$ 8,816,000
Section 217 - inflation adjustment	4,672,480	4,672,480
FSM revenue sharing	3,401,968	3,398,507
State taxes and licenses:		
Cigarette tax	\$ 68,308	\$ 53,448
General sales tax	830,198	722,422
Alcohol	170,432	193,348
Hotel	119,276	118,351
Delinquent tax collections	9,401	17,895
License and fees	138,404	46,052
Other	354,719	201,057
	1,690,738	1,352,573
Other revenues:		
Hospital and utilities collections	61,494	72,506
Transportation collections	331,793	426,010
Leases	43,404	95,757
Miscellaneous	628,951	227,300
Investment income	7,294,734	821,573
	7,294,734	1,352,694
<b>Total revenues</b>	<b>26,941,562</b>	<b>20,413,827</b>
<b>Expenditures by department:</b>		
General government:		
Executive branch:		
Governor and staff	560,095	458,412
Attorney General	178,376	166,226
State Finance	204,777	240,003
ADP	85,087	84,833
Tax and revenue	104,600	118,786
Program and budget	123,318	120,140
Property and supply	72,257	95,359
Personnel	71,300	92,526
Planning	146,210	126,421
	1,546,020	1,502,706
Legislative internal operations:		
President and members	343,884	300,580
Speakers and members	852,211	755,186
Legislative committees	556,481	512,838
Legislative legal office	225,709	184,468
Legislative administration	224,011	162,953
Legislative budget office	82,125	86,988
Chief clerks	238,855	224,768
	2,523,276	2,227,781
Judicial operations	527,279	489,448
Independent Prosecutor	17,581	-
Office of the Public Auditor	18,076	25,570
	4,632,232	4,245,505
Education:		
Administration	176,635	218,098
Elementary	3,039,363	3,466,256
Secondary	1,340,344	1,435,838
Curriculum and instruction	144,599	162,618
	4,700,941	5,282,810
Health services:		
Hospital and dispensaries	2,213,929	2,075,547
Environmental health	90,907	95,392
Dental services	217,843	234,615
	2,522,679	2,405,554

See Accompanying Independent Auditors' Report.



**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

**GENERAL FUND**

Statement of Revenues, Expenditures by Function and Department and Changes in Fund Balance (Deficit), Continued  
Year Ended September 30, 1999

(With comparative totals for the year ended September 30, 1998)

	1999	1998
Expenditures by department, continued:		
Economic development:		
Administration	\$ 129,059	\$ 110,699
Land management	39,830	41,175
Marine resources	310,813	364,010
Agriculture	238,043	270,835
Labor	25,822	27,042
Historic preservation	10,195	15,779
Business and trades	48,215	53,039
	801,977	882,579
Total economic development		
Public works:		
Operations and maintenance	312,968	343,309
	312,968	343,309
Total public works		
Public safety	767,259	771,552
	767,259	771,552
Transportation:		
Administration	591,047	646,562
Airport	163,014	54,176
	754,061	700,738
Total transportation		
Community affairs:		
Division of public affairs	87,745	94,240
Division of youth affairs	16,409	16,433
Division of information and broadcast	62,115	75,734
	166,269	186,407
Total community affairs		
Boards and commissions:		
Investment board	3,241	7,155
Election commission	256,874	61,018
Education board	10,899	18,771
Recreation board	149,189	80,308
Land commission	105,004	134,511
Environmental Protection Agency	73,106	71,379
ABC Board	129	-
Truk Scholarship Board	157,615	117,663
	756,057	490,805
Total boards and commissions		
Chuuk Early Retirement Program	974,312	2,595,997
Debt service - principal	1,700,000	-
Special programs	4,004,621	557,988
Legislative external appropriations	1,641,751	1,556,722
Uncollectible grants fund reserve and other	-	189,034
	8,320,684	4,899,741
Total other		
Total expenditures	23,735,127	20,209,000
Excess of revenues over expenditures	3,206,435	204,827
Other financing sources (uses):		
Loan proceeds	2,128,335	6,659,112
Operating transfers out	(311,576)	(304,756)
	5,023,194	6,559,183
Excess of revenues and other financing sources over expenditures and other financing uses before the cumulative effect of a change in accounting principle		
Add: cumulative effect of a change in accounting principle	-	4,603,258
	5,023,194	11,162,441
Excess of revenues and other financing sources over expenditures and other financing uses		
Deficit at beginning of year	(1,203,297)	(12,365,738)
Fund balance (deficit) at end of year	\$ 3,819,897	\$ (1,203,297)

See Accompanying Independent Auditors' Report.

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Special Revenue Funds  
September 30, 1999

Specific revenues that are legally restricted to expenditures for particular purposes are accounted for in the Special Revenue Funds. A brief discussion of the State's Special Revenue Funds as of September 30, 1999, follows:

Chuuk Visitors' 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.

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.

See Accompanying Independent Auditors' Report.

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

**SPECIAL REVENUE FUNDS**

Combining Balance Sheet

September 30, 1999

(With comparative totals as of September 30, 1998)

<u>ASSETS</u>	Chuuk Visitors' Bureau	Chuuk Airport Authority	Federal Grant Assistance	CFSM Grant	Compact Other Grants	Compact Special Block Grant Section 221(b)	Totals	
							1999	1998
Cash and equivalents	\$ 1,612	\$ -	\$ 9,816 ✓	\$ -	\$ (433,419)	\$ 452,784	\$ 30,793	\$ 604,896
Receivables:								
FSM National Gov't General, net	-	-	2,647,217 ✓ 1,900 ✓	400,820	13,548	-	3,061,585 1,900	2,936,744 430,741
Advances	-	-	-	-	-	-	-	202,843
Due from other funds	-	1,015,195 ✓	1,032,247 ✓	-	1,919,907 ✓	3,250,676 ✓	7,218,025	6,184,355
Allowance for uncollectibles	-	-	(2,093,093) ✓	(74,864)	-	-	(2,167,957)	(2,278,052)
<b>Total assets</b>	<b>\$ 1,612</b>	<b>\$ 1,015,195</b>	<b>\$ 1,598,087</b>	<b>\$ 325,956</b>	<b>\$ 1,500,036</b>	<b>\$ 3,703,460</b>	<b>\$ 8,144,346</b>	<b>\$ 8,081,527</b>
 <u>LIABILITIES AND FUND BALANCES (DEFICIT)</u>								
Liabilities:								
Accounts payable	\$ -	\$ -	\$ 873,718 ✓	\$ 68,389	\$ 964,577	\$ 1,407,427	\$ 3,314,111	\$ 3,029,167
Accrued liabilities	-	-	35,062	-	-	-	35,062	35,062
Due to other funds	-	-	-	394,711	-	-	394,711	387,950
Payable to other governments	-	-	411,987	-	-	-	411,987	389,356
Deferred revenue	-	-	277,320	-	-	-	277,320	277,320
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>1,598,087</b>	<b>463,100</b>	<b>964,577</b>	<b>1,407,427</b>	<b>4,433,191</b>	<b>4,118,855</b>
Fund balances (deficit):								
Reserved for related assets	-	-	11,716 ✓	-	13,548	-	25,264	440,557
Reserved for encumbrances	-	-	90,474	510,519	31,229	30,150	662,372	707,363
Unreserved	1,612	1,015,195	(102,190)	(647,663)	490,682	2,265,883	3,023,519	2,814,752
<b>Total fund balances (deficit)</b>	<b>1,612</b>	<b>1,015,195</b>	<b>-</b>	<b>(137,144)</b>	<b>535,459</b>	<b>2,296,033</b>	<b>3,711,155</b>	<b>3,962,672</b>
<b>Total liabilities and fund balances (deficit)</b>	<b>\$ 1,612</b>	<b>\$ 1,015,195</b>	<b>\$ 1,598,087</b>	<b>\$ 325,956</b>	<b>\$ 1,500,036</b>	<b>\$ 3,703,460</b>	<b>\$ 8,144,346</b>	<b>\$ 8,081,527</b>

See Accompanying Independent Auditors' Report.

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

**SPECIAL REVENUE FUNDS**

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

Year Ended September 30, 1999

(With comparative totals for the year ended September 30, 1998)

	Chuuk Visitors' Bureau	Chuuk Airport Authority	Federal Grant Assistance	CFSM Grant	Compact Other Grants	Compact Special Block Grant Section 221(b)	Totals	
							1999	1998
<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	-	-	-	-	635,894	-	635,894	635,894
Section 212-base grant	-	-	-	-	250,000	-	250,000	250,000
Federal contributions	-	-	2,565,316	-	-	-	2,565,316	1,329,180
Other	132,541	75,652	-	228,720	-	-	436,913	519,958
<b>Total revenues</b>	<b>132,541</b>	<b>75,652</b>	<b>2,565,316</b>	<b>228,720</b>	<b>2,296,781</b>	<b>2,730,000</b>	<b>8,029,010</b>	<b>6,875,919</b>
<b>Expenditures:</b>								
General government	-	-	-	-	463,332	-	463,332	394,732
Education	-	-	1,331,632	-	-	1,433,459	2,765,091	2,580,050
Health services	-	-	12,713	-	560,480	1,139,702	1,712,895	991,561
Public works and utilities	-	-	1,199,297	-	119,588	-	1,318,885	635,878
Public safety	-	-	-	228,720	-	-	228,720	171,804
Community affairs	-	-	21,674	-	260,160	-	281,834	267,419
Other	724,962	-	-	-	-	-	724,962	157,694
<b>Total expenditures</b>	<b>724,962</b>	<b>-</b>	<b>2,565,316</b>	<b>228,720</b>	<b>1,403,560</b>	<b>2,573,161</b>	<b>7,495,719</b>	<b>5,199,138</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(592,421)</b>	<b>75,652</b>	<b>-</b>	<b>-</b>	<b>893,221</b>	<b>156,839</b>	<b>533,291</b>	<b>1,676,781</b>
<b>Other financing sources (uses):</b>								
Operating transfers in	165,192	-	-	-	-	-	165,192	164,901
Operating transfers out	-	-	-	-	(950,000)	-	(950,000)	(1,053,000)
<b>Total other financing sources (uses), net</b>	<b>165,192</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(950,000)</b>	<b>-</b>	<b>(784,808)</b>	<b>(888,099)</b>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>(427,229)</b>	<b>75,652</b>	<b>-</b>	<b>-</b>	<b>(56,779)</b>	<b>156,839</b>	<b>(251,517)</b>	<b>788,682</b>
<b>Fund balances (deficit) at beginning of year</b>	<b>428,841</b>	<b>939,543</b>	<b>-</b>	<b>(137,144)</b>	<b>592,238</b>	<b>2,139,194</b>	<b>3,962,672</b>	<b>3,173,990</b>
<b>Fund balances (deficit) at end of year</b>	<b>\$ 1,612</b>	<b>\$ 1,015,195</b>	<b>\$ -</b>	<b>\$ (137,144)</b>	<b>\$ 535,459</b>	<b>\$ 2,296,033</b>	<b>\$ 3,711,155</b>	<b>\$ 3,962,672</b>

See Accompanying Independent Auditors' Report.

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

**SPECIAL REVENUE FUNDS**

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

Year Ended September 30, 1999

(With comparative totals for the year ended September 30, 1998)

	Chuuk Visitors' Bureau	Chuuk Airport Authority	Federal Grant Assistance	CFSM Grant	Compact Other Grants	Compact Special Block Grant Section 221(b)	Totals	
							1999	1998
<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	-	-	-	-	635,894	-	635,894	635,894
Section 212-base grant	-	-	-	-	250,000	-	250,000	250,000
Federal contributions	-	-	2,565,316	-	-	-	2,565,316	1,329,180
Other	132,541	75,652	-	228,720	-	-	436,913	519,958
<b>Total revenues</b>	<b>132,541</b>	<b>75,652</b>	<b>2,565,316</b>	<b>228,720</b>	<b>2,296,781</b>	<b>2,730,000</b>	<b>8,029,010</b>	<b>6,875,919</b>
<b>Expenditures:</b>								
Personnel	93,996	-	422,843	117,935	-	953,842	1,588,616	1,387,158
Travel	15,492	-	63,114	41,632	194,593	55,811	370,642	232,630
Contractual services	615	-	1,131,697	-	197,166	3,023	1,332,501	440,775
POL	1,038	-	-	-	-	-	1,038	10,146
Other :								
Equipment	6,014	-	92,869	22,889	-	10,803	132,575	45,275
Medical supplies	-	-	-	-	13,810	256,488	270,298	203,562
Supplies and materials	8,491	-	341,486	-	32,686	9,377	392,040	226,343
Food	-	-	-	-	93,910	589,945	683,855	773,072
Books	-	-	-	-	-	-	-	90,444
All others	599,316	-	-	-	871,395	693,872	2,164,583	884,258
Miscellaneous	-	-	513,307	46,264	-	-	559,571	905,475
<b>Total expenditures</b>	<b>724,962</b>	<b>-</b>	<b>2,565,316</b>	<b>228,720</b>	<b>1,403,560</b>	<b>2,573,161</b>	<b>7,495,719</b>	<b>5,199,138</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(592,421)</b>	<b>75,652</b>	<b>-</b>	<b>-</b>	<b>893,221</b>	<b>156,839</b>	<b>533,291</b>	<b>1,676,781</b>
<b>Other financing sources (uses):</b>								
Operating transfers in	165,192	-	-	-	-	-	165,192	164,901
Operating transfers out	-	-	-	-	(950,000)	-	(950,000)	(1,053,000)
<b>Total other financing sources (uses), net</b>	<b>165,192</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(950,000)</b>	<b>-</b>	<b>(784,808)</b>	<b>(888,099)</b>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>(427,229)</b>	<b>75,652</b>	<b>-</b>	<b>-</b>	<b>(56,779)</b>	<b>156,839</b>	<b>(251,517)</b>	<b>788,682</b>
<b>Fund balances (deficit) at beginning of year</b>	<b>428,841</b>	<b>939,543</b>	<b>-</b>	<b>(137,144)</b>	<b>592,238</b>	<b>2,139,194</b>	<b>3,962,672</b>	<b>3,173,990</b>
<b>Fund balances (deficit) at end of year</b>	<b>\$ 1,612</b>	<b>\$ 1,015,195</b>	<b>\$ -</b>	<b>\$ (137,144)</b>	<b>\$ 535,459</b>	<b>\$ 2,296,033</b>	<b>\$ 3,711,155</b>	<b>\$ 3,962,672</b>

See Accompanying Independent Auditors' Report.

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Capital Projects Fund  
September 30, 1999

The acquisition and construction of major capital facilities, other than those financed by proprietary funds are accounted for in the Capital Projects Funds. A brief discussion of the State's Capital Projects Fund as of September 30, 1999, follows:

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.

See Accompanying Independent Auditors' Report.

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

**CAPITAL PROJECTS FUNDS**

Combining Balance Sheet

September 30, 1999

(With comparative totals as of September 30, 1998)

<u>Assets</u>	Compact 211(a)(2) Capital Projects	Totals	
		1999	1998
Cash and equivalents	\$ 754,650 ✓	\$ 754,650	\$ 466,891
Investments	19,186,847 ✓	19,186,847	28,247,758
Investments - other	14,264,005 ✓	14,264,005	7,264,005
Receivable from:			
FSM National Government	-	-	92,991
Pohnpei State Government	172,503 ✓	172,503	-
Dept. of the Interior grants - TTG	-	-	766,415
Prepaid expenses	24,831 ✓	24,831	24,831
Advances	-	-	193,702
Loans receivable, other	-	-	7,000,000
Due from other funds	-	-	2,171,398
Allowance for uncollectibles	-	-	(855,430)
	\$ 34,402,836	\$ 34,402,836	\$ 45,372,561
<u>Liabilities and Fund Balance</u>			
Liabilities:			
Accounts payable	\$ 5,472,554 ✓	\$ 5,472,554	\$ 3,614,287
Due to other funds	285,623 ✓	285,623	91,920
Notes payable	329,179 ✓	329,179	329,179
	6,087,356	6,087,356	4,035,386
Fund balance (deficit):			
Reserved for:			
Related assets	14,288,836	14,288,836	14,755,727
Encumbrances	577,654	577,654	144,252
Continuing appropriations	3,986,560	3,986,560	13,796,678
Unreserved	9,462,430	9,462,430	12,640,518
	28,315,480	28,315,480	41,337,175
	\$ 34,402,836	\$ 34,402,836	\$ 45,372,561

See Accompanying Independent Auditors' Report.

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

**CAPITAL PROJECTS FUNDS**

Combining Statement of Revenues, Expenditures by Function And Changes in Fund Balance  
Year Ended September 30, 1999

(With comparative totals for the year ended September 30, 1998)

	Compact 211(a)(2) Capital Projects	Totals	
		1999	1998
<b>Revenues:</b>			
U.S. Compact of Free Association:			
Section 211 (a)(2) - base grant	\$ 6,144,000	\$ 6,144,000	\$ 6,144,000
Section 217 - inflation adjustment	3,256,320	3,256,320	3,256,320
Total revenues	9,400,320 ✓	9,400,320	9,400,320
<b>Expenditures:</b>			
Capital projects	18,671,390 ✓	18,671,390	10,172,459
Debt service-principal	3,000,000 ✓	3,000,000	1,300,000
Debt service-interest	492,600 ✓	492,600	428,862
Total expenditures	22,163,990	22,163,990	11,901,321
Excess (deficiency) of revenues over (under) expenditures	(12,763,670)	(12,763,670)	(2,501,001)
<b>Other financing sources (uses):</b>			
Operating transfers out	(386,400) ✓	(386,400)	-
Other income	33,314 ✓	33,314	10
Deficiency of revenues and other financing sources under expenditures and other financing uses	(13,116,756)	(13,116,756)	(2,500,991)
Fund balance at beginning of year	41,432,236 ✓	41,432,236	43,838,166
Fund balance at end of year	\$ 28,315,480	\$ 28,315,480	\$ 41,337,175

See Accompanying Independent Auditors' Report.



**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

**CAPITAL PROJECTS FUNDS**

Combining Statement of Revenues, Expenditures by Account And Changes in Fund Balance

Year Ended September 30, 1999

(With comparative totals for the year ended September 30, 1998)

	Compact 211(a)(2) Capital Projects	Totals	
		1999	1998
<b>Revenues:</b>			
U.S. Compact of Free Association:			
Section 211 (a)(2) - base grant	\$ 6,144,000	\$ 6,144,000	\$ 6,144,000
Section 217 - inflation adjustment	3,256,320	3,256,320	3,256,320
<b>Total revenues</b>	<b>9,400,320</b>	<b>9,400,320</b>	<b>9,400,320</b>
<b>Expenditures:</b>			
Personnel	229,879	229,879	93,822
Travel	179,887	179,887	96,362
Contractual services	3,302,535	3,302,535	2,926,478
POL	34,032	34,032	45,842
Other:			
Equipment	3,844,949	3,844,949	3,325,868
Supplies and materials	1,284,172	1,284,172	1,854,831
Food	5,762	5,762	7,243
All others	9,789,174	9,789,174	1,811,445
Debt service-principal	3,000,000	3,000,000	1,300,000
Debt service-interest	492,600	492,600	428,862
Miscellaneous	1,000	1,000	10,568
<b>Total expenditures</b>	<b>22,163,990</b>	<b>22,163,990</b>	<b>11,901,321</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(12,763,670)</b>	<b>(12,763,670)</b>	<b>(2,501,001)</b>
<b>Other financing sources (uses) :</b>			
Operating transfers out	(386,400)	(386,400)	-
Other income	33,314	33,314	10
<b>Deficiency of revenues and other financing sources over expenditures and other financing uses</b>	<b>(13,116,756)</b>	<b>(13,116,756)</b>	<b>(2,500,991)</b>
<b>Fund balance at beginning of year</b>	<b>41,432,236</b>	<b>41,432,236</b>	<b>43,838,166</b>
<b>Fund balance at end of year</b>	<b>\$ 28,315,480</b>	<b>\$ 28,315,480</b>	<b>\$ 41,337,175</b>

See Accompanying Independent Auditors' Report.

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Combining Balance Sheet  
Discretely Presented Component Units  
September 30, 1999  
(With Comparative Totals as of September 30, 1998)

	<u>Chuuk Public Utility Corporation</u>	<u>Chuuk State Housing Authority</u>	<u>Totals</u>	
			1999	1998
<u>Assets</u>				
Cash and equivalents	\$ 8,889	\$ 724,597	\$ 733,486	\$ 54,945
General receivables, net	518,754	6,792	525,546	797,249
Loans receivable, net	-	1,134,555	1,134,555	-
Fixed assets	8,371,824	137,528	8,509,352	643,744
Other assets	-	4,140	4,140	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 8,899,467</u>	<u>\$ 2,007,612</u>	<u>\$ 10,907,079</u>	<u>\$ 1,495,938</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Accounts payable	\$ 83,889	\$ 418	\$ 84,307	\$ 256,832
Accrued payroll and annual leave	176,320	-	176,320	92,441
Notes payable	513,652	-	513,652	338,480
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>773,861</u>	<u>418</u>	<u>774,279</u>	<u>687,753</u>
Fund equity:				
Retained earnings	911,703	166,924	1,078,627	808,185
Contributed capital	7,213,903	1,840,270	9,054,173	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund equity	<u>8,125,606</u>	<u>2,007,194</u>	<u>10,132,800</u>	<u>808,185</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund equity	<u>\$ 8,899,467</u>	<u>\$ 2,007,612</u>	<u>\$ 10,907,079</u>	<u>\$ 1,495,938</u>

See Accompanying Independent Auditors' Report.

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Combining Statement of Revenues, Expenses and Changes in Fund Equity -  
Discretely Presented Component Units  
Year Ended September 30, 1999  
(With comparative totals for the year ended September 30, 1998)

	Chuuk Public Utility Corporation	Chuuk State Housing Authority	Totals Memorandum Only	
			1999	1998
Operating revenues:				
Sales	\$ 1,779,655	123,017	\$ 1,902,672	\$ 1,989,586
Total operating revenues	<u>1,779,655</u>	<u>123,017</u>	<u>1,902,672</u>	<u>1,989,586</u>
Operating expenses:				
Payroll and personnel	1,801,720	92,354	1,894,074	1,305,902
Fuel	1,295,626	1,569	1,297,195	1,299,260
Depreciation	218,993	24,917	243,910	47,669
Bad debt	14,674	292,004	306,678	283,523
Rent	-	1,475	1,475	-
Other	-	96,381	96,381	7,864
Total operating expenses	<u>3,331,013</u>	<u>508,700</u>	<u>3,839,713</u>	<u>2,944,218</u>
Operating loss	<u>(1,551,358)</u>	<u>(385,683)</u>	<u>(1,937,041)</u>	<u>(954,632)</u>
Nonoperating revenues (expenses):				
Transfers in	1,250,000	131,871	1,381,871	1,053,000
Federal contributions	400,202	37,502	437,704	50,295
Other income (expense)	4,674	(84,976)	(80,302)	20,556
Total nonoperating revenues, net	<u>1,654,876</u>	<u>84,397</u>	<u>1,739,273</u>	<u>1,123,851</u>
Net earnings	103,518	(301,286)	(197,768)	169,219
Retained earnings at beginning of year	<u>808,185</u>	<u>468,210</u>	<u>1,276,395</u>	<u>638,966</u>
Retained earnings at end of year	<u>911,703</u>	<u>166,924</u>	<u>1,078,627</u>	<u>808,185</u>
Contributed capital at beginning of year	-	1,840,270	1,840,270	-
Contributions	<u>7,213,903</u>	<u>-</u>	<u>7,213,903</u>	<u>-</u>
Contributed capital at end of year	<u>7,213,903</u>	<u>1,840,270</u>	<u>9,054,173</u>	<u>-</u>
Total fund equity	<u>\$ 8,125,606</u>	<u>2,007,194</u>	<u>\$ 10,132,800</u>	<u>\$ 808,185</u>

See Accompanying Independent Auditors' Report.

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Combining Statement of Cash Flows -  
Discretely Presented Component Units  
Year Ended September 30, 1999  
(With comparative totals for the year ended September 30, 1998)

	<u>Chuuk Public Utility Corporation</u>	<u>Chuuk State Housing Authority</u>	<u>Totals Memorandum Only</u>	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
Reconciliation of operating loss to net cash used for operating activities:				
Operating loss	\$ (1,551,358)	-	\$ (1,551,358)	\$ (954,632)
Adjustments to reconcile operating loss to net cash used for operating activities:				
Depreciation	218,993	-	218,993	47,669
Other income	4,674	-	4,674	20,556
Decrease (increase) in receivables	278,495	-	278,495	(117,242)
(Decrease) increase in accounts payable	(172,943)	-	(172,943)	236,123
Increase in other liabilities	83,879	-	83,879	(10,614)
Total adjustments	<u>413,098</u>	<u>-</u>	<u>413,098</u>	<u>176,492</u>
Net cash used for operating activities	<u>(1,138,260)</u>	<u>-</u>	<u>(1,138,260)</u>	<u>(778,140)</u>
Cash flows from noncapital financing activities:				
Operating grants received	<u>1,650,202</u>	<u>-</u>	<u>1,650,202</u>	<u>1,103,295</u>
Net cash provided by noncapital financing activities	<u>1,650,202</u>	<u>-</u>	<u>1,650,202</u>	<u>1,103,295</u>
Cash flows from capital and related financing activities:				
Acquisition of utility plant	<u>(733,170)</u>	<u>-</u>	<u>(733,170)</u>	<u>(636,114)</u>
Proceeds from notes payable	<u>175,172</u>	<u>-</u>	<u>175,172</u>	<u>338,480</u>
Net cash used for capital and related financing activities	<u>(557,998)</u>	<u>-</u>	<u>(557,998)</u>	<u>(297,634)</u>
Net (decrease) increase in cash and equivalents	<u>(46,056)</u>	<u>-</u>	<u>(46,056)</u>	<u>27,521</u>
Cash and equivalents at beginning of year	<u>54,945</u>	<u>-</u>	<u>54,945</u>	<u>27,424</u>
Cash and equivalents at end of year	<u>\$ 8,889</u>	<u>-</u>	<u>\$ 8,889</u>	<u>\$ 54,945</u>

See Accompanying Independent Auditors' Report.

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED UPON THE ENGAGEMENT TO AUDIT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Ansito Walter  
Governor, State of Chuuk  
Federated States of Micronesia:

We were engaged to audit the general purpose financial statements of the State of Chuuk as of and for the year ended September 30, 1999. Our report dated June 16, 2000, stated that the scope of our work was not sufficient to enable us to express, and we did not express, an opinion on the general purpose financial statements due to; 1) our inability to determine that accounts payable and expenditures of the Governmental Fund Types were fairly stated; 2) our inability to form an opinion on the General Fixed Assets Account Group; 3) the omission of the State's development authorities; 4) the omission of the State's component unit - Chuuk Coconut Authority; 5) our inability to determine the propriety of the Chuuk Visitors' Bureau's, a Governmental Fund Type - Special Revenue Fund, accounting records; 6) the omission of a statement of cash flows of the Chuuk State Housing Authority, a component unit - propriety fund; 7) our inability to obtain audited financial statements from investees of the State of Chuuk supporting investments recorded in the Governmental Fund Type - Capital Projects Fund; 8) the noninclusion of a potential Component Unit-Governmental Fund; and 9) our inability to determine that continuing appropriations of the Governmental Fund Types were fairly stated.

### Compliance

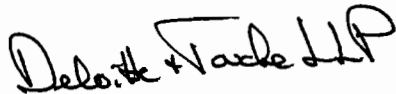
We performed tests of the State of Chuuk's compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, our objective was not to provide an opinion on compliance with those provisions and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Questioned Costs (pages 69 through 85) as items 99-L1 through 99-L4.

### Internal Control Over Financial Reporting

In planning our engagement to audit, we considered the State of Chuuk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the State of Chuuk's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 99-4 and 99-6 through 99-11.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the 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 over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 99-4, 96-6 and 99-10 to be material weaknesses.

This report is intended for the information of the management of the State of Chuuk, federal awarding agencies, pass-through entities, and the cognizant audit and other federal agencies and is not intended to be, and should not be, used by anyone other than those specified parties.

A handwritten signature in black ink, appearing to read "Deloitte + Touche LLP". The signature is stylized and cursive.

June 16, 2000



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL  
OVER COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL AWARD PROGRAM  
AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Honorable Ansito Walter  
Governor, State of Chuuk  
Federated States of Micronesia:

Compliance

We have audited the compliance of the State of Chuuk with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 1999. State of Chuuk's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs (pages 69 through 85). Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of State of Chuuk's management. Our responsibility is to express an opinion on State of Chuuk's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about State of Chuuk's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the State of Chuuk's compliance with those requirements.

As described in items 99-1 and 99-3 through 99-5 in the accompanying Schedule of Findings and Questioned Costs, the State of Chuuk did not comply with requirements regarding allowable costs/cost principles (CFDA #84.256A), equipment and real property management (all programs), and unresolved prior years' federal findings (CFDA #84.003 and 10.560). Compliance with such requirements is necessary, in our opinion, for State of Chuuk to comply with requirements applicable to its federal programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the State of Chuuk, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 1999.



## Internal Control Over Compliance

The management of the State of Chuuk is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the State of Chuuk's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

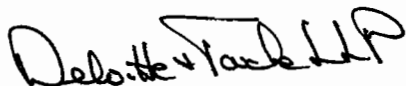
We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Chuuk State's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 99-1 and 99-3 through 99-5.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 99-4 to be a material weakness.

## Schedule of Expenditures of Federal Awards

We were engaged to audit the general purpose financial statements of the State of Chuuk as of and for the year ended September 30, 1999. Our report dated June 16, 2000, stated that the scope of our work was not sufficient to enable us to express, and we did not express, an opinion on the general purpose financial statements due to; 1) our inability to determine that accounts payable and expenditures of the Governmental Fund Types were fairly stated; 2) our inability to form an opinion on the General Fixed Assets Account Group; 3) the omission of the State's development authorities; 4) the omission of the State's component unit - Chuuk Coconut Authority; 5) our inability to determine the propriety of the Chuuk Visitors' Bureau's, a Governmental Fund Type - Special Revenue Fund, accounting records; 6) the omission of a statement of cash flows of the Chuuk State Housing Authority, a component unit - propriety fund; 7) our inability to obtain audited financial statements from investees of the State of Chuuk supporting investments recorded in the Governmental Fund Type - Capital Projects Fund; 8) the noninclusion of a potential Component Unit-Governmental Fund; and 9) our inability to determine that continuing appropriations of the Governmental Fund Types were fairly stated. The accompanying schedule of expenditures of federal awards (pages 45 through 64) is presented for the purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the general purpose financial statements. This schedule is the responsibility of the management of the Chuuk State Government. The scope of our work was not sufficient to enable us to express an opinion, and we do not express an opinion, on the information in that schedule.

This report is intended for the information of the State of Chuuk, federal awarding agencies, pass-through entities, and the cognizant audit and other federal agencies, and is not intended to be, and should not be, used by anyone other than those specified parties.



June 16, 2000

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards  
FSM Federal Assistance Fund  
Year Ended September 30, 1999

Grantor Account Title	Org./Cost Center #	CFDA I.D. #	1999 Fiscal Year Expenditures
<u>Direct Grants:</u>			
<u>U.S. Department of Education</u>			
School Improvement Project	FG3001	84.256A	\$ 306,860
96 School Improvement Project	TA3808	84.256A	898,864
96 School Improvement Project	TX4010	84.256A	38,569
Total U.S. Department of Education			\$ 1,244,293
<u>U.S. Environmental Protection Agency</u>			
Chuuk House Sewer Connection	TK9011	66.418	\$ 17,486
Total Environmental Protection Agency (CFDA #66.418)			\$ 17,486
<u>Received in a Pass through Capacity From:</u>			
<u>Pacific Resources for Education and Learning (PREL)</u>			
Vocational Education Improvement Project	3870	84.994	\$ 87,341
Total Pacific Resources for Education and Learning (CFDA #84.994)			\$ 87,341
<u>FSM National Government:</u>			
<u>Federal Emergency Management Agency</u>			
Typhoon Owen Public Assistance	TX1300	83.516	\$ (465)
Typhoon Yuri Public Assistance	TX2800	83.516	29,751
El Nino Drought/Public Assistance	TX8500	83.516	233,911
El Nino Drought/Sub-Grantee	TX8501	83.516	11,064
Total CFDA #83.516			274,261
Hazard Mitigation Management Cost	3853	83.519	1,394
Hazard Mitigation Management Cost	3864	83.519	21,673
Hazard Mitigation Management Cost	FM4010	83.519	5,457
HMGP/Broadcast Building	TX4011	83.519	6,254
Total CFDA #83.519			34,778
Total Federal Emergency Management Agency			\$ 309,039
<u>U.S. Department of Commerce - Economic Development Administration</u>			
Weno Water Project	N/A	11.300	\$ 907,157
Total Department of Commerce			\$ 907,157
Total Federal Financial Assistance Fund			\$ 2,565,316

See accompanying notes to schedule of expenditures of federal awards.

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued  
CFSM Special Revenue Fund  
Year Ended September 30, 1999

Grantor Account Title	Chuuk Org. #	CFDA I.D. #	1999 Fiscal Year Expenditures
Chuuk Joint Law Enforcement	101234	N/A	\$ 137,362
Fire Disaster Relief Fund	1133	N/A	3,680
Land Commission Survey Equipment	120107	N/A	6,562
Land Commission Survey Equipment	910014	N/A	1,704
Land Commission Survey Equipment	C9437	N/A	83,339
Unknown			(3,927)
Total CFSM Special Revenue Fund			\$ <u>228,720</u>

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

See accompanying notes to schedule of expenditures of federal awards.

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued  
Compact of Free Association Capital Projects Fund  
Section 211 (A)(2)  
Year Ended September 30, 1999

Grantor Account Title	Org./Cost Center #	CFDA I.D. #	1999 Fiscal Year Expenditures
<u>Section 211 (A)(2)</u>			
Unknown			\$ (8,308)
Tonoas Farming Projects	5009	15.875	3,200
Uman Fishing Project	5029	15.875	10,000
Uman Fishing Project	6016	15.875	6,703
N.N. Economic /Social Development Project	6055	15.875	14,190
Coconut Rehabilitation	6139	15.875	1,340
Onoun Fishing Cooperation	6142	15.875	15,708
Weno JR High Renovation	6148	15.875	27,565
Moen Farming Project	6154	15.875	29,389
Onoun Cooperative Association	6170	15.875	1,247
Nepukos Water Tank	6176	15.875	1,545
Contingency CIP Airport	6180	15.875	12,400
Mechitiw Fishing Development	6202	15.875	946
Weno Winipis Fishing Project	6208	15.875	10,270
Weno Office Comm. Supple.	6243	15.875	2,626
Uman Nukan Fishing Project	6290	15.875	4,524
Weno Fishing Project	6333	15.875	32,560
Weno Fishing Project	6335	15.875	5,000
Road Project	6375	15.875	1,000
Satowan Road Rroject	6421	15.875	11,736
Satowan Elementary School Project	6423	15.875	26,224
Nepukos Electric Shop	6454	15.875	4,803
Tonoas Economic Development	6457	15.875	61,400
Fefan Water System	6496	15.875	1,471
Weno Village Administration Project	6515	15.875	13,000
Nomwin Administration Building	6532	15.875	5,794
Losap Agriculture Project	6537	15.875	4,091
Contingency Fund	6572	15.875	854
Fefan Seawall Project	6590	15.875	2,087
State Facility Rehabilitation	6595	15.875	62,957
Satowan Fisheries Development	6607	15.875	7,518
Coconut Rehabilitation Project	6615	15.875	2,450
Onou Housing Project	6631	15.875	18,190
Agriculture, Swin, Crop Development Project	6632	15.875	1,450
Fefan Basketball Court	6640	15.875	2,427
CIP Contingency	6644	15.875	6,486
Fefan Fishing Proejct	6647	15.875	892
Fefan Municipal Office	6654	15.875	2,496
CIP Administration Cost	6675	15.875	411
Northern Nomeas Public Ren.	6705	15.875	3,466
Onoun Housing Project	6998	15.875	1,518
Fono Fishing Project	8561	15.875	3,298
Fefan Road Supl.	8745	15.875	600
Fono Fishing Project	8887	15.875	5,663
Neauo Administrative Building	C0010	15.875	18,272
Tonoas Regional Fishing	C0030	15.875	1,519
Weno Phys. Cup. Sup.	C0037	15.875	10,300
Weno Fishing Boat	C0038	15.875	42,077
Iras Drainage System	C0049	15.875	8,000
Subtotal			<u>503,355</u>

See accompanying notes to schedule of expenditures of federal awards.

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued  
Compact of Free Association Capital Projects Fund  
Section 211 (A)(2), Continued  
Year Ended September 30, 1999

Grantor Account Title	Chuuk Org #/ Cost Center	CFDA I.D. #	1999 Fiscal Year Expenditures
Balance forwarded			\$ 503,355
Iras Water Catchment	C0054	15.875	2,780
Sanumi Piggery Project	C0056	15.875	3,286
Unanu Housing Project	C0057	15.875	3,858
Tonoas Disp. Project	C0068	15.875	1,869
Weno Social/Economic Development Project	C0081	15.875	9,392
Nukanap (Weno) Fising Development	C0082	15.875	5,603
Fefan Municipal Office Complex	C0088	15.875	10,352
Fefan Municipal Office Complex	C0089	15.875	5,000
Tonoas Project Administration Cost	C0094	15.875	3,000
Tunnuk Fishing Development Project	C0118	15.875	458
Iras Fishing Project	C0124	15.875	943
Mechitiw Water Project	C0128	15.875	644
Moch School Classroom Supple.	C0138	15.875	4,729
Peniesene Sewing Project	C0146	15.875	706
Tol Road Upgrade	C0151	15.875	9,764
Losap Fishing Project	C0175	15.875	8,363
Losap Public Building	C0176	15.875	8,446
Unanu Housing Project	C0199	15.875	9,800
Mechitiw Weno Public Building Renovation	C0208	15.875	875
Polle/Tonoas Youth Center	C0219	15.875	1,019
Nepukos Fishing Development Project	C0224	15.875	3,417
N. Namon Economic & Social Dev. Project	C0225	15.875	57,515
Tonoas Office Complex Reconstruction	C0227	15.875	8,001
Tonoas Lease Claim	C0229	15.875	567
Tol Municipal Office & Police Complex	C0239	15.875	52,581
Tol Cnt. Disp. & Comm.	C0242	15.875	62,355
Tol Recreation Facility & School Rp.	C0243	15.875	31,200
Nepukos Water Supple.	C0252	15.875	338
Ruo Fishing Market	C0270	15.875	2,607
Satawan Sub Power & Facilities	C0297	15.875	2,295
Namoluk Public Building Renovation	C0300	15.875	13,025
Weno Municipal Major Social Development	C0314	15.875	2,748
Wichap Fishing Project	C0321	15.875	5,150
Tolensom Dispensary Site Lease	C0324	15.875	53,890
Tolensom Dispensary Site Lease	C0325	15.875	7,300
Tolensom Road Project Supple.	C0327	15.875	56,898
Nukanap (Parem) C.C.R.	C0348	15.875	5,377
Eat Seawall Project	C0366	15.875	26,577
Chuuk Tuna Cannery	C0370	15.875	16,000
Radio/Communication Equipment/N. West	C0375	15.875	(892)
Tol School Site Lease	C0377	15.875	32,499
Unanu Public Land Purchase	C0389	15.875	117
Peniesene Fishing Project	C0402	15.875	813
Fefan Market Project	C0413	15.875	2,580
Unknown	C0414	15.875	1,014
Department of Agriculture	C0473	15.875	1,500
Unknown	C0475	15.875	7,117
Pafeng Nav. Aids System	C0477	15.875	21,135
Subtotal			<u>1,067,966</u>

See accompanying notes to schedule of expenditures of federal awards.

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued  
Compact of Free Association Capital Projects Fund  
Section 211 (A)(2), Continued  
Year Ended September 30, 1999

Grantor Account Title	Chuuk Org #/ Cost Center	CFDA I.D. #	1999 Fiscal Year Expenditures
Balance forwarded			\$ 1,067,966
Fono Typhoon Shelter	C0523	15.875	1,298
Siis Farming Project	C0526	15.875	5,000
Mechitiw Water Project	C0534	15.875	1,071
Piharar Housing Phase III Supple.	C0534	15.875	887
Satawan Dock Upgrade	C0561	15.875	33,743
Udot Village Meeting Hall	C0569	15.875	2,100
Onoun Municipal Renovation	C0584	15.875	8,800
Onoun Road/Runway Maintenance	C0585	15.875	18,643
Nukan (Fefa) Water Project	C0586	15.875	1,035
Human Resources Development & Training	C0587	15.875	2,005
Fefan Public Building Rep. Sp.	C0595	15.875	6,133
Penia Water Suo. System	C0601	15.875	2,741
Fefan Rock Crush Plt.	C0611	15.875	7,744
Liwis Os, Mayor	C0618	15.875	3,102
Lukunoch Housing Revolving fund	C0639	15.875	20,000
Tonoas Livestock Project	C0645	15.875	3,090
Udot Road Upgrading Suppl.	C0654	15.875	5,219
Tol Public Road Upgrade	C0658	15.875	125,105
Road Paving Supplemental	C0673	15.875	18,000
Chuuk State EPA	C0678	15.875	1,198
College of Micronesia (Chuuk)	C0681	15.875	70,000
Department of Agriculture Facilities Recon.	C0686	15.875	3,918
Fefan Road Supplemental	C0688	15.875	13,155
Ta Runway Repair & Land Survey Supple.	C0690	15.875	4,617
Ta Dock Improvement/Expansion Supplemental	C0691	15.875	5,000
Fefen Fishing Project	C0701	15.875	2,688
Peniesene (Weno) Access Road	C0702	15.875	550
Wichap Office Building W/Site Purchase	C0735	15.875	5,800
Miss Nama	C0743	15.875	2,717
Pollap Multipurpose Building Project	C0748	15.875	3,359
Weno Water Development Upgrade	C0772	15.875	6,662
Etten Water Project Supplemental	C0779	15.875	3,785
Tonoas Road Upgrade Supply	C0780	15.875	1,000
Toleisom Municipality	C0785	15.875	34,894
Mwanukun Uman Road Repair	C0786	15.875	22,500
Kuttu Dock Project Supplemental	C0811	15.875	6,019
Kuttu Municipal Complex Building	C0813	15.875	11,250
Tamatam School Project Supplemental	C0821	15.875	5,999
Mizpah School Construction	C0839	15.875	9,904
Toleisom Regional Fishing Project	C0841	15.875	45,279
Tol Community Center	C0842	15.875	8,038
Satawan Ice Machine Supplemental	C0843	15.875	4,496
Eor (Weno) Public Building Repair	C0852	15.875	797
Penia (Weno) Water Project Supplemental	C0856	15.875	4,999
Nomwin Housing Supplemental	C0868	15.875	4,249
Kuttu Island Power Supplemental	C0871	15.875	23,000
Ta/Lukunor School Repair	C0879	15.875	25,245
Losap Office Complex	C0882	15.875	11,005
Subtotal			<u>1,675,805</u>

See accompanying notes to schedule of expenditures of federal awards.

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued  
Compact of Free Association Capital Projects Fund  
Section 211 (A)(2), Continued  
Year Ended September 30, 1999

Grantor Account Title	Chuuk Org #/ Cost Center	CFDA I.D. #	1999 Fiscal Year Expenditures
Balance forwarded			\$ 1,675,805
Udot Water Supply System	C0886	15.875	13,928
Udot Ice Plant	C0889	15.875	17,939
St. Julia School Repair	C0892	15.875	8,698
Tol CIP Related Claim	C0904	15.875	10,000
Tol School Site Lease Supplemental	C0911	15.875	40,000
Pattiw JHS Construction	C0913	15.875	6,150
Siis Dispensary Construction	C0918	15.875	10,725
Eot Housing Loan Fund Supplemental	C0927	15.875	25,000
Nama Civic Center Project	C0944	15.875	8,000
Epinup/Weno Admin. Building	C0946	15.875	1,520
Weno Water Development	C0949	15.875	300
Tonoas Farming Project	C0956	15.875	200
Paata Fishing Project	C0962	15.875	7,950
Chuuk Airport Runway Repair	C0964	15.875	360,347
V6AK Radio & TV Complex	C0975	15.875	8,894
Uman Fishing Market	C0982	15.875	22,671
IKK 1 (Polowat Fishing Project)	C0989	15.875	26,806
Fuun Metaw Drydocking	C1004	15.875	39,659
MS Toku Drydocking	C1005	15.875	9,697
MS Toku Drydocking	C1006	15.875	16,598
Wonip Tol Solar Lightning	C1008	15.875	1,450
Fefan Classroom Renovation Project	C1009	15.875	8,991
Fono Water Project	C1014	15.875	9,800
Tol Nenneu, Foupo Community Center	C1022	15.875	525
South Namon JHS Facilities Renovation	C1025	15.875	25,299
Sapore (Fefan) Fishing Project	C1029	15.875	1,400
Neauo Seawall	C1031	15.875	1,053
Neauo Weno School Facilities	C1032	15.875	6,085
Polle Community Center/Public Facilities	C1033	15.875	3,980
Fefan Dock Repair	C1043	15.875	15,630
Houk Land Outright Purchase	C1045	15.875	26,282
Niekewe Women Sewing Project	C1046	15.875	3,853
Peniesene Beautification	C1047	15.875	2,946
Wonei Past Use Compensation	C1048	15.875	14,000
Lukunor Classroom Renovation & Water	C1050	15.875	11,992
Sefin Weno Youth Center	C1055	15.875	658
Sefin Weno Water	C1056	15.875	4,118
Sangkumi Weno Fishing	C1058	15.875	5,763
Tonoas Power Distribution	C1060	15.875	12,051
Tonoas Power Generation	C1062	15.875	113,384
Ufo Fefan Dispensary Renovtion	C1064	15.875	6,341
Lukunor Classroom Renovation	C1065	15.875	9,694
Chuuk State Water Project	C1071	15.875	(11,076)
Road Repavement and Pavement	C1073	15.875	388,708
Tonoas Public Building Repair/Renovation	C1074	15.875	3,948
Hall Islands Agriculture	C1075	15.875	3,369
Tonoas Water System Development	C1077	15.875	2,650
Wichap Weno Water Project	C1078	15.875	500
Subtotal			<u>2,984,281</u>

See accompanying notes to schedule of expenditures of federal awards.

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued  
Compact of Free Association Capital Projects Fund  
Section 211 (A)(2), Continued  
Year Ended September 30, 1999

Grantor Account Title	Chuuk Org #/ Cost Center	CFDA I.D. #	1999 Fiscal Year Expenditures
Balance forwarded			\$ 2,984,281
Tonoas Housing Loan Fund	C1081	15.875	50,000
Romalum Farming Project	C1082	15.875	8,999
Tonoas Water System Development	C1088	15.875	4,872
Polle Manaio Sewing Project	C1089	15.875	1,200
Tonoas Public Building Repair	C1090	15.875	7,114
Pukos Namoluk P.M.H.	C1091	15.875	5,108
Hospital Renovation	C1092	15.875	184,162
Water and Sanitation	C1093	15.875	108,500
Airport Repair	C1094	15.875	53,133
DPW Heavy Equipment	C1095	15.875	470
Facility Renovation	C1098	15.875	11,142
High School Dorms Renovation	C1099	15.875	48,335
Wichap Weno Water	C1102	15.875	3,399
Tonoas Water System	C1104	15.875	1,850
Tonoas Office Repair/Renovation	C1106	15.875	62,939
Tonoas Fishing Project	C1113	15.875	4,042
Paata Community Center	C1118	15.875	11,204
Romalum Community Building	C1120	15.875	800
N. Namoneas Water	C1122	15.875	7,810
Tonoas Sewing Project	C1139	15.875	7,227
Satown Youth Center	C1140	15.875	6,201
Tamatam Meeting Hall	C1141	15.875	2,870
Fono School Fencing	C1143	15.875	749
Tonoas Road Improvement	C1147	15.875	112,391
Penia Weno Fishing	C1148	15.875	7,000
Tonoas 1.5% Admin.	C1150	15.875	3,743
Sapuk Kokumi (SKCA) Fishing	C1152	15.875	42,780
Y&l Historic Site Beautification	C1154	15.875	815
Uman El Nino Water Project	C1157	15.875	9,953
Uman El Nino Water Project	C1158	15.875	19,745
Polle Public Building Construction	C1163	15.875	500
Nufak Paata Community Centers	C1165	15.875	1,718
Nama Passengers Boat	C1166	15.875	3,824
Macheweichun El Nino Water Project	C1172	15.875	45,342
Hauk Solar Lighting	C1174	15.875	44,225
Halls Regional Fishing	C1176	15.875	4,701
Fefan El Nino Water Project	C1177	15.875	3,427
Polle Youth Beautification	C1186	15.875	12,922
N. Namoneas Regional Fishing	C1189	15.875	500
Fefan Road Upgrade	C1192	15.875	29,100
Fanapanges Seawall	C1195	15.875	500
Iong-Kumi/Tol Building Construction	C1196	15.875	13,289
Amwachang Tol Seawall	C1199	15.875	1,000
Tonoas Water System Development	C1200	15.875	8,074
Fefan Public Building Repair	C1202	15.875	510
Fefan Water System	C1205	15.875	2,284
EDT Youth Farming	C1208	15.875	2,050
Toleisom Regional Fishing Proejct	C1209	15.875	17,138
Eot-Netanipi Women Sewing	C1210	15.875	1,500
Sefin Water Supplemental	C1220	15.875	15,000
Murilo Typhoon Shelter	C1221	15.875	1,710
Subtotal			<u>3,982,148</u>

See accompanying notes to schedule of expenditures of federal awards.



**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued  
Compact of Free Association Capital Projects Fund  
Section 211 (A)(2), Continued  
Year Ended September 30, 1999

Grantor Account Title	Org./Cost Center #	CFDA I.D. #	1999 Fiscal Year Expenditures
Balance forwarded			\$ 3,982,148
Mechitiw Weno Seawall	C1223	15.875	6,212
Pwene Fefan School Renovation	C1224	15.875	4,983
Onou Solar Lighting	C1225	15.875	16,700
Onou Community Hall Center	C1226	15.875	495
Onou Handicraft	C1228	15.875	14,308
Nepukos Farming	C1231	15.875	4,996
Penia Fishing Project	C1234	15.875	1,282
Udot Seawall Project	C1237	15.875	7,125
Tonoas Public Building Repair/Renovation	C1239	15.875	8,101
Nukanap Weno Water	C1242	15.875	2,068
Onou Housing Supplemental	C1244	15.875	335
Piherarh School Building	C1248	15.875	6,001
Weno Farming	C1252	15.875	2,000
Piis Paneu Fishing	C1259	15.875	1,000
Unknown	C1261	15.875	1,500
NN Public Building Renovation	C1271	15.875	1,003
Weno Municipal Major Soc.	C1273	15.875	5,000
Parem El Nino Water Development	C1276	15.875	46,609
Halls JHS Project	C1277	15.875	19,286
Fanau Dispensry Project	C1280	15.875	11,291
Ta Marine Products & Coconut Shells	C1283	15.875	12,500
Houk Municipal Office Supplemental	C1284	15.875	26,853
Satowan Port & Causeway Supplemental	C1285	15.875	10,189
Mechitiw Sewing Project Weno	C1286	15.875	2,500
Yongkumi Sewing Project	C1288	15.875	300
Parem El Nino Water Development	C1289	15.875	43,138
Lukunoch Land Survey Supplemental	C1300	15.875	6,920
Faichuk Seawall Project	C1301	15.875	1,500
L.M. Elderly Home Improvement	C1306	15.875	58,003
Udot Fishing Project	C1308	15.875	2,425
Sisters and Cousin Sewing Project	C1309	15.875	5,500
Onou Facilities Renovation	C1317	15.875	2,000
Copra Production Project	C1318	15.875	23,000
Murilo Fishing Project Supplemental	C1319	15.875	10,000
Namoluk Public Building Construction	C1322	15.875	19,411
Economic Development Sangkumi Farming	C1323	15.875	27,750
Eot Dock Repair Project	C1324	15.875	4,045
Neauo Weno Fishing Project	C1326	15.875	5,150
Upper Mortlocks Civic Center	C1328	15.875	15,000
Uman El Nino Water Supplemental	C1338	15.875	34,082
Nomuisefo El Nino Water Project	C1339	15.875	27,000
Sapore Fefan El Nino Water	C1345	15.875	1,123
Fanapanges Road Maintenance	C1349	15.875	10,000
Pollap School Repair & Water	C1351	15.875	16,574
Paata Youth Beautification	C1352	15.875	9,110
Soriro Uman Public Building Renovation	C1355	15.875	25,098
Tamatam Communication Hardware	C1356	15.875	1,400
Ruo Fishing Project	C1358	15.875	15,341
Ruo Fishing Project	C1359	15.875	20,085
Subtotal			<u>4,578,440</u>

See accompanying notes to schedule of expenditures of federal awards.

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued  
Compact of Free Association Capital Projects Fund  
Section 211 (A)(2), Continued  
Year Ended September 30, 1999

Grantor Account Title	Chuuk Org #/ Cost Center	CFDA I.D. #	1999 Fiscal Year Expenditures
Balance forwarded			\$ 4,578,440
Nepon Uman El Nino Water	C1360	15.875	545
Toleisom Ichkumi C. Center	C1361	15.875	5,255
Iras Weno El Nino Water Tanks	C1362	15.875	9,682
Ichkumi Weno Eln Nino Water	C1367	15.875	8,000
Sapota Uman Fishing Project	C1369	15.875	9,747
Namonweito Land Purchase/Fishing	C1372	15.875	80,000
Namonweito Fishing & Marketing	C1373	15.875	35,124
PPW Regional Fishing	C1377	15.875	2,125
Ta Youth/Cultural Center	C1378	15.875	10,609
Chukienu Tol Seawall	C1379	15.875	200
Piis Paneu Fishing Project	C1380	15.875	10,977
Uman Kuchu Women Sewing Project	C1381	15.875	2,500
Murilo Fishing Project	C1382	15.875	47,983
Mechitiw Public Meeting Hall	C1383	15.875	4,975
Parem Sewing Project	C1384	15.875	1,500
Uman Nukan Fishing Project	C1385	15.875	11,578
Faichuk Farming Project	C1386	15.875	1,999
Sangkumi Wonip Fishing Project	C1387	15.875	4,630
Sangkumi Weno Garment Manufacture	C1388	15.875	26,421
Ickumi Toleisom Fishing	C1389	15.875	1,750
PPW Youth Farming Training	C1391	15.875	200
Uman Mochon Public Building	C1393	15.875	5,300
Fefan Fason Fishing	C1394	15.875	5,000
Asangao Uman Fishing Project	C1399	15.875	8,047
Asangao Uman Fishing Project	C1400	15.875	23,706
Halls Fishing Project	C1401	15.875	5,000
Tonowas Fishing Project	C1404	15.875	6,400
Fono Public Meeting Hall	C1405	15.875	2,263
Fono El Nino Water Project	C1406	15.875	1,110
Uman Sapou El Nino Water	C1407	15.875	680
Uman Sapou Kinioch Fishing Project	C1408	15.875	750
S. Namoneas JHS Library	C1410	15.875	20,954
Udot El Nino Water Development	C1414	15.875	117,664
Tonoas (Newen/Winech) Dock Repair	C1416	15.875	450
Uman Nesarau Fishing Project	C1417	15.875	9,729
Uman Sannuk Fishing Project	C1418	15.875	6,651
N. Namoneas School Repair/Renovation	C1419	15.875	52,258
Ruo El Nino Water System	C1421	15.875	6,695
Paata El Nino Water Project	C1423	15.875	32,127
Romanum Fishing Project	C1425	15.875	38,828
Neauo Sewing Project	C1427	15.875	1,500
Tamatam Fishing Project	C1430	15.875	15,000
Makur Solar Lighting	C1431	15.875	9,000
Pollap Land Registration	C1433	15.875	5,583
Pollap Land Registration	C1434	15.875	5,248
Eor Oneop Women Sewing Project	C1435	15.875	5,339
Eor Oneop Fishing Project	C1436	15.875	2,500
Fan Katon Tolensom Fishing Project	C1437	15.875	200
Ruo Solar Lighting	C1438	15.875	49,686
Murilo Mayor's Office Building	C1439	15.875	150
Subtotal			<u>5,292,058</u>

See accompanying notes to schedule of expenditures of federal awards.

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued  
Compact of Free Association Capital Projects Fund  
Section 211 (A)(2), Continued  
Year Ended September 30, 1999

Grantor Account Title	Chuuk Org #/ Cost Center	CFDA I.D. #	1999 Fiscal Year Expenditures
Balance forwarded			\$ 5,292,058
Fefan Sapeta Garment Factory	C1440	15.875	4,083
Nefori Fefan Fishing Project	C1441	15.875	20,374
Halls Emergency Trans.	C1442	15.875	23,027
Amachang Tol Fishing Project	C1444	15.875	9,881
Sapou Polle Community Center	C1445	15.875	4,500
Fanapanges Dock Repair	C1446	15.875	3,997
Losap Housing Supplemental	C1447	15.875	94,216
Fefan Admin. Cost	C1449	15.875	4,600
Weno Multipurpose Building	C1450	15.875	26,237
Weno Secondary Road Maintenance	C1451	15.875	99,942
Weno Deep Well Drilling	C1453	15.875	25,510
Fananu Fishing 'vessel	C1454	15.875	53,558
Fananu Fishing 'vessel	C1455	15.875	26,442
Etten Tonoas Dispensary	C1456	15.875	10,013
Mechitiw Public Building Roof Repair	C1457	15.875	1,384
Mwan School Facilities Renovation	C1458	15.875	11,483
Tonoas School Site Purchase	C1459	15.875	50,000
Ruo/Fananu/Nomwin Court Building	C1461	15.875	5,956
Penia/Tunnuk Retaining Wall	C1462	15.875	11,970
Penia Weno El Nino Water System	C1463	15.875	10,000
Moch Typhoon Shelter	C1464	15.875	23,067
Kuttu Typhoon and Community Center	C1465	15.875	23,112
Ufo Fefan Water Project	C1466	15.875	22,047
Epinup Weno Fishing	C1467	15.875	5,000
Fefan Housing Supplemental	C1468	15.875	20,000
Fefan Fishing Project	C1469	15.875	2,000
Eor Sapuk Sewing Project	C1470	15.875	5,000
Faichuk Public Building Repair	C1473	15.875	7,534
Epinup Weno Fishing Project	C1474	15.875	10,000
Makur Land Purchase Supplemental	C1475	15.875	9,000
Nepukos Fishing Project	C1476	15.875	20,000
Ausening Wichap Fishing Project	C1477	15.875	10,000
Losap Housing Supplemental	C1478	15.875	20,000
Uman Kinioch Sapou Fishing Supplemental	C1484	15.875	10,000
Magur Basketball Court	C1486	15.875	6,000
Onou Basketball Court	C1487	15.875	6,000
Lukunor Vocational/Career Training	C1488	15.875	30,339
Uman El Nino Water Upgrade	C1489	15.875	130,000
Mechitiw Weno Sewing Project	C1491	15.875	26,964
Oneisom Housing Renovation Fund	C1492	15.875	50,000
Sefin Weno Water Catchments	C1493	15.875	10,000
Nukap Weno Fishing Project	C1494	15.875	5,000
Nemwan Weno Water Project	C1495	15.875	15,000
Nepuko Weno Retaining Wall	C1496	15.875	5,000
Nepuko Weno Retaining Wall	C1497	15.875	3,000
S. Namoneas Fishing Project	C1498	15.875	11,579
S. Namoneas Sewing Project	C1499	15.875	5,000
S. Namoneas Farming Project	C1500	15.875	9,905
Oneisom Farming Supplemental	C1501	15.875	20,000
Faichuk Regional Fishing Project	C1502	15.875	10,000
Subtotal			<u>6,319,778</u>

See accompanying notes to schedule of expenditures of federal awards.

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued  
Compact of Free Association Capital Projects Fund  
Section 211 (A)(2), Continued  
Year Ended September 30, 1999

Grantor Account Title	Chuuk Org #/ Cost Center	CFDA I.D. #	1999 Fiscal Year Expenditures
Balance forwarded			\$ 6,319,778
Nikumi Tolensom C.C. Repair	C1503	15.875	37,500
Oneisom Fishing Supplemental	C1504	15.875	10,000
Wonei Housing Supplemental	C1505	15.875	3,999
Fanapanges Fishing	C1506	15.875	5,000
Macheweichun Fishing Project	C1507	15.875	23,146
Tonowas Fishing Project	C1508	15.875	40,255
Tonowas Farming Project	C1509	15.875	77,940
Neirenom Polle Sewing Project	C1510	15.875	1,998
Neirenom Polle Fishing Project	C1511	15.875	15,863
Chukuram Polle Sewing Project	C1512	15.875	6,500
Polle Nethon Sewing Project	C1513	15.875	2,545
Polle Sopou Fishing Project	C1514	15.875	8,500
Mortlocks Water Catchment	C1515	15.875	34,960
Mortlocks Sewing Project	C1516	15.875	12,579
Chuuk State El Nino Mitigation	C1517	15.875	73,796
Chuuk El Nino W. Toilet Construction	C1518	15.875	32,342
Chuuk State El Nino Water Mitigation	C1519	15.875	18,187
Chuuk State El Nino Mitigation	C1520	15.875	30,900
Chuuk State Rainwater Storage Tank	C1521	15.875	878,346
Fanapanges Fishing Project Supplemental	C1522	15.875	18,771
Fanapanges Fishing Project Supplemental	C1523	15.875	65,631
Nomosofo Sewing Project	C1526	15.875	5,000
Nomosofo Fishing Project	C1527	15.875	32,279
Tolensom Fishing Project	C1528	15.875	22,000
Tolensom Training	C1529	15.875	6,700
Tolensom Boat Repair Shop	C1530	15.875	20,000
Lepula Murilo Fishing Project	C1531	15.875	4,800
Namoluk Community Hall	C1533	15.875	9,511
Siis Farming Project	C1534	15.875	8,700
Weno Sefin Sewing Project	C1536	15.875	6,007
Weno Municipal Social Development	C1537	15.875	3,000
Shailoan Tonoas JHS Expanstion	C1540	15.875	4,325
Macheweichun Heavy Duty Equipment	C1541	15.875	14,000
Uman Public Facility Renovation	C1542	15.875	20,000
Uman Public Buildings Renovation	C1543	15.875	17,684
Chuuk International Airport	C1544	15.875	267,500
Chuuk Drydocking Funds	C1545	15.875	742,928
Tol Foupo Fishing Project	C1546	15.875	10,000
Tol Ichkumi Sewing Project	C1547	15.875	9,579
PPW Housing Development Project	C1548	15.875	10,100
PPW Regional Fishing	C1549	15.875	9,880
Siis Fishing Project	C1552	15.875	43,930
Unanu Housing Project	C1553	15.875	51,605
Uman CIP Related Damage Settlement	C1557	15.875	107,333
Tol Water Catchment	C1559	15.875	9,975
Neauo Weno Fishing Project	C1560	15.875	5,000
Nemunong Onongoch C. Center	C1561	15.875	8,000
PPW Water Catchment Tankds	C1562	15.875	4,087
Polle Dispensary Solar	C1563	15.875	7,492
Uman Leased Purchase	C1564	15.875	30,000
Faichuk Regional Fishing Project	C1565	15.875	500
Eot Public Building Improvement	C1566	15.875	7,129
See accompanying notes to schedule of expenditures of federal awards.			
Subtotal			9,217,580

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued  
Compact of Free Association Capital Projects Fund  
Section 211 (A)(2), Continued  
Year Ended September 30, 1999

Grantor Account Title	Chuuk Org #/ Cost Center	CFDA I.D. #	1999 Fiscal Year Expenditures
Balance forwarded			\$ 9,217,580
Sapuk Nemwan Sewing Project	C1567	15.875	2,600
Pollap Women Handicraft	C1568	15.875	10,000
Feen Metaw Radio Equipment	C1569	15.875	4,997
Sangkumi Wonip Sewing Project	C1570	15.875	1,000
Nukanap Weno Fishing Project	C1571	15.875	5,000
Paata Track and Field Construction	C1574	15.875	3,000
Toi Wonip Sangkumi Women Sewing	C1575	15.875	1,725
Nethon Polle Dispensary	C1576	15.875	4,000
Uman Sapoto Fishing Project	C1578	15.875	14,950
Soputu Uman Dock Improvement	C1579	15.875	11,541
Wichap Weno Fishing Project	C1580	15.875	14,811
Fefan J. Fishing Project	C1581	15.875	20,000
MS Kotoku's Major Repair	C1582	15.875	3,996
Onou Ice Maker	C1583	15.875	4,650
Equity Investment FSMDB	C1584	15.875	50,000
Tolensom Farming Project	C1585	15.875	31,377
Faichuk Island Water Tanks	C1587	15.875	5,969
Faichuk Sea Wall Project	C1588	15.875	2,750
Faichuk Island Major Public Facility	C1589	15.875	16,345
Pollap Multi Purpose Building	C1590	15.875	48,016
Unanu Housing Project	C1591	15.875	33,582
Uman Nukanap Housing Loan	C1592	15.875	38,000
Uman Kuchu Women Sewing Supplemental	C1593	15.875	7,000
Uman Epinoom Housing Loan	C1594	15.875	20,000
Sapou Uman Oror Project	C1595	15.875	11,153
Uman Sapou Kinioch Fishing Project	C1596	15.875	6,296
Unanu Housing Project Supplemental	C1597	15.875	31,434
Nefonu (Uman) Fishing Project	C1598	15.875	7,999
Sapou Uman Kinioch Fishing Project	C1599	15.875	500
Fan Wisom (Uman) Fishing Project	C1600	15.875	24,975
Unanu Housing Supplemental Project	C1601	15.875	40,852
Uman R.K.S. Fishing Project	C1602	15.875	13,997
Fonou (Uman) Seawall Project	C1603	15.875	19,986
Kuchu Uman Meeting Hall	C1604	15.875	39,975
Onou Water Treatment	C1605	15.875	20,375
Onou Housing Supplemental	C1606	15.875	8,558
Piherarh Housing Supplemental	C1607	15.875	27,712
Paata Gym Construction	C1608	15.875	8,047
Paata Seawall Project	C1609	15.875	5,060
Paata Housing Revolving Loan Fund	C1610	15.875	110,092
PPW Water Catchment Tanks	C1611	15.875	14,578
Tamatam Water Catchment Basin	C1613	15.875	9,480
Nechocho Fishing Project	C1614	15.875	5,000
Paata Project Admin. Cost	C1615	15.875	1,530
Paata Municipal Land Purchase	C1616	15.875	10,000
Medical Supplies Med. Machew	C1618	15.875	3,160
Ufo School Site Lease Payment	C1619	15.875	10,000
Macheweichun Fishing Project	C1620	15.875	9,000
Macheweichun Sewing Project	C1621	15.875	3,500
Fefan Seawall Project	C1622	15.875	4,500
Macheweichun Public Building Repair	C1623	15.875	11,175
Fanapanges Housing Project	C1624	15.875	50,224
See accompanying notes to schedule of expenditures of federal awards.			
Subtotal			<u>10,082,047</u>

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued  
Compact of Free Association Capital Projects Fund  
Section 211 (A)(2), Continued  
Year Ended September 30, 1999

Grantor Account Title	Chuuk Org #/ Cost Center	CFDA I.D. #	1999 Fiscal Year Expenditures
Balance forwarded			\$ 10,082,047
Faichuk Farming Project	C1625	15.875	5,000
Saponong Weno Water Improvement	C1626	15.875	5,000
Polle Pastuse Compensation	C1628	15.875	40,000
Polle Neirenom Farming Project	C1629	15.875	5,000
Houk Building Supplemental	C1630	15.875	49,474
Polle Fishing Project	C1631	15.875	16,628
Oneisom Youth Social	C1632	15.875	7,870
Sefin Weno Farming Project	C1633	15.875	20,060
SSK Uman Fishing Project	C1634	15.875	20,000
Piis Paneu Fishing Project	C1635	15.875	29,356
P. Paneu Fanomo Meeting Hall	C1636	15.875	16,000
Romalum Outright Land Purchase	C1640	15.875	11,500
Siis Health Clinic	C1642	15.875	29,495
Siis Traditional Skills Training	C1643	15.875	6,690
Siis Fishing Project	C1644	15.875	11,000
Fanepanges Piggery Project	C1645	15.875	1,390
U. Mortlocks Public Facility Renovation	C1646	15.875	16,824
Piis Paneu Fishing Project	C1647	15.875	34,400
Weno Fishing Project	C1648	15.875	30,000
Piis Paneu Municipal Social Project	C1649	15.875	16,263
Sainom Tonoas School Supplies	C1651	15.875	4,486
Property Past Use Compensation Wonei	C1652	15.875	15,000
Uman Disaster Relief Water	C1653	15.875	108,000
Uman Oxygen Bottling Supplemental	C1654	15.875	2,469
Uman Admin. Cost	C1655	15.875	2,809
Tamatam Fishing Project	C1657	15.875	40,000
Lukeisel Sewing Project	C1658	15.875	10,000
Losap Fishing Project	C1659	15.875	15,000
Losap Fishing Project	C1660	15.875	56,000
Regional CIP Mortlocks Social Development	C1661	15.875	14,000
Tonoas Tourism Site Infra.	C1662	15.875	4,000
Mortlocks Is. Regional Sewing Project	C1664	15.875	10,000
Mortlocks Is. Regional Fishing Project	C1665	15.875	5,079
Tonoas Fishing Project	C1666	15.875	13,490
Uman Saputiw Amazon Fishing	C1667	15.875	20,221
Uman Sanuk Fishing Supplemental	C1668	15.875	9,588
Uman Achocho Fishing Supplemental	C1669	15.875	10,000
Uman Nepon Fishing Supplemental	C1670	15.875	9,580
Uman Sanuk Fishing Supplemental	C1671	15.875	20,500
Uman Nesaraw Fishing Supplemental	C1672	15.875	10,000
Nukuen Uman Meeting Hall Reconstruction	C1673	15.875	10,462
Nepononong Uman Housing Project	C1675	15.875	10,000
SSK Mochen Uman Fishing Project	C1676	15.875	20,000
Uman Sanuk Fishing Supplemental	C1677	15.875	15,590
Uman Epinoom Kumi Public Building	C1678	15.875	8,651
Uman SSK Fishing Project	C1679	15.875	10,000
Weno Human Resources Development Train.	C1680	15.875	17,031
Weno Computer Training	C1681	15.875	20,000
Weno Polle Community Center	C1682	15.875	24,927
Weno CIP Related Obligations	C1683	15.875	30,000
Tunnuk Fishing Project	C1684	15.875	8,000
Sefin Weno Sewing Project	C1685	15.875	10,000
See accompanying notes to schedule of expenditures of federal awards.			
Subtotal			<u>11,018,880</u>

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued  
Compact of Free Association Capital Projects Fund  
Section 211 (A)(2), Continued  
Year Ended September 30, 1999

Grantor Account Title	Chuuk Org #/ Cost Center	CFDA I.D. #	1999 Fiscal Year Expenditures
Balance forwarded			\$ 11,018,880
Weno Vehicle Acquisition	C1686	15.875	10,000
Weno CIP Related Obligations	C1687	15.875	25,000
N. Namoneas Water Catchment Tank	C1690	15.875	128,241
Weno Social Development	C1691	15.875	42,348
Wichap Weno Office Building	C1693	15.875	7,000
Murilo Solar System	C1695	15.875	42,656
Weno M97 Farming Project	C1696	15.875	4,100
Uman Fishing Project	C1697	15.875	11,269
Mortlocks Water Project	C1698	15.875	15,180
N. Namoneas Farming Project	C1699	15.875	16,150
Moch Passengers Boat	C1700	15.875	37,837
Chuuk State Uman Lease Purchase	C1701	15.875	10,000
Murilo Housing Project	C1702	15.875	47,518
Murilo Housing Project	C1703	15.875	27,482
Government Lease Option Fund	C1710	15.875	684,036
Government Land Purchase	C1711	15.875	823,912
Namusofu Fishing Project	C1712	15.875	2,000
Namusofu Sewing Project	C1713	15.875	6,300
Namusofu Community Hall Repair	C1715	15.875	2,779
Nepukos Water Development	C1716	15.875	4,800
Sefin Road Improvement	C1718	15.875	14,950
Sangkumi Tol Agriculture/Farming	C1719	15.875	3,500
Wonip School Past Use Compensation	C1720	15.875	8,000
Nepukos School Annex Site Lease	C1721	15.875	20,000
Tamatam Community Building Weno	C1722	15.875	29,500
Penia Weno Road Fencing	C1723	15.875	6,653
Pollap Multi-Purpose Building	C1725	15.875	4,580
Weno 1.5% Adminl. Cost	C1727	15.875	9,806
Onoun Housing Revolving	C1728	15.875	15,000
Nepunuk Uman Meeting Hall	C1729	15.875	8,000
Mwanukun Uman Sewing Project	C1730	15.875	25,000
Sannuk Uman Farming Project	C1731	15.875	1,691
Manaio Neppi, Polle Community Center	C1732	15.875	4,385
Weno Training Project	C1733	15.875	7,656
Weno 1.5% Admin. Cost	C1734	15.875	7,588
Weno 1.5% Admin. Cost	C1735	15.875	2,062
Miis Pismwar Majro Repair	C1736	15.875	16,237
Uman Dispensary/School Site Purchase	C1737	15.875	50,000
Uman Farming Project	C1738	15.875	7,500
Inuk Uman Road Maintenance	C1739	15.875	17,500
Nefou Tirow Women Sewing Project	C1741	15.875	9,996
N. Namoneas Public Facility Repair	C1742	15.875	26,623
Uman El Nino Water Upgrade	C1743	15.875	14,000
Uman El Nino Water Upgrade	C1744	15.875	84,216
Mwanukun Uman Seawall	C1745	15.875	3,000
Losap Sanitary Facilities	C1746	15.875	19,225
K&R Uman Fishing Project	C1747	15.875	5,300
Nikumi Weno Sewing Project	C1748	15.875	5,000
Nemwan Sewing Project	C1749	15.875	5,030
Nemwan Development Project	C1750	15.875	5,000
Weno Housing Authority Loan Fund	C1751	15.875	100,300
Weno Marine Engineering Training	C1752	15.875	5,576
Subtotal			<u>13,510,362</u>

See accompanying notes to schedule of expenditures of federal awards.

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued  
Compact of Free Association Capital Projects Fund  
Section 211 (A)(2), Continued  
Year Ended September 30, 1999

Grantor Account Title	Chuuk Org #/ Cost Center	CFDA I.D. #	1999 Fiscal Year Expenditures
Balance forwarded			\$ 13,510,362
Weno Fishing Project	C1753	15.875	10,000
Sefin Weno Water Project	C1754	15.875	5,000
Eor Weno Water Project	C1755	15.875	5,000
Kuttu Land Lease	C1756	15.875	79,236
Tolensom Major Social Development Project	C1757	15.875	195,848
UM Solar System	C1760	15.875	29,579
PPW Fishing Project	C1761	15.875	17,000
Tolensom Farming Project	C1762	15.875	119,172
Tolensom Fishing Project	C1763	15.875	173,064
Tolensom Sewing Project	C1764	15.875	13,838
Tolensom Boat & Electric Repair Shop	C1765	15.875	2,021
N. N. Water Project	C1766	15.875	15,666
N. N. Public Facility Repair/Renovation	C1767	15.875	11,593
N. Namoneas Fishing Project	C1768	15.875	9,990
N. Namoneas Farming Project	C1769	15.875	5,000
N. Namoneas Sewing Project	C1770	15.875	5,000
Fefan Fishing Project	C1771	15.875	18,527
Fefan Public Facility Repair Project	C1772	15.875	27,811
Onoun Housing Revolving Loan Fund	C1774	15.875	7,000
Ettal Community Hall	C1775	15.875	4,999
Neauo Fishing Project	C1776	15.875	10,496
Neauo Fishing Project	C1777	15.875	16,030
Eot Fishing Project	C1778	15.875	20,500
Winipis Weno Fishing Project	C1779	15.875	10,150
Chuuk State Supply Warehouse	C1780	15.875	39,716
Achip Uman Meeting Hall	C1782	15.875	5,008
Mortlocks JHS Renovation	C1784	15.875	65,051
Tonoas Sub-Police Station	C1785	15.875	1,559
Nemongu Fanapanges	C1786	15.875	3,450
Wichukuno Tol Elementary Past Use	C1787	15.875	5,000
Oneisom Housing Renovation Supplemental	C1789	15.875	10,000
Oneisom Fishing Supplemental	C1790	15.875	10,871
Oneisom Housing Renovation Supplemental	C1791	15.875	45,000
Mechitiw Weno Fishing	C1792	15.875	20,841
Nepukos Fishing Project	C1793	15.875	15,000
Weno Land Lease Purchase	C1794	15.875	35,000
Weno Multi-Purpose Building	C1795	15.875	25,000
CIP Related Court Judgment	C1796	15.875	10,000
Chuuk Hospital Renovation	C1797	15.875	95,929
Wichap El Nino Water Catchment	C1799	15.875	39,847
Wichap El Nino Water Catchment	C1800	15.875	5,729
Neauo Mudslide Retaining Wall	C1801	15.875	5,001
Umun Uman Seawall Project	C1803	15.875	7,700
Governor's Office Complex Renovation	C1804	15.875	21,000
Pollap Multi-Purpose Building	C1805	15.875	19,109
Fuun Mataw Drydocking Supplemental	C1806	15.875	35,921
Pollap Land Acquisition/Dispensary	C1807	15.875	6,000
Polle Public Facility Renovation	C1808	15.875	10,000
Polle Fishing Project	C1809	15.875	104,828
Polle Fishing Project	C1810	15.875	10,000
Fono Social Development Project	C1812	15.875	49,932
Fonoton Fishing Project Supplemental	C1813	15.875	47,920
See accompanying notes to schedule of expenditures of federal awards.			
Subtotal			<u>15,073,294</u>



**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued  
Compact of Free Association Capital Projects Fund  
Section 211 (A)(2), Continued  
Year Ended September 30, 1999

Grantor Account Title	Chuuk Org #/ Cost Center	CFDA I.D. #	1999 Fiscal Year Expenditures
Balance forwarded			\$ 15,073,294
Fonoton Fishing Project	C1814	15.875	20,488
Dispensary Past Use Compensation	C1815	15.875	5,000
Tunnuk Apiniki Sewing Project	C1817	15.875	8,183
Sangkumi Weno Sewing Project	C1818	15.875	5,150
Sapota (Fanapanges) Road Beautification	C1820	15.875	5,000
Fanapanges Public Facilities Renovatin	C1821	15.875	15,000
Neauo Water Project	C1822	15.875	10,300
Weno Retaining Wall	C1823	15.875	1,996
Fefan Piggery Project	C1824	15.875	6,413
Penia Weno Fishing Project	C1825	15.875	10,299
Onou Fishing Project	C1828	15.875	13,904
Chuuk Solid Waste Collection	C1829	15.875	92,680
Wichap Water Catchment	C1830	15.875	19,898
Parem Fishing Project	C1831	15.875	41,337
Tonowas Fishing Project	C1832	15.875	8,803
Peniesene Weno Water Tanks	C1833	15.875	9,728
Fono Social Development Project	C1834	15.875	21,751
Piherarh Housing Revolving Fund	C1835	15.875	25,812
Penia Water Catchment	C1836	15.875	5,000
Sapuk Retaining Wall	C1837	15.875	4,995
Fefan Road Upgrade	C1838	15.875	102,948
Fefan Public Facilities Repair	C1840	15.875	22,429
Fanapanges Land Lease Purchase	C1842	15.875	10,000
Fefan Sang Fishing Project	C1843	15.875	15,872
Fefan Nekotiw Fishing Project	C1844	15.875	3,495
Polle Youth (Manpower Development)	C1847	15.875	2,314
Nomwin School Building	C1849	15.875	47,002
Nomwin School Building	C1850	15.875	51,630
Chuuk Recreation Office Repair	C1852	15.875	4,399
Polle Ice Plant Project	C1853	15.875	57,017
Uman Capital Equipment Acquisition	C1854	15.875	57,000
U/Sea Land Tour Services	C1855	15.875	17,000
Ta Tiger Divers Fishery Project	C1856	15.875	7,000
Paata MultiPurpose Sport	C1859	15.875	17,868
Paata Seawall	C1860	15.875	2,802
Paata Wome Sewing Project	C1861	15.875	5,075
Paata Fishing Project	C1862	15.875	9,651
Paata Farming Project	C1863	15.875	3,000
Tamatam Fishing Project	C1864	15.875	9,326
Tamatam Public Building	C1865	15.875	4,450
Tamatam Fishing Project	C1866	15.875	6,049
Tamatam Community House	C1868	15.875	1,430
Tolensom Fishing Project	C1869	15.875	4,784
Tolensom Fishing Project	C1872	15.875	93,135
Paata Admin. Costs	C1873	15.875	1,084
Tonoas Ice Making Plant	C1876	15.875	7,615
Fananu/Nomwin Typhoon Shelter	C1877	15.875	11,703
Nepiong Uman Meeting Hall	C1878	15.875	5,800
Chukuram Polle Seawall	C1879	15.875	5,000
Polle Desilination Plant	C1880	15.875	29,999
Polle Revolving Fund	C1881	15.875	10,000
Piiesemwar Fishing Project	C1882	15.875	15,017
See accompanying notes to schedule of expenditures of federal awards.			
Subtotal			<u>16,046,925</u>

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued  
Compact of Free Association Capital Projects Fund  
Section 211 (A)(2), Continued  
Year Ended September 30, 1999

Grantor Account Title	Chuuk Org #/ Cost Center	CFDA I.D. #	1999 Fiscal Year Expenditures
Balance forwarded			\$ 16,046,925
Fefan Fishing Project	C1883	15.875	23,309
Fefan Handicraft Project	C1884	15.875	19,930
Northwest Equipment Purchase	C1885	15.875	30,083
Iras Weno Water Catchment	C1886	15.875	4,892
Opun Parem Social Development Project	C1887	15.875	17,485
Siis Water Development Project	C1891	15.875	17,531
Chuuk Airport Repair	C1892	15.875	64,289
Chuuk Airport Repair	C1893	15.875	65,175
Chuuk Airport Repair	C1895	15.875	48,785
Chuuk Airport Repair	C1898	15.875	330,670
Chuuk Airport Repair	C1907	15.875	11,017
Namoluk Cargo/Passenger Vessel	C1911	15.875	28,737
Penia Weno Water Catchment	C1912	15.875	4,995
Tonoas Road Upgrade	C1914	15.875	19,220
Tonoas CIP Related Damages	C1916	15.875	35,600
Tiun Parem Community Center	C1917	15.875	7,263
Penia Weno Water Project	C1918	15.875	4,995
Weno School Facility Subsidy	C1919	15.875	22,054
Fanapanges Marketing Project	C1920	15.875	9,472
Charangka Hous. Fanapanges	C1921	15.875	4,988
Satowan Community Centers	C1923	15.875	10,310
Fananu Cargo/Passengers Boat	C1931	15.875	43,065
Fananu Cargo/Passengers Boat	C1932	15.875	99,582
Fananu Cargo/Passengers Boat	C1933	15.875	7,353
Eot Solar Lighting System	C1936	15.875	25,750
kuttu Power Generation/Distribution	C1937	15.875	20,000
Tamatam Public Building	C1938	15.875	33,762
Pattiw S. Dispensary Boat Twin Engine	C1940	15.875	22,000
Piis Ewar Land Lease	C1942	15.875	32,025
Udot Revolving Fund	C1943	15.875	10,000
Chuuk Airport Repair	C1944	15.875	55,775
Chuuk Airport Repair	C1945	15.875	47,451
Piis Patiw Fishing Project	C1949	15.875	10,000
Weno Yongkumi Fishing Rev. Fund	C1951	15.875	3,000
Unknown	C1954	15.875	6,821
Unknown	C1955	15.875	4,852
Unknown	C1956	15.875	5,310
Unknown	C1957	15.875	14,996
Unknown	C1960	15.875	81,909
Unknown	C1963	15.875	48,225
Unknown	C1964	15.875	47,002
Unknown	C1965	15.875	33,123
Unknown	C1968	15.875	85,080
Unknown	C1976	15.875	681
Unknown	C1978	15.875	20,000
Unknown	C1979	15.875	15,000
Unknown	C1980	15.875	50,882
Unknown	C6374	15.875	1,110
Unknown	C6423	15.875	8,784
Unknown	C6434	15.875	2,496
Unknown	C6494	15.875	3,795
Unknown	C6562	15.875	2,310
See accompanying notes to schedule of expenditures of federal awards.			
Subtotal			<u>17,669,864</u>

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued  
Compact of Free Association Capital Projects Fund  
Section 211 (A)(2), Continued  
Year Ended September 30, 1999

Grantor Account Title	Chuuk Org #/ Cost Center	CFDA I.D. #	1999 Fiscal Year Expenditures
Balance forwarded			\$ 17,669,864
Unknown	C6595	15.875	285
Onou Housing Project	C6631	15.875	106,245
Unknown	C6702	15.875	17,352
Unknown	CR009	15.875	19,980
Unknown	CR010	15.875	42,833
Unknown	CR011	15.875	4,429
Unknown	CR012	15.875	17,000
Unknown	CR013	15.875	21,429
Northern Namoneas Fishing Project	CR015	15.875	69,472
Northern Namoneas Sewing Project	CR016	15.875	11,625
Tonoas Elderly Housing Repair	CR018	15.875	9,544
Uman El Nino Related Relief	CR019	15.875	21,429
Uman Land Lease Purchase	CR020	15.875	21,429
Southern Namoneas Fishing Project	CR024	15.875	35,159
L. Mortlocks Region	CR031	15.875	21,400
Fefan Road Upgrade	CR040	15.875	757
Mid Mortlocks Elderly Housing	CR067	15.875	401
Nufak Paat CIP Related Claim	CS001	15.875	6,000
Faichuk Is. Women Sewing Project	CS002	15.875	6,995
Faichuk Is. Fishing Project	CS003	15.875	17,831
Faichuk Is. Women Sewing Project	CS004	15.875	15,000
Paata Women Sewing	CS005	15.875	9,255
Faichuk Is. Fishing Project	CS006	15.875	15,000
Faichuk Regional Admin. Cost	CS007	15.875	1,500
Paata National Gym Construction	CS008	15.875	2,040
Paata Farming Project	CS014	15.875	1,960
Weno El Nino Related Relief	CS017	15.875	85,246
NWR Land Transportation	CS021	15.875	33,794
Tonoas Land Lease Partial Payment	CS022	15.875	25,000
S.N. Major Public Facility Repair	CS023	15.875	14,757
Northwest Youth Social Development	CS025	15.875	3,072
Polowat Municipal	CS026	15.875	13,650
Northwest Manpower Development	CS027	15.875	6,120
Supplemental Polowat Longline	CS028	15.875	5,207
Kuttu Coop. Supplemental	CS029	15.875	2,395
Ettal Coop. Supplemental	CS031	15.875	7,417
NWR Women Association Sewing Project	CS054	15.875	2,160
S. Namoneas El Nino Related Relief	CS065	15.875	800
Debt Service - Principal	N/A	15.875	3,000,000
Debt Service - Interest	N/A	15.875	492,600
Other projects	N/A	15.875	305,558
Total Compact of Free Association Capital Projects Fund-Section 211 (A)(2)			<u>\$ 22,163,990</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 Insular Affairs (OIA), 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 reallots such to the component States.  
See accompanying notes to schedule of expenditures of federal awards.

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued  
Compact of Free Association-Other Grants Fund  
Year Ended September 30, 1999

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

Grantor Account Title	Chuuk Org. #	CFDA I.D. #	1999 Fiscal Year Expenditures
Section 212			
-Civic Action Team	2182	15.875	\$ 260,160
-Chuuk Airport	2186	15.875	<u>54,502</u>
			<u>314,662</u>
Section 214-Energy			
-Government utilities	CT2783	15.875	463,332
-Public Works Administration	2183	15.875	65,086
-Chuuk Public Utility Corporation	272783	15.875	<u>950,000</u>
			<u>1,478,418</u>
Section 216(a)(2)			
-Health & Medical	HM6091	15.875	<u>560,480</u>
			<u>\$ 2,353,560</u>

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

Expenditures per the general purpose financial statements	\$ 1,403,560
Operating transfer out to Chuuk Public Utilities Corporation	<u>950,000</u>
	<u>\$ 2,353,560</u>

These funds are disbursed through the Office of Insular Affairs (OIA), 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 reallocates such to the component States.

See accompanying notes to schedule of expenditures of federal awards.

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued  
Compact of Free Association  
Special Block Grant Fund - Section 221(B)  
Year Ended September 30, 1999

Grantor Account Title	Cost Center #	CFDA I.D. #	1999 Fiscal Year Expenditures
Health Care Plan	152099	15.875	58,462
Chuuk Airport Authority	CA2815	15.875	(102,042)
Medical Supplies	HM6092	15.875	248,151
Substance Abuse & Mental Health	T18116	15.875	49,951
Medical Referral	T18121	15.875	8,998
Secondary Education	T18202	15.875	15,243
Public Health Communicable Diseases	T18121	15.875	748,703
Secondary Education	T18202	15.875	113,196
Food Services	T18205	15.875	653,997
Elementary Education	T18206	15.875	717,981
Vocational Rehabilitation	T18207	15.875	42,893
Special Education	T18208	15.875	17,628
Total Compact of Free Association Block Grant Fund-Section 221(b)			<u>\$ 2,573,161</u>

These funds are disbursed through the Office of Insular Affairs (OIA), 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 reallots such to the component States.

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Notes to Schedule of Expenditures of Federal Awards  
Year Ended September 30, 1999

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-133 audit (the "Single Audit"). The U.S. Department of the Interior has been designated as the State's cognizant agency for Single Audit.

A. Programs Subject to Single Audit

Schedules of expenditures of federal awards are presented for each federal program related to the following agencies:

- U.S. Department of Education
- U.S. Environmental Protection Agency
- U.S. Department of Commerce
- U.S. Department of the Interior
- U.S. Federal Emergency Management Agency

2. Summary of Significant Accounting Policies

A. Basis of Accounting

For purposes of this report, certain accounting procedures were followed which help illustrate the expenditures of the individual programs. All expenses and capital outlays are reported as expenditures on the accrual method of accounting.

B. Reporting Entity

The State of Chuuk, for purposes of the general-purpose financial statements, includes all of the funds of the primary government as defined by Governmental Accounting Standards Board (GASB) Statement 14, "The Financial Reporting Entity."

C. Subgrantees

Certain program funds are passed through the State to subgrantee organizations. The Schedule of Expenditures of Federal Awards does not contain separate schedules disclosing how all the subgrantees outside of the State's control utilize these funds, with the exception of the Chuuk Utilities Corporation and the Chuuk State Housing Authority.

D. Indirect Cost Allocation

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

3. Component Units

The State of Chuuk's component units are to separately satisfy the requirements of OMB Circular A-133. The following presents information concerning component units which have satisfied their A-133 requirements. The Chuuk Organization for Community Action has yet to satisfy its 1999 A-133 responsibilities.

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Notes to Schedule of Expenditures of Federal Awards  
Year Ended September 30, 1999

3. Component Units, Continued

Chuuk Public Utilities Corporation

The Chuuk Public Utilities Corporation, a component unit - proprietary fund, is the recipient of various pass-through funds from Chuuk State and one grant from the U.S. Department of Commerce. No material instances of noncompliance or questioned costs were presented in its audit reports and are therefore not contained in the accompanying Schedule of Findings and Questioned Costs. The Chuuk Public Utilities Corporation's Schedule of Expenditures of Federal Awards is as follows:

<u>Grantor Agency/Program</u>	<u>CFDA#</u>	<u>Fiscal Year 1999 Expenditures</u>
U.S. Department of the Interior: Compact of Free Association	15.875	\$ 1,250,000
U.S. Department of Commerce: Economic Development Administration: Weno Water Improvement Project	11.300	90,000
Trust Territory of the Pacific Islands	15.875	25,874
Operations and Maintenance Improvement Programs (OMIP) Grants	15.875	<u>284,328</u>
Total expenditures		\$ <u>1,650,202</u>

Compact of Free Association funds are received in a subrecipient capacity thru the State of Chuuk. All other grants are received in a direct capacity.

Chuuk State Housing Authority

The Chuuk State Housing Authority, a component unit - proprietary fund, is the recipient of various pass-through funds from Chuuk State and certain direct grants. The Chuuk State Housing Authority's Schedule of Expenditures of Federal Awards is as follows:

<u>Grantor Agency/Program</u>	<u>CFDA#</u>	<u>Fiscal Year 1999 Expenditures</u>
U.S. Department of the Interior: Compact of Free Association	15.875	\$ 55,000
U.S. Department of Housing and Urban Development: Section 8 Housing Program	14.156	<u>37,502</u>
Total expenditures		\$ <u>92,502</u>

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Notes to Schedule of Expenditures of Federal Awards  
Year Ended September 30, 1999

3. Component Units, Continued

Chuuk State Housing Authority, Continued

Loan Funds:

As of September 30, 1999, \$1,146,430 of loans made out of U.S. federal financial assistance CFDA #14.219, were outstanding. The assistance provided by the U.S. Department of Housing and Urban Development was made to the State of Chuuk and passed through to the Authority.

Additionally, as of September 30, 1999, the Authority administered \$710,752 of loan funds provided by the U.S. Department of the Interior, CFDA #15.875, which funds were received by the State of Chuuk and were passed through to the Authority.



**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Programs Selected For  
Audit in Accordance with OMB Circular A-133  
Year Ended September 30, 1999

<u>Grantor Program Title</u>	<u>CFDA No.</u>	1999 <u>Fiscal Year Expenditures</u>
<u>U.S. Dept. of the Interior</u>		
Compact of Free Association:		
211(A) Capital Account	15.875	\$ <u>22,163,990</u>
Total Major Programs Under CFDA # 15.875 excluding Compact Section 211 (A) Current Account expenditures		<u>22,163,990</u>
 <u>U.S. Department of Education</u>		
FY96 School Improvement Project	84.256A	<u>1,292,912</u>
Total U.S. Federal program expenditures selected excluding Compact Section 211 (A) Current Account expenditures		\$ <u>23,456,902</u>
Total U.S. Federal program expenditures excluding Compact Section 211 (A) Current Account expenditures		\$ <u>29,656,027</u>
% of total U.S. Federal expenditures covered by major programs excluding Compact Section 211 (A) Current Account expenditures		<u>79%</u>

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs  
Year Ended September 30, 1999

**Part I - Summary of Auditors' Results**

1. The Independent Auditors' Report on the financial statements expressed a disclaimer of opinion.
2. Reportable conditions in internal control over financial reporting were identified, some of which are considered to be material weaknesses.
3. Instances of noncompliance considered to be material to the financial statements were disclosed by the audit.
4. Reportable conditions in internal control over compliance with requirements applicable to major federal award programs were identified, one of which is considered to be a material weakness.
5. The Independent Auditors' Report on compliance with requirements applicable to major federal award programs expressed a qualified opinion.
6. The audit disclosed findings required to be reported by OMB Circular A-133.
7. The State's major programs were:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
U.S. Department of the Interior - Compact of Free Association Capital Account	15.875
U.S. Department of Education - School Improvement Project	84.256A

8. A threshold of \$889,681 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133.
9. The State did not qualify as a low-risk auditee as that term is defined in OMB Circular A-133.

**Part II - Financial Statement Findings Section**

<u>Reference Number</u>	<u>Findings</u>	<u>Questioned Costs</u>
99-6	Accounts Payable	\$ -
99-7	Payroll	\$ -
99-8	Accounts Payable	\$ -
99-9	Payroll	\$ -
99-10	Continuing Appropriations	\$ -
99-11	Prior Year Internal Control Findings	\$ -

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 1999

**Part III - Federal Award Findings and Questioned Cost Section**

<u>Reference Number</u>	<u>Findings</u>	<u>Questioned Costs</u>
99-1	Allowable Costs/Cost Principles	\$14,660
99-2	None	
99-3	Allowable Costs/Cost Principles	\$13,959
99-4	Equipment and Real Property Management	\$ -
99-5	Resolution of Payable to Grantor Agency	\$ -

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 1999

Federal Award Findings and Questioned Costs

<u>Program</u>	<u>Reason for Questioned Costs</u>	<u>Questioned Costs</u>
99-1. U.S. Dept. of Education/School Improvement Program - CFDA #84.256A	<p><u>Criteria:</u> Federal expenditures incurred should be necessary and reasonable for program needs.</p> <p><u>Condition:</u> Due to lack of supporting documentation (attendance certificates/training certificates) we were unable to determine if the following travel and training related expenditures were necessary and reasonable to program needs. This finding results from a sample of thirty-five items aggregating \$195,422 out of total program expenditures of \$1,292,912.</p>	
	<u>APV No.</u>	
	9600114	\$ 2,768
	9600153	2,237
	9600149	2,035
	9600150	3,000
	9601368	1,326
	9600804	<u>3,294</u>
		<u>14,660</u>

Cause: The cause of this condition is unknown.

Effect: Questioned costs result from this condition.

Prior Year Status: This condition was reported in the Chuuk State Government Single Audit for fiscal years 1998 and 1997.

Recommendation: We recommend that Chuuk State ensure that expenditures incurred are properly supported to provide an audit trail to ensure that such are necessary and reasonable for program needs.

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 1999

Federal Award Findings and Questioned Costs, Continued

99-2                      Note: This finding was removed subsequent to Chuuk State providing responses.

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 1999

Federal Award Findings and Questioned Costs, Continued

99-3. U.S. Dept.  
of Education/School  
Improvement  
Program - CFDA  
#84.256A

Criteria: Federal expenditures incurred should be necessary and reasonable for program needs.

Condition: Supporting documentation provided was not sufficient to determine if the following purchases of fuel in bulk were necessary and reasonable for program needs. This finding results from a sample of thirty-five items aggregating \$195,422 out of total program expenditures of \$1,292,112.

APV No.

9003423  
9003769

\$ 10,476  
3,483

13,959

Cause: The cause of this condition is unknown.

Effect: Questioned costs result from this condition.

Prior Year Status: This condition was reported in the Chuuk State Government Single Audit for fiscal year 1998.

Recommendation: We recommend that Chuuk State ensure that expenditures incurred are properly supported to provide an audit trail to ensure that such are necessary and reasonable for program needs.

Total questioned costs

\$ 28,619

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 1999

Federal Award Findings and Questioned Costs, Continued

**Equipment and Real Property Management**

Item No.   CFDA No.   Criteria:

99-4.            All            The Common Rule for Uniform Administrative Requirements for Federal Grants, Section 33 (d) (2) requires that a physical inventory of property acquired with federal funds be performed at least every two years and that the inventory be reconciled to property records.

Condition:   A physical inventory of property has not been performed in over two years.

Cause:        The cause of this condition is unknown.

Effect:        The effect is noncompliance with the Administrative Requirements over federal grants.

Prior Year Status:   This condition was reported in the Chuuk State Government Single Audits for fiscal years 1996 through 1998.

Recommendation:   We recommend that a physical inventory of property be taken and the results reconciled to the property records at least once every two years.

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 1999

Federal Award Findings and Questioned Costs, Continued

99-5. **Resolution of Payable to Grantor Agency**

Criteria: Findings from prior audit reports should be resolved.

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

1. FY93 Federal Finding No. 1 – Reimbursement in excess of expenditures (CFDA #84.003) – Chuuk State, in fiscal year 1991, received cash of approximately \$311,292 in excess of expenditures incurred for its DOE Bilingual Education Program. This balance is still reflected as a liability on the State's books.
2. FY93 Federal Finding No. 2 - Reimbursement in excess of expenditures (CFDA #10.560) – Chuuk State. In fiscal year 1991, the State received cash of approximately \$277,320 in excess of expenditures incurred for its Food Services Program. The balance remains recorded as deferred revenue as of September 30, 1999. No additional expenditures were incurred for the program since fiscal year 1993.

Cause: The cause of this condition is unknown.

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

Prior Year Status: The non-resolution of prior years' federal findings was reported in the Chuuk State Government Single Audit for fiscal years 1997 and 1998.

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



**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 1999

**Financial Statement Findings Section**

**Accounts Payable**

**Finding No. 99-6**

**Criteria:** A functioning system of internal control requires that all general ledger balances be properly supported by subsidiary ledgers.

**Condition:** Material accounts payable balances are not supported by subsidiary ledgers.

**Cause:** Subsidiary details of certain accounts payable were not carried forward when the State implemented its new accounting system.

**Effect:** The effect of this condition is a possible misstatement of liabilities.

**Prior Year Status:** The above condition was cited as a finding in the Chuuk State Government Single Audit for fiscal year 1998.

**Recommendation:** We recommend that steps be taken to ensure that all general ledger balances are supported by subsidiary ledgers. Unsupported general balances should be reviewed and adjusted.

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 1999

**Financial Statement Findings Section, Continued**

**Payroll**

Finding No. 99-7

Criteria: Payroll payments should be made based on rates set forth in related personnel action forms.

Condition: Of twenty-five payroll transactions tested, in four instances, the pay rate per the payroll register deviated from the pay rate documented in the personnel action file. On three occasions, the pay rate per the register was higher than that per the personnel files, and on one occasion, the pay rate per the register was lower than that per the personnel file.

Cause: The payroll department claims shortage of staff as the cause of this condition.

Effect: Inaccurate payroll disbursements can result if personnel files are not current.

Prior Year Status: The above condition was cited as a finding in the Chuuk State Government Single Audit for fiscal year 1997 and 1998.

Recommendation: We recommend that steps be taken to ensure that personnel files are updated in a timely manner.

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 1999

**Financial Statement Findings Section, Continued**

**Accounts Payable**

**Finding No. 99-8**

**Criteria:** All accounts payable vouchers should be properly filed.

**Condition:** Various accounts payable vouchers were missing from file or could not be located.

**Cause:** The cause of this condition is unknown.

**Effect:** A lack of proper audit trail is the result of this condition. As a result of this condition, we were unable to complete our procedures on accounts payable.

**Prior Year Status:** The above condition was cited as a finding in the Chuuk State Government Single Audit for fiscal year 1998.

**Recommendation:** We recommend that all accounts payable vouchers be properly filed.

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 1999

**Financial Statement Findings Section, Continued**

**Payroll**

**Finding No. 99-9**

**Criteria:** Sufficient documentation should exist to support employee deductions and current employee pay rates.

**Condition:** Employee personnel files were not updated by personnel action forms or authorized deduction forms. In addition, the personnel files had no systematic filing arrangement.

**Cause:** The payroll department has no formal policy with respect to required documentation or systematic procedures for filing payroll documents.

**Effect:** Sufficient, competent evidential matter does not exist to support employee deductions and instances were noted where employee pay increases were not implemented until weeks after the official date.

**Prior Year Status:** The above condition was cited as a finding in the Chuuk State Government Single Audit for fiscal years 1997 and 1998.

**Recommendation:** A complete analysis of the payroll processing and filing cycle should be initiated, reviewed and documented to ensure the timely recording and proper documentation of changes.

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 1999

**Financial Statement Findings Section, Continued**

**Continuing Appropriations**

**Finding No. 99-10**

**Criteria:** Continuing appropriations should be periodically reconciled and reviewed to determine if such represent current funding priorities.

**Condition:** A comprehensive schedule of continuing appropriations for all funds was not available for inspection.

**Cause:** The cause of this condition is unknown.

**Effect:** The effect of this condition could lead to a misstatement of continuing appropriation.

**Prior Year Status:** This condition was reported in the Chuuk State Government Single Audit for fiscal year 1998.

**Recommendation:** We recommend that the State ensure that a comprehensive schedule of continuing appropriations is maintained.

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 1999

**Financial Statement Findings Section, Continued**

**Prior Year Internal Control Findings**

**Finding No. 99-11**

**Criteria:** Findings from the Report on Internal Control for prior years should be adequately resolved by Chuuk State management.

**Condition:** The following findings from the Report on Internal Controls for prior years, were not resolved during the year ending September 30, 1999:

1. FY90 Internal Control Finding No. 19 – Filing of contracts – The accounts payable department does not maintain a log or a file for contracts. The contract is attached to the first payment and is filed with the accounts payable voucher.
2. FY90 Internal Control Finding No. 21 – Segregation of Duties – Payroll – There is no segregation of duties in the payroll department. The same person inputs the information for payroll and authorizes and distributes checks.
3. FY91 Internal Control Finding No. 13 – Personnel Policies – Job descriptions for employees are generally not furnished, and there does not appear to be formalized policy manuals or procedural guides to aid employees.
4. FY91 Internal Control Finding No. 23 – Subsidiary Ledger – For Chuuk Visitors Bureau, no subsidiary ledger of cash advanced is maintained.
5. FY91 Internal Control Finding No. 24 – Accounting System – The Chuuk Visitors Bureau does not have a formalized accounting system.

**Cause:** The cause of this condition is 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.

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 1999

**Local Findings**

**Use of Compact Capital Funds**

99 L-1. Criteria: Compact Capital expenditures should be in compliance with the uses outlined in the Compact Agreement between the FSM and the United States.

Condition: As in the prior years, the State incurred expenditures under various drydocking projects. These expenditures appear to be operational in nature. The FSM Attorney General's office is of the opinion that such may be an allowable use of Compact Capital Account funds. However, the State Attorney General's office has not taken a legal position on this issue as of September 30, 1999.

Cause: Chuuk State Government may be unaware that general operational expenditures may not represent allowable uses of Compact Capital funds.

Effect: Possible noncompliance with allowable uses of Compact funds could be the result of this finding.

Prior Year Status: The above condition was cited as a finding in the Chuuk State Government Single Audits for fiscal years 1995 through 1998.

Recommendation: We recommend that the State resolve this finding with the FSM National Government and the Chuuk Attorney General's office.

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 1999

**Local Findings, Continued**

**Compact Capital Funds**

99L-2. Criteria: Chuuk State has the responsibility to ensure that subrecipients such as Municipal Housing Authorities comply with applicable requirements of Compact and federal funds subgranted by the State.

Condition: Chuuk State currently has no procedures in place to ensure that subrecipients of Compact Funds are made aware of compliance requirements and the applicability of A-133 audit requirements. During fiscal year 1999, various housing projects continued to receive Compact Capital account funds.

Cause: Current procedures do not require that transfer of funds to subrecipients be supported by an agreement in which the compliance requirements of the funds transferred are specified.

Effect: Subrecipients may be unaware of compliance requirements of Compact Capital Funds as a result of the above condition.

Prior Year Status: This condition was reported in the Chuuk State Government Single Audit for fiscal year 1998.

Recommendation: We recommend that transfer of Compact Capital and Federal Funds be supported by an agreement in which the compliance requirements of the grants are specified. Additionally, the State should be cognizant of its responsibilities with respect to monitoring the use of these funds.



**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 1999

**Local Findings, Continued**

**Bidding Procedures**

99-L3. Criteria: Per Chuuk State law, bidding procedures should be performed on all contracts over \$20,000 and all personal property purchases over \$50,000.

Condition: State management has been unable to provide bidding documents for all items meeting the criteria selected for testing within a reasonable period of time.

Cause: The State has not enforced local and federal bidding requirements in its procurement practices.

Effect: Possible noncompliance with local and federal regulations could be the result of this finding.

Prior Year Status: The above condition was cited as a finding in the Chuuk State Government Single Audits for the fiscal years 1995 through 1998.

Recommendation: We recommend that documentation pertaining to bidding procedures be made readily available for review.

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 1999

**Local Findings, Continued**

**Use of Compact Capital Funds**

99-L4. Criteria: Compact Capital expenditures should be in compliance with the uses outlined in the Compact Agreement between the FSM and the United States.

Condition: We are unable to determine, based on documentation provided by the State, if expenditures incurred for land leases and claims are allowable uses of Compact CIP funds.

Cause: Chuuk State Government may be unaware that land leases and claims may not be allowable uses of Compact Capital funds.

Effect: Possible noncompliance with allowable uses of Compact funds could be the result of this finding.

Prior Year Status: The above condition was cited as a finding in the Chuuk State Government Single Audit for the fiscal years 1995 through 1998.

Recommendation: We recommend that the State resolve this finding through the FSM National Government and the Chuuk State Attorney General's office.

**CHUUK STATE GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Resolution of Prior Years' Findings and Questioned Costs  
Year Ended September 30, 1999

For the year ended September 30, 1999, the following questioned costs were noted and prior questioned costs resolved:

	Questioned Costs Set Forth in Prior Audit Report <u>1998</u>	Questioned Costs Resolved in Fiscal Year <u>1999</u>	Questioned Costs at <u>September 30, 1999</u>
Unresolved Questioned Costs FY 97	\$ 16,125	\$ -	\$ 16,125
Unresolved Questioned Costs FY 98	54,882	-	54,882
Unresolved Questioned Costs FY 99	<u>-</u>	<u>-</u>	<u>28,619</u>
	\$ <u>71,007</u>	\$ <u>-</u>	\$ <u>99,626</u>



OFFICE OF THE GOVERNOR  
STATE OF CHUUK  
Federated States of Micronesia

Telephone (691) 330-2230  
PO Box 849 Chuuk 96942

DEPARTMENT OF TREASURY

Nick L. Andon  
Director

August 8, 2000

Deloitte & Touche  
P.O. Box 753  
Kolonias, Pohnpei 96941

Gentlemen:

I am pleased to be able to outline for you our responses to the various findings you have made for fiscal year 1999.

**Federal Award Findings and Questions Costs**

**99-1 US Dept of Education School Improvement Program – CFDA #84.256A**

**Condition:** Lack of Supporting documentation in relation to travel and training expenditures.

**Management Response:**

This condition was addressed in respect to finding 98-1. The program manager has been advised of the need to address this documentation issue. Travel reports are signed by supervising officers who are in a position to know whether the Travel Authorization has been complied with. The action taken in response to the Fiscal Year 1998 report occurred during December 1999 and January 2000 and could not impact this report. This matter will again be referred to the program manager for action on preparing adequate documentation.

During Fiscal Year 2000 program managers and departmental staff attended a one week training session on the regulations and requirements for the administration of US Federal Direct Assistance.

**99-2 US Dept of Education School Improvement Program – CFDA #84.256A**

**Condition:** Non Compliance with federal small purchase contracts procurement standards.

**Management Response:**

This condition was addressed in respect to finding 98-2. The program manager has been advised of the need to address this issue. The general weakness relates to the failure to

record and sometimes obtain competitive quotations on the goods to be supplied. There are a number of local conditions which make recording of competitive quotes for small purchase contracts difficult. There are often a small number of suppliers and program staff often know who has stock and who hasn't. In some of the cases reviewed for 98-2 it would have been inappropriate to seek competitive quotations. The reasons for which an exemption would have applied were not recorded on the purchasing documentation. In respect to the acquisition of a number of classes of educational materials there is either one or a small number of suppliers. In a remote place such as Chuuk, establishing reliable supplier relationships is a strong element in successful purchasing for the benefit of meeting program objectives.

Chuuk State actively promotes competitive purchasing and the department has been advised of the need to document purchasing actions including the reasons for claiming an exemption from competitive purchasing procedures clearly on the purchasing documentation. The action taken in response to the Fiscal Year 1998 report occurred during December 1999 and January 2000 and could not impact this report. This matter will again be referred to the program manager for action on preparing adequate documentation.

During Fiscal Year 2000 program managers and departmental staff attended a one week training session on the regulations and requirements for the administration of US Federal Direct Assistance.

**99-3 US Dept of Education School Improvement Program – CFDA #84.256A**

**Condition:** Reasonableness of bulk fuel purchases

**Management Response:**

This condition was addressed in respect to finding 98-3. The program manager has been advised of the need to maintain adequate documentation on the issue of petrol for SIP purposes. It is necessary to maintain a bulk fuel supply to meet program needs. This fuel is used for both water transport as well as car transport. The fuel is managed and issued by program staff. Documentation relating to the issuing of fuel is not maintained with the purchasing records. The program staff have indicated that the fuel is utilized solely for program needs.

The action taken in response to the Fiscal Year 1998 report occurred during December 1999 and January 2000 and could not impact this report. Program staff will be advised again of the need to maintain appropriation documentation on the issue of fuel purchased for this program and this information will be made available for audit.

During Fiscal Year 2000 program managers and departmental staff attended a one week training session on the regulations and requirements for the administration of US Federal Direct Assistance.

**99-4 All CFDA - Equipment and Real Property Management**

**Condition:** A physical inventory of equipment has not been performed in over two years.

**Management Response:**

Since our review of 98-4, Chuuk State has instituted a project plan to improve its management and accountability for equipment. As part of this project plan, property section staff of the Division of Supply and Purchasing along with officers from the Departments undertook a week long training session in accounting for fixed assets and equipment. The project plan now involves revising property rules for the Chuuk State and reform of the States property register to enable proper inventorying of equipment to be undertaken.

A review of equipment purchases in response to 98-4 showed that no items of \$5,000 or more were purchased against federal grants. Very few items of \$1,000 or more would have been purchased.

The action taken in response to the Fiscal Year 1998 report occurred during December 1999 and January 2000 and could not impact this report. It is proposed to give priority to inventorying equipment from federal grants in the implementation of the improvement project.

***99-5 Resolution of Payable to Grantor Agency***

**Condition:** Two instances of cash received in excess of expenditures for US federal grants from fiscal year 1993 have not been resolved.

**Management Response:**

This item was reviewed in response to 98-5. Action has included review of departmental records, discussions with auditors responsible for the single audit and Department of Treasury staff. It is difficult to identify the probable cause of the under reporting of this expenditure. Further action will be taken in an attempt to resolve this matter for the Fiscal Year 2000 audit.

***99-6 Accounts Payable***

**Condition:** Material accounts payable balances are not supported by subsidiary ledgers.

**Management Response:**

All accounts payable recorded in the current accounting system since its commencement in Fiscal Year 1998 are supported by subsidiary ledger details. These details are reconciled to general ledger control accounts on a regular basis by offices in the ADP division.

The unsupported balances were carried forward from the previous accounting system and a major project will be completed this fiscal year to reconcile those accounts payable to ensure that only those which can still be supported are recorded in the ledger.

***99-7 Payroll***

**Condition:** Some payroll payments were not based on the rates set forth in related personnel action forms.

**Management Response:**

The payroll supervisor has instituted tighter control over the receipt and processing of personnel action forms. A reconciliation between payroll records and current personnel action forms will be completed during this fiscal year.

***99-8 Accounts Payable***

**Condition:** Various accounts payable vouchers were missing from file or could not be located.

**Management Response:**

In late calendar year 1999, a review of the filing of accounts payable vouchers showed the filing of vouchers for fiscal year 1999 was in good order. Since that time the Department has had to respond to the information requests of a number external reviewers including the FSM Public Auditor and the GAO. A large number of vouchers were extracted from their filing for this purpose. Only a small number of vouchers could not be found for the purposes of the single audit. All officers of the Department are aware of the importance of proper filing. A review of the adequacy of filing will be undertaken in respect of fiscal year 2000.

***99-9 Payroll***

**Condition:** Employee personnel files were not updated by personnel action forms or authorized deduction forms. In addition the personnel files had no systematic filing arrangement.

**Management Response:**

This finding was reviewed as 98-18 from the fiscal year 1998 single audit. Payroll Section staff have commenced revising procedures for filing of personnel action forms and authorized deduction forms.

***99-10 Continuing Appropriations***

**Condition:** A comprehensive schedule of continuing appropriations for all funds was not available for inspection.

**Management Response:**

This finding was reviewed as 98-19 from the fiscal year 1998 single audit. A review of all continuing appropriations will be completed for the fiscal year 2000 audit. A project to reconcile continuing appropriations for Compact CIP funds is already well advanced.

***99-11 Prior Year Internal Control Findings***

**Condition:** Findings from the Report on Internal Controls for prior years, were not resolved.

**Management Response:**

Documentation and record keeping procedures in the Department of Treasury are being dealt with progressively.

Since the down sizing of the public sector in response to reduced compact funding and the financial crisis which developed in Chuuk up to fiscal year 1997, the staff numbers available in the payroll section has not been sufficient for full separation of duties. The

section has recently been allocated additional staff members and as these become sufficiently experienced in their work, partial separation of duties will be possible.

The Director will again approach the Chuuk Visitors Bureau to ensure they implement proper accounting procedures.

***99L-1 Use of Compact Capital Funds***

**Condition:** Incurring of cost which may be of an operational nature.

**Management Response:**

The State conscientiously believes that these costs are of such a scale and necessity that they are appropriate expenditure against Compact capital funding. In an attempt to resolve this matter discussions have been held with the State Attorney-General's office and further approaches may be made to the National Attorney-General's office. At this stage the issue is not finalized.

This matter was addressed in response to 98-L-1 from fiscal year 1998. Action is continuing.

***99L-2 Compact Capital Funds – Operational Expenses***

**Condition:** The state has no procedures to ensure that Municipal Housing Authorities are made aware of compliance requirements and the applicability of A-133 audit requirements.

**Management Response:**

The matter was addressed in response to 98-L-2 from fiscal year 1998. The Department of Treasury commenced withholding payments to these authorities unless they could demonstrate they had implemented procedures aimed at meeting the compliance requirements. This action commenced after the end of fiscal year 1999 and had no impact on that year. This action will continue.

***99L-3 Bidding Procedures***

**Condition:** State management has not been able to provide bidding documents within an reasonable time.

**Management Response:**

This matter was addressed in response to 98-L-3 from fiscal year 1998. The State already has a mechanism in place to ensure that local bidding laws are complied with. The Director of Treasury continues to ensure that prior to an accounts payable voucher being processed for disbursement, all pertinent bidding documents are attached.

***99L-4 Use of Compact Capital Funds – Land Leases***

**Condition:** The audit was unable to determine based on documentation provided by the State if expenditures incurred for land leases and claims are allowable uses of compact CIP funds.

**Management Response:**

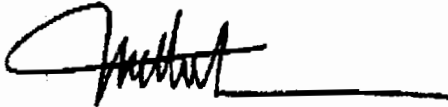
This matter was addressed in response to 98-L-3 in the fiscal year 1998 audit. The State believes that in certain circumstances these are allowable uses of compact CIP funds. It



continues to seek clarification of the individual circumstances to ensure that uses of compact CIP funds remain within the agreement between the FSM and the United States.

The Director will continue to work with the State's Attorney-General's office to ensure that the basis for these charges against compact CIP funds is firmly established by the end of fiscal year 2000.

Very truly yours,

A handwritten signature in black ink, appearing to read "Nick L. Andon", written over a horizontal line.

Nick L Andon  
Director  
Department of Treasury