

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT

REPORT ON EXAMINATION OF FINANCIAL
STATEMENTS IN ACCORDANCE
WITH OMB CIRCULAR A-128

SEPTEMBER 30, 1987

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 1987

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT

COMPREHENSIVE ANNUAL FINANCIAL REPORTS
YEAR ENDED SEPTEMBER 30, 1987

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Honorable John Haglelgam
President
Federated States of Micronesia:

We have examined the general purpose financial statements of the Federated States of Micronesia National Government as of and for the year ended September 30, 1987, as listed in the table of contents. Except as described in the following paragraph, our examination was made in accordance with generally accepted auditing standards, the provisions of Standards for Audit of Governmental Organizations, Programs, Activities and Functions, promulgated by the Comptroller General, which pertain to financial and compliance audits; the Office of Management and Budget's Compliance Supplement for Single Audits and State and Local Governments (the compliance supplement); provisions of Office of Management and Budget (OMB) Circular A-128, issued pursuant to the Single Audit Act of 1984, P.L. 98-502, and, accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of the Enterprise Funds, a proprietary fund type (See notes 1, 5, and 8). Those statements were audited by other auditors whose reports thereon have been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included for the Enterprise Funds, is based solely on the reports of other auditors.

- 1) The National Government has not updated its General Fixed Assets Account Group during the year ended September 30, 1987, nor were we able to apply sufficient alternative procedures to assure ourselves as to the correctness of the balances set forth in the accompanying financial statements.
- 2) Costs for operations of U.S. federal grants to the National Government during the years ended September 30, 1987 and 1986, have been questioned in the amount of approximately \$773,428. The General Fund will absorb any amount that is ultimately disallowed.

In our opinion, based on our examination and the reports of other auditors, and subject to the ultimate resolution of the abovementioned questioned costs and except for the matter set forth in 1), the general purpose financial statements referred to above present fairly the financial position of the Federated States of Micronesia National Government, as of September 30, 1987, and the results of its operations and the changes in financial position of its proprietary fund types for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Memorandum totals and other balances as of September 30, 1986, have not been audited. These balances have been extracted from the comprehensive annual financial report of the Federated States of Micronesia National Government for the year ended September 30, 1986, and are presented in the accompanying financial statements for comparative purposes only. The comprehensive annual financial report for the year ended September 30, 1986, was subjected to audit procedures to the extent as described in our qualified opinion in our report dated February 27, 1987.

May 31, 1988



Certified Public Accountants

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT

Combined Balance Sheet - All Fund Types and Account Groups
September 30, 1987
(With comparative totals as of September 30, 1986)

Assets	Governmental Fund Types			Proprietary Funds	
	General Fund	Special Revenue Funds	Capital Projects Fund	Enterprise Funds	Internal Service
Cash and equivalents	\$ 541,142	\$ 486,197	\$ 51,005	\$ 115,190	\$ -
Time certificates of deposit (note 2)	6,504,810	-	-	3,387,852	-
Investments (note 2)	6,864,659	10,800,089	2,787,775	-	-
Receivables from other governments and agencies, net	350,493	-	-	-	-
Receivables, from TTPI/OTIA	-	901,543	-	-	-
General receivables, net	40,491	-	-	1,224,207	-
Loans receivable, net	-	-	-	2,112,493	-
Advances	352,321	820,553	-	39,850	-
Due from other funds	1,754,729	698,430	4,088,309	-	75,000
Interest and other receivables	71,305	58,343	18,378	220,851	-
Deferred charges	-	-	-	86,969	-
Inventory	-	-	-	49,519	36,473
Restricted assets	-	-	-	814,564	-
Amount to be provided for retirement of long-term debt	-	-	-	-	-
Fixed assets (note 1)	-	-	-	1,158,897	-
Total assets	\$16,479,950	\$13,765,155	\$6,945,467	\$9,210,392	\$111,473
Liabilities and Fund Equity					
Liabilities:					
Bank overdraft	\$ 501,269	\$ -	\$ -	\$ -	\$ -
Accounts payable	468,808	339,285	576,508	566,479	5,478
Accrued payroll and others	179,335	3,387	-	132,933	-
Tax refunds payable	427,074	-	-	-	-
Due to other funds	5,415,095	1,346,988	407,740	-	-
Due to FSM State governments	1,519,351	80,000	-	-	-
Deferred revenues	74,524	-	-	41,801	-
Vacation leave accrual	-	-	-	-	-
Advances for grants, TTPI/OTIA	-	1,187,578	3,207,796	-	-
Other	15,542	-	-	-	-
Total liabilities	8,600,998	2,957,238	4,192,044	741,213	5,478
Commitments and contingencies (note 3)					
Fund equity:					
Contributed capital	-	-	-	5,505,070	-
Retained earnings	-	-	-	2,964,109	-
Fund balance:					
Reserved for:					
Related assets	444,603	-	-	-	36,473
Encumbrances	993,925	5,422,329	6,994,220	-	-
Continuing appropriations (note 4)	3,616,440	8,441,959	913,420	-	-
Unreserved	2,823,984	(3,056,371)	(5,154,217)	-	69,522
Total fund equity	7,878,952	10,807,917	2,753,423	8,469,179	105,995
Total liabilities and fund equity	\$16,479,950	\$13,765,155	\$6,945,467	\$9,210,392	\$111,473

See accompanying notes to combined financial statements.

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT

Combined Balance Sheet - All Fund Types and Account Groups
September 30, 1987
(With comparative totals as of September 30, 1986)

Fiduciary Funds Expendable Trust Funds	Account Groups		Totals (Memorandum Only)	
	General Fixed Assets	General Long-Term Debt	1987	(As Restated in Note 6) 1986
\$207,733	\$ -	\$ -	\$ 1,401,267	\$ 885,234
-	-	-	9,892,662	17,264,984
-	-	-	20,452,523	-
-	-	-	350,493	615,664
-	-	-	901,543	660,792
20,095	-	-	1,284,793	1,078,037
-	-	-	2,112,493	1,768,166
-	-	-	1,212,724	263,042
553,355	-	-	7,169,823	4,350,515
-	-	-	368,877	239,919
-	-	-	86,969	-
-	-	-	85,992	-
-	-	-	814,564	740,012
-	-	364,406	364,406	301,562
-	2,836,204	-	3,995,101	3,573,106
<u>\$781,183</u>	<u>\$2,836,204</u>	<u>\$364,406</u>	<u>\$50,494,230</u>	<u>\$31,741,033</u>
=====	=====	=====	=====	=====
\$ -	\$ -	\$ -	\$ 501,269	\$ 688,729
34,324	-	-	1,990,882	1,464,696
90	-	-	315,745	286,674
-	-	-	427,074	650,469
-	-	-	7,169,823	4,350,515
-	-	-	1,599,351	932,538
-	-	-	116,325	86,061
-	-	364,406	364,406	301,562
-	-	-	4,395,374	3,373,959
-	-	-	15,542	157,631
<u>34,414</u>	<u>-</u>	<u>364,406</u>	<u>16,895,791</u>	<u>12,292,834</u>
-	2,836,204	-	8,341,274	10,436,187
746,769	-	-	3,710,878	838,997
-	-	-	481,076	92,282
-	-	-	13,410,474	1,178,605
-	-	-	12,971,819	7,284,004
-	-	-	(5,317,082)	(381,876)
<u>746,769</u>	<u>2,836,204</u>	<u>-</u>	<u>33,598,439</u>	<u>19,448,199</u>
<u>\$781,183</u>	<u>\$2,836,204</u>	<u>\$364,406</u>	<u>\$50,494,230</u>	<u>\$31,741,033</u>
=====	=====	=====	=====	=====

See accompanying notes to combined financial statements.

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT

Combined Statement of Revenues, Expenditures and
Changes in Fund Balance
All Governmental Fund Types and Expendable Trust Funds
Year ended September 30, 1987
(With comparative totals for the year ended September 30, 1986)

	Governmental Fund Types				Totals (Memorandum Only)	
	General Fund	Special Revenue Funds	Capital Projects Funds	Expendable Trust Funds	1987	1986
Revenues:						
U.S. federal contributions (including DOI and TTPI)	\$ -	\$ 2,421,639	\$5,094,332	\$ -	\$ 7,515,971	\$ 8,775,163
Compact funds	6,403,536	11,568,280	2,746,464	-	20,718,280	-
Other	9,988,452	191,880	-	509,712	10,690,044	10,572,112
Total revenues	16,391,988	14,181,799	7,840,796	509,712	38,924,295	19,347,275
Expenditures:						
Executive branch	6,524,256	3,045,057	5,161,090	645,265	15,375,668	9,503,198
Judicial branch	570,252	-	60,000	-	630,252	435,694
Boards and commissions	1,319,317	-	-	-	1,319,317	1,491,625
Legislative branch	1,811,519	-	-	-	1,811,519	1,598,861
Office of the Public Auditor	274,034	-	-	-	274,034	162,621
Other National Government programs	905,757	-	-	-	905,757	597,790
Other legislative appropriations	3,812,169	-	-	-	3,812,169	1,876,314
Other	290,103	-	-	-	290,103	452,995
Total expenditures	15,507,407	3,045,057	5,221,090	645,265	24,418,819	16,119,098
Revenues in excess of (less than) expend- itures	884,581	11,136,742	2,619,706	(135,553)	14,505,476	3,228,177
Other sources (uses):						
FSM Intergovernmental transfers	-	-	-	-	-	787,450
Operating transfers in (out) (note 5)	(700,696)	(473,058)	(200,000)	300,000	(1,073,754)	(1,289,812)
Total other sources (uses)	(700,696)	(473,058)	(200,000)	300,000	(1,073,754)	(502,362)
Excess of revenues and other sources over expenditures and other uses	183,885	10,663,684	2,419,706	164,447	13,431,722	2,725,815
Fund balance, beginning of year	7,695,067	144,231	333,717	582,322	8,755,337	6,023,105
Excess of encumbrances over prior year expenditures	-	-	-	-	-	6,417
Adjustment to beginning fund balance	-	2	-	-	2	-
Fund balance, end of year	\$ 7,878,952	\$10,807,917	\$2,753,423	\$746,769	\$22,187,061	\$ 8,755,337

See accompanying notes to combined financial statements.

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT
GENERAL FUND

Statement of Revenues, Expenditures and Changes in Fund
Balance - Budget and Actual, Budgetary Basis
Year ended September 30, 1987

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Compact grants	\$ 6,335,300	\$6,403,536	\$ 68,236
Locally derived taxes	3,775,000	3,824,284	49,284
Fishing rights fees	3,500,000	3,845,449	345,449
Postal revenues	450,000	345,994	(104,006)
Interest on investments	600,000	1,576,713	976,713
Business fees and fines	125,000	33,399	(91,601)
Penalties and interest on delinquent taxes	-	218,172	218,172
Other	<u>20,000</u>	<u>144,441</u>	<u>124,441</u>
Total revenues	<u>14,805,300</u>	<u>16,391,988</u>	<u>1,586,688</u>
Expenditures:			
Executive branch	6,943,775	6,613,180	330,595
Judicial branch	617,772	572,721	45,051
Boards and commissions	1,465,385	1,374,666	90,719
Legislative branch	1,908,683	1,872,604	36,079
Office of the Public Auditor	337,050	277,629	59,421
Other National Government programs	1,117,500	1,035,273	82,227
Other legislative appropriations	6,768,491	4,145,685	2,622,806
Unfunded expenditures	<u>-</u>	<u>290,105</u>	<u>(290,105)</u>
Total expenditures	<u>19,158,656</u>	<u>16,181,863</u>	<u>2,976,793</u>
Revenues in excess of (less than) expenditures	(4,353,356)	210,125	(4,563,481)
Other sources (uses):			
Operating transfers (out)	<u>(731,218)</u>	<u>(717,260)</u>	<u>(13,958)</u>
Total other sources (uses)	<u>(731,218)</u>	<u>(717,260)</u>	<u>(13,958)</u>
Excess of revenues and other sources over expenditures and other uses	(5,084,574)	(507,135)	(4,577,439)
Unreserved fund balance, beginning of year	3,764,162	3,764,162	-
Other changes in unreserved fund balance:			
Increase in reserve for related assets	-	(352,321)	352,321
Increase in reserve for continuing appropriations	-	(660,821)	660,821
Net encumbrances adjustments	-	227,776	(227,776)
Adjustment to beginning fund balance	-	2	(2)
Encumbrances included in reserve for related assets	<u>-</u>	<u>352,321</u>	<u>(352,321)</u>
Unreserved fund balance, end of year	<u>\$(1,320,412)</u>	<u>\$ 2,823,984</u>	<u>\$(4,144,396)</u>

See accompanying notes to combined financial statements.

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT

Combined Statement of Revenues, Expenses and Changes in
Fund Equity - Proprietary Fund Type
Year ended September 30, 1987
(With comparative totals for the year ended September 30, 1986)

	Internal Service	Enterprise	1987	Totals (As restated, Note 7) 1986
Revenues:				
Charges for goods and services	\$ -	\$2,337,066	\$2,337,066	\$2,128,379
Rental income/interest income	-	289,725	289,725	936,963
Other	-	7,985	7,985	25,811
Total revenues	-	2,634,776	2,634,776	3,091,153
Operating expenses:				
Personnel services	-	199,519	199,519	953,251
Supplies and materials	-	18,238	18,238	73,489
Other	-	415,852	415,852	2,103,856
Depreciation	-	30,150	30,150	163,410
Cost of sales	5,478	2,706,241	2,711,719	780,382
Total operating expenses	5,478	3,370,000	3,375,478	4,074,388
Operating income (loss)	(5,478)	(735,224)	(740,702)	(983,235)
Non-operating revenues:				
Intergovernmental contributions	-	-	-	599,365
Interest income	-	100,519	100,519	94,572
Transfers in from General Fund and other sources	75,000	998,754	1,073,754	472,866
Miscellaneous	-	13,056	13,056	32,848
Total non-operating revenues	75,000	1,112,329	1,187,329	1,199,651
Net income	69,522	377,105	446,627	216,416
Retained earnings, beginning of year	-	2,058,676	2,058,676	1,924,898
Adjustment to retained earnings, beginning of year (note 7)	-	528,328	528,328	(82,638)
Retained earnings, end of year	69,522	2,964,109	3,033,631	2,058,676
Contributed capital, beginning of year	-	5,980,898	5,980,898	5,566,330
Current year additions	36,473	70,000	106,473	414,568
Current year adjustments	-	(545,828)	(545,828)	-
Contributed capital, end of year	36,473	5,505,070	5,541,543	5,980,898
Total fund equity, end of year	\$105,995	\$8,469,179	\$8,575,474	\$8,039,574

See accompanying notes to combined financial statements.

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT

Combined Statement of Changes in Financial Position
Proprietary Fund Type (Enterprise Funds)
Year ended September 30, 1987
(With comparative totals for the year ended September 30, 1986)

	<u>Internal Service</u>	<u>Enterprise</u>	<u>1987</u>	<u>Totals (As restated, Note 7) 1986</u>
Sources of working capital:				
Operations:				
Net income	\$ 69,522	\$ 377,105	\$ 446,627	\$ 216,416
Depreciation not requiring working capital	-	228,844	228,844	163,410
Loss from fire	-	-	-	4,082
Working capital provided by operations	<u>69,522</u>	<u>605,949</u>	<u>675,471</u>	<u>383,908</u>
Prior period adjustments	-	328,172	328,172	-
Contributions from EDLF	-	-	-	750,000
Contributions from CFMS	36,473	70,000	106,473	673,356
Proceeds from sale of fixed assets	-	-	-	1,295
Total sources of working capital	<u>105,995</u>	<u>1,004,121</u>	<u>1,110,116</u>	<u>1,808,559</u>
Uses of working capital:				
Acquisition of plant, property and equipment	-	459,911	459,911	407,413
Prior period adjustment (note 6)	-	108,840	108,840	82,638
Distribution of EDLF contributions	-	-	-	1,008,788
Total uses of working capital	<u>-</u>	<u>568,751</u>	<u>568,751</u>	<u>1,498,839</u>
Net increase in working capital	<u>\$105,995</u>	<u>\$ 435,370</u>	<u>\$ 541,365</u>	<u>\$ 309,720</u>
Increase (decrease) in elements of working capital:				
Cash	\$ -	\$ (255,976)	\$ (255,976)	\$ 77,288
Time certificate of deposit	-	53,743	53,743	254,429
Investments	-	-	-	335,157
Due from TTPI EDLF	-	-	-	(1,497,981)
Loans receivable - EDLF	-	344,327	344,327	793,337
Accounts receivable	-	311,847	311,847	(646,913)
Prepaid expenses	-	88,288	88,288	3,188
Advances	-	(25,078)	(25,078)	5,258
Interfund receivable	75,000	-	75,000	-
Deferred charges	-	86,969	86,969	-
Interest receivable	-	(1,627)	(1,627)	68,564
Inventory	36,473	49,519	85,992	-
Restricted assets:				
Investments	-	(169,473)	(169,473)	217,886
Interest receivable	-	11,790	11,790	4,229
Accounts receivable	-	-	-	(4,640)
Loans receivable	-	232,235	232,235	144,380
Accounts payable	(5,478)	74,061	68,583	572,350
Salaries and wages payable	-	8,472	8,472	(12,262)
Payroll taxes payable	-	(1,713)	(1,713)	2,244
Other accrued expenses	-	(349,119)	(349,119)	(6,794)
Accrued leave payable	-	(22,895)	(22,895)	-
Net increase (decrease) in working capital	<u>\$105,995</u>	<u>\$ 435,370</u>	<u>\$ 541,365</u>	<u>\$ 309,720</u>

See accompanying notes to combined financial statements.

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT

Statement of Changes in General Fixed Asset Account Group
Year ended September 30, 1987
(With comparative totals for the year ended September 30, 1986)

	<u>1987</u>	<u>1986</u>
Balance, beginning of year	\$2,653,288	\$1,931,678
Current year additions	225,611	752,137
Current year deletions	<u>(42,695)</u>	<u>(30,527)</u>
Balance, end of year	<u>\$2,836,204</u> =====	<u>\$2,653,288</u> =====

See accompanying notes to combined financial statements.

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT

Notes to Combined Financial Statements
September 30, 1987

(1) Significant Accounting Policies

- A. Basis of Presentation. The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and as in Audits of State and Local Governmental Units issued by the American Institute of Certified Public Accountants. The accompanying statements include all fund types and material authorities of the Federated States of Micronesia National Government. The Coconut Development Authority (CDA) was not audited for the year ended September 30, 1986; however, the FSM Public Auditor's office examined the financial statements for CDA for the year ended September 30, 1987. The FSM Public Auditor's Office also examined the financial statements of the FSM Telecommunications Corporation and the Development Bank for the years ended September 30, 1987 and 1986.
- B. Fund Structure and Basis of Accounting. The accompanying financial statements are structured into three categories of funds and two Account Groups. The fund categories include governmental funds, proprietary funds, and fiduciary funds. The Account Groups include General Fixed Assets and General Long-Term Debt.

The Federated States of Micronesia National Government governmental funds include:

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

All of the governmental funds are presented on the modified accrual basis of accounting. In accordance with the modified accrual basis, revenues are recognized when they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the current period. Expenditures are recorded at the time liabilities are incurred except:

- a. Inventories generally are considered expenditures at acquisition.
- b. Prepayments usually are not recorded.

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT

Notes to Combined Financial Statements, Continued

(1) Significant Accounting Policies, Continued

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

The proprietary fund includes:

1. Enterprise Funds which are used to account for the operations of National Government agencies which are designed to be self-sufficient and which render service to the general public on a user charge basis.
2. The Internal Service Fund which is used to account for the stock and medical supply operations of self-sustaining State agencies rendering services to other State agencies on a cost reimbursement basis. No fixed assets are identified to this operation and, accordingly, no depreciation expense is incurred by the Fund.

The proprietary funds are accounted for on the accrual basis of accounting.

The fiduciary funds include the Expendable Trust Funds which are used to account for assets held by the National Government as trustee. Expendable Trust Funds are accounted for on the modified accrual basis of accounting.

C. Fixed Assets and Long-Term Liabilities Account Groups

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds and expendable trust funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spending resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available resources" during a period.

Fixed assets used in governmental fund type operations (general fixed assets), are accounted for in the General Fixed Assets Account Group rather than in governmental funds.

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT

Notes to Combined Financial Statements, Continued

(1) Significant Accounting Policies, Continued

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. Depreciation is not charged against the general fixed assets.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds. Accrued annual leave has been presented in the accompanying general long-term debt account group. No current portion of accrued annual leave has been recorded in the General Fund or in the Special Revenue Funds as the amounts are immaterial to these funds.

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

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the General Long-Term Debt Account Group.

- D. Budgetary Process. The Congress of the Federated States of Micronesia (CFSM) enacts the budget through passage of specific departmental appropriations. Before signing the Appropriations Act, the President may veto or reduce any specific appropriation, subject to Congressional override. Under the compact, which went into effect November 3, 1986, approval of all CFSM laws is vested with the President of the Federated States of Micronesia.

Budgetary control is maintained at the departmental level. Budget revisions during the year, reflecting program changes, may be effected by Congress approval.

Unencumbered funds at year-end revert to the unappropriated surplus of the General Fund. Unencumbered appropriations normally lapse at the end of each fiscal year unless they are designated by the FSM Congress as representing continuing appropriations.

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT

Notes to Combined Financial Statements, Continued

(1) Significant Accounting Policies, Continued

E. Receivables. Receivables in the National Government's governmental and fiduciary 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 the cash basis. At September 30, 1987, the National Government had rendered tax assessments in the amount of \$56,049 for delinquent taxes. If collected, one-half of these receivables will accrue as revenue to the National Government; the other one-half accrues to the applicable State Government. However, due to the uncertainty of collection, these amounts have not been reflected within the accompanying financial statements. Additionally, for the general fund general receivables, the amount stated on the balance sheet is net of an allowance for doubtful accounts of \$605,976 in 1987, and \$456,846 in 1986.

For the Student Loan Fund, an Expendable Trust Fund, it is the policy of the National Government to reserve all loans until collection occurs since applicable loan terms are such that provide difficulty in measuring when repayments may occur.

F. Interfund Transactions. The National Government basically has two types of potential interfund transactions, as follows:

1. Operating appropriations/subsidies are accounted for as operating transfers in the funds involved.
2. Equity contributions are accounted for as equity transfers (additions to or deductions from beginning governmental fund balances or proprietary fund contributed capital).

G. Fixed Assets and Depreciation. Governmental general fixed assets are carried in the General Fixed Assets Account Group. No depreciation is provided for on these assets. Assets are stated at cost or estimated cost. Substantially all fixed assets of the National Government are equipment, furniture and fixtures, and vehicles. Enterprise Fund fixed assets are stated at cost. They are being depreciated principally on a straight-line basis over estimated useful lives ranging from 20 to 50 years for Buildings and Leasehold Improvements and 5 to 10 years for substantially all other asset categories. Fixed assets for Enterprise funds as of September 30, 1987, are as follows:

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT

Notes to Combined Financial Statements, Continued

(1) Significant Accounting Policies, Continued

	<u>FSM Tele- Communica- tion Corp.</u>	<u>FSM Development Bank</u>	<u>FSM Coconut Development Authority</u>	<u>Total</u>
Buildings & leasehold improvements	\$ -	\$ -	\$14,633	\$ 14,633
Furniture & fixtures	-	77,138	-	77,138
Vehicles	-	37,881	6,000	43,881
Equipment & machinery	-	-	23,035	23,035
General support assets	560,159	-	-	560,159
Central office assets	294,965	-	-	294,965
Terminal equipment	611,986	-	-	611,986
Cable and wiring facilities	88,866	-	-	88,866
Leasehold improvements	<u>8,424</u>	<u>-</u>	<u>-</u>	<u>8,424</u>
	1,564,400	115,019	43,668	1,723,087
Less accumulated depreciation	<u>461,444</u>	<u>73,908</u>	<u>28,838</u>	<u>564,190</u>
Property, plant and equipment	<u>\$1,102,956</u> =====	<u>\$ 41,111</u> =====	<u>\$14,830</u> =====	<u>\$1,158,897</u> =====

H. Inventories

Inventories of materials and supplies are determined by physical count and are valued at the lower of cost (principally average cost) or market.

I. Actual Expenditures Contrasted With Budgetary Expenditures

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

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT

Notes to Combined Financial Statements, Continued

(1) Significant Accounting Policies, Continued

The effects of current year liquidations of prior year encumbrances by liabilities less than the respective encumbrances, and the effects of current year cancellations of prior year encumbrances are reported together as a separate line item entitled "net encumbrance adjustments". This item of the budgetary financial statements is found under "other changes in unreserved fund balance" as its underlying components have no effect on current operating performance, the measurement of which is the primary purpose of the budgetary financial statements.

- J. Fund Balance Reserves and Designations. The National Government's fund balance reserves represent those portions of fund balance (1) not appropriable for expenditures or (2) legally segregated for a specific future use. In the accompanying combined balance sheet, reserves for related assets such as imprest funds and petty cash are examples of the former. Reserve for encumbrances, contracts, and continuing appropriations are examples of the latter. Reserves for related assets for the general fund as of September 30, 1987, are as follows:

Imprest cash fund	\$ 88,221
Petty cash fund	4,061
Advances	<u>352,321</u>
Total	\$444,603 =====

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

(2) Investments

I. Compact Funds

Public Law No. 4-77, which approved the "Internal Budget and Finance Procedures Under the Compact of Free Association", established and designated the Federated Development Authority (FDA) as the agency under which Compact funds available for investment are obligated and placed. This law also provides that all FDA investment funds shall be managed by the Secretary of Finance for the FDA.

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT

Notes to Combined Financial Statements, Continued

(2) Investments, Continued

The National Government and each of the Federated States channel their investments into combined investment pool accounts.

The investment managers and the trustee report on the investment pool accounts; the trustee also reports on each government-participant's total investments, showing the individual investments in the long-term and short-term accounts and each participant's fund which remains with the trustee.

Ownership or share in the long-term and short-term investment pools are accounted for in terms of units purchased at the time of investment or redeemed at the time of withdrawal. Purchase and redemption of units are made on the first working day of the month at the current market value of the units.

Shares of the participants in the reinvested earnings and accrued income (net of management fees and miscellaneous expenses) in the long-term investment account (interest, dividends, realized gains/losses on sales of stocks) and in the short-term account (interest and realized gains/losses on sales of securities) are based on the outstanding units held.

The investment managers are given authority to buy and sell securities as follows:

- A. Investment managers may invest in stocks, bonds and cash equivalents. Minimum standards of quality for investments at the time of purchase shall be:
1. Stocks - A "B" rating by a national rating service. Non-rated stocks such as banks or insurance companies must be equal in quality or higher.
 2. Bonds - Confined to issues rated "A" or higher by a national rating service, except in the case of U.S. Treasury or Agency Securities which are not rated.
 3. Cash and Equivalents- Cash equivalents - The manager may engage in all normally accepted short-term investment practices including, but not limited to: U.S. Treasury and Agency securities, bankers' acceptances, certificates of deposit, commercial paper and repurchase agreements using any of the foregoing as collateral. The following restrictions apply:

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT

Notes to Combined Financial Statements, Continued

(2) Investments, Continued

- a. Commercial paper must be rated A-1/P-1 or higher by Standard and Poors Corporation and Moodys Investor Services.
 - b. Certificates of deposit must be from FDIC insured banks or FSLIC insured savings and loan associations, both of which must have assets in excess of two billion dollars. Deposits in smaller institutions are acceptable, but must not exceed the amount of the insurance unless collateralized by U.S. Treasury Securities at 102%.
- B. The equity portfolio shall be diversified among issues and industry classifications. No more than 25% of the equity portfolio may be invested in any single classification, as described by the Standard and Poors 500 Index, unless prior approval is received from the 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 Secretary of Finance.

II. Other Funds

Other invested funds include the CFSM Capital Relocation Grant and Fishing Rights fees.

As of September 30, 1987, fishing rights fees of \$5,700,000 plus reinvested earnings are invested long-term by Atlanta/Sosnoff Capital Corporation; the balance of the fees and the Capital Relocation Grant are invested short-term by Hawaiian Trust Company, Ltd. (HTCo).

As of September 30, 1987, TCD's of the enterprise funds were all invested in banks within Pohnpei State, each of which is FDIC insured.

As of September 30, 1987, the details of the National Government's funds which are invested are as follows:

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT

Notes to Combined Financial Statements, Continued

(2) Investments, Continued

<u>Governmental Fund Types</u>	<u>Principal</u>	<u>Share in Reinvested Earnings</u>	<u>Total Cost of Investments</u>
<u>Compact Funds:</u>			
<u>Long-term (Market Value of \$3,228,740)</u>			
Current account	\$ 775,000	\$ 776	\$ 775,776
Scholarship	<u>1,889,700</u>	<u>132,739</u>	<u>2,022,439</u>
Sub-total	<u>\$ 2,664,700</u>	<u>\$133,515</u>	<u>2,798,215</u>
<u>Short-term (Market Value of \$11,596,918)</u>			
Capital account	\$ 2,717,198	\$ 70,577	2,787,775
Communications -			
One-time	7,242,000	188,105	7,430,105
Annual	-	7,333	7,333
Marine surveillance -			
One-time	666,600	17,615	684,215
Annual	519,000	7,613	526,613
Health and medical	125,980	1,848	127,828
Special block grant	<u>-</u>	<u>1,556</u>	<u>1,556</u>
Sub-total	<u>\$11,270,778</u>	<u>\$294,647</u>	<u>11,565,425</u>
<u>Other Funds:</u>			
<u>Long-term</u>			
Equities (market value of \$3,099,762)			2,620,192
Cash and equivalents [commercial paper, Treasury Note, HCo Automated Cash Management (ACM) market value approximates cost]			<u>3,468,691</u>
Sub-total			<u>6,088,883</u>
<u>Short-term - (General Fund)</u>			
Cash and equivalents (banker's acceptances, corporate and bank notes, TCD's, HCo ACM, all due before 11/06/87, market value approximates cost)			<u>6,504,810</u>
Total investments and TCD's, Governmental Fund Types			<u>\$26,957,333</u> =====

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT

Notes to Combined Financial Statements, Continued

(3) Commitments and Contingencies

1. Sick Leave. It is the policy of the National Government 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, 1987, was \$539,153.
2. Federal Grants. The National Government participates in a number of federally assisted grant programs and other various Department of the Interior grants. These programs are subject to financial and compliance audits to ascertain if Federal laws and guidelines have been followed. Currently, \$773,428 in cumulative questioned costs exist for the operation of fiscal year 1986-87 grants. If these costs are ultimately disallowed, the General Fund will be charged for the necessary reimbursement to the grantor agencies.
3. Litigation. The National Government is party to several legal proceedings arising from governmental operations. Claims are filed with the Attorney General. Approved claims are paid generally under general appropriations to the affected government agency. At September 30, 1987, there existed several unapproved claims. The Attorney General of the National Government represents that the ultimate resolution of these claims is undeterminable, but should not have a material impact on the accompanying financial statements.
4. Leases. The National Government has entered into house lease agreements varying from one to five years. The future lease payments are estimated at \$699,000 annually.
5. Construction Contract. The National Government has contracted with a construction firm to design and build the National Government capital complex. Approximately \$6,900,000 of the contract remains outstanding as of September 30, 1987. This balance is substantially encumbered within the Capital Projects Funds as of that date.

(4) Continuing Appropriations

At September 30, 1987, the General Fund reflected the following as continuing appropriations:

Truk State Projects	\$2,054,540
Pohnpei State Projects	444,270
Yap State Projects	585,765
Kosrae State Projects	<u>531,865</u>
	\$3,616,440
	=====

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT

Notes to Combined Financial Statements, Continued

(4) Continuing Appropriations, Continued

Capital Projects Funds

Continuing appropriations for the Capital Project Funds as of September 30, 1987, are as follows:

OTIA/TTPI

FSM Capital & CCM Campus	\$ <u>457,129</u>
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Compact Capital Projects

Supreme Court Building	40,000
Investment Development Fund Working Group	58,321
Truk Cold Storage Plant	<u>50,000</u>
	<u>148,321</u>

CFSM Capital Projects

Finance warehouse	29,908
Staff housing	238,849
Capital wells	<u>39,213</u>
	<u>307,970</u>

Total Capital Projects	\$ <u>913,420</u> =====
------------------------	----------------------------

Special Revenue Funds

Continuing appropriations for Special Revenue Funds are as of September 30, 1987, are as follows:

Post secondary education scholarship grants (PL 5-3):

Yap	\$ 194,828
Truk	499,448
Pohnpei	349,783
Kosrae	<u>155,900</u>
	<u>1,199,959</u>

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT

Notes to Combined Financial Statements, Continued

(4) Continuing Appropriations, Continued

Communications one-time (PL 5-3):

FSM Telecommunications Corp. - Building	\$ 313,495
FSM Telecommunications Corp. - Equipment	318,288
FSM Telecommunications Corp. - HUB building	1,630,217
FSM Telecommunications Corp. - Earth stations	3,080,000
FSM Telecommunications Corp. - Switches and others	<u>1,900,000</u>
	<u>7,242,000</u>
Total Special Revenue	\$8,441,959 =====

(5) Transfers Out/In

Transfers at September 30, 1987, consisted of the following:

General funds transfers out:	
Coconut Development Authority	\$ (74,554)
Maritime Operations Revolving Fund	(465,100)
Student Loan Fund	(100,000)
FSM Supply Stock Revolving Fund	<u>(75,000)</u>
	<u>(714,654)</u>
General fund transfers in:	
Postal Services Revolving Fund	<u>13,958</u>
Net general fund transfers (out)	\$ (700,696) =====
Compact Capital Projects transfers out:	
Coconut Development Authority	\$ (200,000) =====
Special revenue transfers (out)/in:	
One-Time Communications transfers out to FSM Telecommunications Fund	\$ (724,200)
Post secondary education transfers out to Student Loan Fund	(200,000)
Passport Revolving transfer out to general fund	(13,958)
Maritime Operations Revolving transfer in from general fund	<u>465,100</u>
Net Special Revenue transfers (out)	\$ (473,058) =====

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT

Notes to Combined Financial Statements, Continued

(6) Due to/from other funds

As of September 30, 1987, interfund receivables and payables that resulted from various interfund transactions were as follows:

	<u>Due To Other Funds</u>	<u>Due From Other Funds</u>
General fund	\$5,415,095	\$1,754,729
Special Revenue Funds:		
Transition	229,591	-
Federal grants direct	-	409,471
OTIA	189,787	-
Federal grants TTPI	167,656	-
Maritime Operations	-	249,502
Passport	-	39,457
Section 215 (a)	12,178	-
Section 215 (b)	295,033	-
Section 216 (a)(1)	74,281	-
Section 216 (a)(2)	3,609	-
Section 216 (a)(3)	336,059	-
Section 216 (b)	27,555	-
Section 221	-	11,239
Capital Projects Funds:		
Compact	407,740	-
OTIA/TTPI	-	3,773,871
CFSM	-	314,438
Expendable Trust Funds:		
Health insurance	-	474,050
Student loan fund	-	79,305
Internal Service Fund	-	75,000
Total	<u>\$7,169,823</u> =====	<u>\$7,169,823</u> =====

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT

Notes to Combined Financial Statements, Continued

(7) Adjustments to Beginning Fund Balances

The financial statements of the FSM Development Bank, the FSM Telecommunications Corporation and the FSM Coconut Development Authority (Enterprise Funds) reflect prior period adjustments as follows, to properly record revenues recognized (net of expenses) in the applicable fiscal year.

	<u>1987</u>	<u>1986</u>
FSM Development Bank	\$(108,840)	\$(86,857)
FSM Telecommunications Corporation	(147,434)	-
FSM Coconut Development Authority	<u>784,602</u>	<u>4,219</u>
	\$ 528,328	\$(82,638)
	=====	=====

(8) Enterprise Funds

A. Audit Reports

The Federated States of Micronesia (FSM) Public Auditor performed examinations of the following Enterprise Funds as of September 30, 1987, and for the year then ended. A description of these Enterprise Funds, the date of the audit report and the type of opinion given follows:

<u>Fund</u>	<u>Report Date</u>	<u>Opinion</u>
Telecommunications Corporation of the Federated States of Micronesia	February 1, 1988	Unqualified
FSM Development Bank	February 15, 1988	Unqualified
Coconut Development Authority	March 15, 1988	Qualified, due to possible uncollecta- bility of accounts receivable.

B. Segment Data

Key financial data for material enterprise funds, as of and for the year ended September 30, 1987, is as follows:

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT

Notes to Combined Financial Statements, Continued

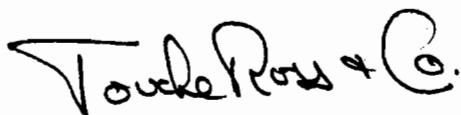
(8) Enterprise Funds, Continued

	<u>Coconut Development Authority</u>	<u>FSM Develop- ment Bank</u>	<u>FSM Telecommunica- tions Corp.</u>
Total assets	\$497,615 =====	\$4,583,682 =====	\$4,129,095 =====
Total equity	\$492,490 =====	\$4,554,295 =====	\$3,422,394 =====
1987 net earnings (loss)	\$105,884 =====	\$ (137,449) =====	\$ 408,670 =====
1987 non-operating revenue from FSM Congress appro- priations	\$274,554 =====	\$ - =====	\$ 724,200 =====
Receivables, net	\$ 42,464 =====	\$2,126,448 =====	\$1,167,788 =====
1987 bad debt expense	\$ 40,000 =====	\$ 70,648 =====	\$ - =====
Fixed assets, net	\$ 14,830 =====	\$ 41,111 =====	\$1,102,956 =====
1987 depreciation expense	\$ 4,377 =====	\$ 30,150 =====	\$ 194,317 =====
Allowance for doubtful accounts	\$126,927 =====	\$ 665,381 =====	\$ 202,920 =====

ADDITIONAL INFORMATION

The additional information presented in the following pages, which has been taken primarily from accounting and other records of the National Government of the Federated States of Micronesia, has been subjected to the tests and other auditing procedures in accordance with generally accepted auditing standards and Office of Management and Budget Circular A-128, issued pursuant to the Single Audit Act of 1984, P.L. 98-502, applied in our examination of the general purpose financial statements taken as a whole. The accompanying additional information as listed in Section III of the Table of Contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Federated States of Micronesia National Government. Such information has been subjected to the auditing procedures applied in our examination of the general purpose financial statements and, in our opinion, subject to and except for those matters set forth in our report dated May 31, 1988, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

May 31, 1988



Certified Public Accountants

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT

Combining Schedule of Expenditures by Account -
All Governmental Fund Types and Expendable Trust Funds
Year ended September 30, 1987
(With comparative totals as of September 30, 1986)

	Governmental Fund Types				Totals	
	General Fund	Special Revenue Funds	Capital Projects Funds	Expendable Trust Funds	1987	1986
Expenditures:						
Personnel	\$ 6,338,910	\$ 733,864	\$ 31,011	\$ -	\$ 7,103,785	\$ 5,945,558
Travel	1,660,474	348,916	26,165	-	2,035,555	1,756,969
Contractual services, contribu- tions and subsidies	2,573,487	621,220	16,926	-	3,211,633	2,322,697
Equipment, machinery, furniture and fixtures	1,026,179	44,048	-	-	1,070,227	632,965
Communications	307,937	-	-	-	307,937	246,363
Supplies and materials	985,371	-	-	-	985,371	634,403
Office/house rent/lease	663,109	-	-	-	663,109	658,460
Other	1,802,810	1,297,009	119,779	336,655	3,556,253	3,921,683
Bad debts	149,130	-	-	308,610	457,740	-
Construction-in-progress	-	-	5,027,209	-	5,027,209	-
Total expenditures	<u>\$15,507,407</u>	<u>\$3,045,057</u>	<u>\$5,221,090</u>	<u>\$645,265</u>	<u>\$24,418,819</u>	<u>\$16,119,098</u>

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT
GENERAL FUND

Statement of Revenues
Year ended September 30, 1987
(With comparative totals for the year ended September 30, 1986)

	<u>1987</u>	<u>1986</u>
Department of the Interior operating grant	\$ <u>-</u>	\$ <u>6,205,000</u>
Compact funding current:		
Base amount	5,248,800	-
Inflation adjustment	<u>1,154,736</u>	<u>-</u>
	<u>6,403,536</u>	<u>-</u>
Locally derived taxes:		
Import	775,443	747,799
Fuel	78,823	73,762
Income tax, individuals, net of tax refunds	1,555,445	1,397,301
Gross receipts tax, businesses	<u>1,414,573</u>	<u>1,398,550</u>
	<u>3,824,284</u>	<u>3,617,412</u>
Investment income:		
Realized gain on sale of equities	421,475	-
Realized loss on sale of equities	(279,220)	-
Dividends and interest income	<u>1,434,458</u>	<u>781,956</u>
	<u>1,576,713</u>	<u>781,956</u>
Fees, licenses, and other income:		
Fishing rights fees	3,845,449	4,856,047
Postal collections	345,994	429,276
Penalties and interest on delinquent taxes	218,172	115,323
Business license and firearms fees	33,399	228,973
Other miscellaneous income	<u>144,441</u>	<u>138,087</u>
	<u>4,587,455</u>	<u>5,767,706</u>
Total revenues before operating transfers	16,391,988	16,372,074
Operating transfer in from Passport Revolving Fund	<u>13,958</u>	<u>-</u>
Total revenues and transfers in	<u>\$16,405,946</u>	<u>\$16,372,074</u>
	=====	=====

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT
GENERAL FUND

Statement of Expenditures by Function and Department
Year ended September 30, 1987
(With comparative totals for the year ended September 30, 1986)

	<u>1987</u>	<u>1986</u>
Executive Branch:		
President's Office	\$ 445,773	\$ 396,788
Public Defender	355,765	332,041
Office of Health Services	370,816	332,312
Office of Education	268,838	271,197
Department of Resources and Development	374,636	424,006
Office of the Attorney General	792,857	879,645
Public Information	187,238	142,996
Department of Finance	1,346,355	1,102,113
Personnel and MTAP	305,834	591,579
Planning and Statistics	381,207	342,046
Budget Office	336,797	235,186
External Affairs and LNO's	1,252,663	1,100,536
Transportation	<u>105,477</u>	<u>-</u>
Total Executive Branch	<u>6,524,256</u>	<u>6,150,445</u>
Judicial Branch	<u>570,252</u>	<u>435,694</u>
Boards and Commissions:		
Board of Education	29,565	27,093
Commission on Future Political Status and Transition	433,600	503,895
Environmental Protection Board	12,396	8,340
FSM Banking Board	8,464	14,479
Micronesia Maritime Authority	242,371	231,062
FSM Postmaster	402,448	336,308
Copra Price Subsidy	-	206,000
Foreign Investment Board	16,067	15,618
College of Micronesia Board of Regents	133,352	143,076
FSM Medical License Board	13,275	5,754
National Fisheries Corporation	<u>27,779</u>	<u>-</u>
Total Boards and Commissions	<u>1,319,317</u>	<u>1,491,625</u>

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT
GENERAL FUND

Statement of Expenditures by Function and Department, Continued
The year ended September 30, 1987
(With comparative totals for the year ended September 30, 1986)

	<u>1987</u>	<u>1986</u>
Legislative Branch:		
Office of the Speaker	\$ 683,764	\$ 584,147
Congress Staff	1,051,795	776,874
Delegation Offices	60,163	35,161
Committees	14,166	105,324
Legislature Conferences	<u>1,631</u>	<u>97,355</u>
Total Legislative Branch	<u>1,811,519</u>	<u>1,598,861</u>
Office of the Public Auditor	<u>274,034</u>	<u>162,621</u>
National Government Programs:		
Aid to non-public schools	50,000	50,000
Vocational agriculture	30,000	30,000
Joint air task force	23,341	24,466
Contributions	72,000	69,974
Monetization project	191,767	-
War claims task force	20,733	-
State judiciary	86,293	75,313
T-3 program	159,288	183,530
Hospital and equipment supplies	-	99,695
Congressional election	196,758	-
MS Caroline Is. typhoon relief	9,999	-
Coop. and credit union development	17,777	-
Presidential inauguration	27,433	-
Emergency student airlift	20,368	-
Banking task force	-	3,935
Liberation Day	-	11,500
National census	<u>-</u>	<u>49,377</u>
Total National Government programs	<u>905,757</u>	<u>597,790</u>

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT
GENERAL FUND

Statement of Expenditures by Function and Department, Continued
The year ended September 30, 1987
(With comparative totals for the year ended September 30, 1986)

	<u>1987</u>	<u>1986</u>
Other Legislative Appropriations:		
1987 Census Program	\$ 78,503	\$ -
Reefer plants	-	6,721
Leprosy Prevention	14,971	20,051
Mobil Oil investigating group	7,757	-
Publication of FSM Code	847	-
Maritime matters task force	87,099	-
Apartment damages by MTAP students	40,498	-
Micro Legal Service operation	120,000	-
Investment of Compact funds group	26,675	-
A/G security services and other costs	59,250	-
State projects:		
Truk	1,355,816	585,572
Pohnpei	1,095,390	449,191
Yap	444,059	220,303
Kosrae	246,379	238,903
Law enforcement - states	65,672	-
Medical and dental supplies	148,361	-
Matching funds - Yap	-	250,000
Matching funds - Kosrae	20,892	-
National criminal code	-	86,652
Forum Fisheries Conference	-	18,921
	<u>3,812,169</u>	<u>1,876,314</u>
Unbudgeted expenditures:		
Bad debt	149,130	-
Investment fees	127,825	-
Expenditures against prior year encumbrances	<u>13,148</u>	<u>452,995</u>
	<u>290,103</u>	<u>452,995</u>
Total General Fund expenditures before operating transfers	<u>\$15,507,407</u>	<u>\$12,766,345</u>
	=====	=====

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT
GENERAL FUND



Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget (Appropriation and Allotment) and Actual, Budgetary Basis
Year ended September 30, 1987

	Budget (Allotted)	Actual	Variance
Revenues:			
Compact grants	\$ 6,335,300	\$ 6,403,536	\$ 68,236
Locally derived taxes	3,775,000	3,824,284	49,284
Fishing right fees	3,500,000	3,845,449	345,449
Postal revenues	450,000	345,994	(104,006)
Interest on investments	600,000	1,576,713	976,713
Business fees and fines	125,000	33,399	(91,601)
Penalties and interest on delinquent taxes	-	218,172	218,172
Others	20,000	144,441	124,441
Total revenues	14,805,300	16,391,988	1,586,688
Expenditures budgetary basis by department:			
Executive Branch:			
Office of the President	475,300	459,940	15,360
Department of External Affairs:			
Administrative	275,379	280,620	(5,241)
Micronesian relations	50,800	50,439	361
International affairs	154,000	157,158	(3,158)
LNO Guam	103,500	109,651	(6,151)
LNO Honolulu	107,656	107,184	472
Washington representatives office	222,408	222,408	-
LNO Japan	332,812	321,812	11,000
U.S. relations	41,431	33,220	8,211
Total	1,287,986	1,282,492	5,494
Department of Social Services:			
Office of Health Services:			
Administration	289,300	279,399	9,901
Medical referrals - Guam	27,000	26,223	777
Medical referrals - Honolulu	70,000	65,945	4,055
Sub-total	386,300	371,567	14,733
Office of Education:			
Administration	251,170	245,028	6,142
Student services - Guam	11,300	10,966	334
Student services - Honolulu	11,800	11,800	-
Sub-total	274,270	267,794	6,476
Total	660,570	639,361	21,209
Department of Resources and Development:			
Administration - R & D	124,977	89,681	35,296
Labor	56,950	56,349	601
Energy	45,196	35,352	9,844
Commerce & industry	59,200	57,204	1,996
Agriculture	73,373	71,211	2,162
Marine resources	64,800	54,638	10,162
Total	424,496	364,435	60,061
Department of Transportation:			
Marine division	138,240	113,286	24,954
Department of Finance:			
Administration	209,555	216,419	(6,864)
Accounting	248,400	241,200	7,200
ADP	253,925	233,800	20,125
Revenue	479,400	492,410	(13,010)
Supply - Pohnpei	74,900	72,039	2,861
Supply - Guam	56,100	47,270	8,830
Treasury	73,900	71,642	2,258
Total	1,396,180	1,374,780	21,400

(Continued)

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT
GENERAL FUND

Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget (Appropriation and Allotment) and Actual, Budgetary Basis, Continued
Year ended September 30, 1987

	Budget (Allotted)	Actual	Variance
Office of the Attorney General:			
Administration - Immigration	\$ 204,424	\$ 196,179	\$ 8,245
Administration - Attorney General	134,800	111,945	22,855
Truk security and investigation	97,200	96,029	1,171
Law	127,650	125,163	2,487
Litigation	81,900	77,734	4,166
DSI administration	168,536	166,687	1,849
Total	814,510	773,737	40,773
Office of the Public Defender:			
Public defender	417,054	365,364	51,690
Kosrae public defender	3,600	2,968	632
Truk public defender	5,600	5,103	497
Yap public defender	4,000	3,985	15
Total	430,254	377,420	52,834
Office of Budget:			
Administration	171,000	153,724	17,276
Management	69,425	64,271	5,154
Budget preparation	58,100	55,367	2,733
Grant management	94,200	80,767	13,433
Internal auditor	3,000	1,759	1,241
Total	395,725	355,888	39,837
Office of Planning and Statistics:			
Administration	94,075	92,702	1,373
Planning	48,900	27,038	21,862
Statistics	85,200	81,069	4,131
Construction review	203,065	181,217	21,848
Total	431,240	382,026	49,214
Office of Personnel:			
Administration	117,624	116,524	1,100
Training	73,600	72,248	1,352
Housing	68,900	73,724	(4,824)
MTAP	50,250	47,858	2,392
Total	310,374	310,354	20
Office of Public Information	178,900	179,461	(561)
Total Executive Branch	6,943,775	6,613,180	330,595
Judicial Branch	617,772	572,721	45,051
Boards and Commissions:			
Commission on Future Political Status and Transition	433,600	433,600	-
Micronesian Maritime Authority	270,000	249,371	20,629
College of Micronesia Board of Regents	142,600	133,352	9,248
FSM Banking Board	31,208	9,111	22,097
FSM Board of Education	33,800	32,953	847
Foreign Investment Board	15,775	15,359	416
Postal services	457,502	442,073	15,429
Environmental Protection Board	19,300	14,852	4,448
FSM Medical Licensure Board	19,600	13,456	6,144
National Fisheries Corporation	42,000	30,539	11,461
Total	1,465,385	1,374,666	90,719

(Continued)

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT
GENERAL FUND



Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget (Appropriation and Allotment) and Actual, Budgetary Basis, Continued
Year ended September 30, 1987

	Budget (Allotted)	Actual	Variance
Legislative Branch:			
Office of the Speaker	\$ 786,690	\$ 753,296	\$ 33,394
Congress staff	1,042,835	1,061,607	(18,772)
Delegation offices	79,158	55,831	23,327
Committees	-	1,480	(1,480)
Legislature conferences	-	390	(390)
Total	<u>1,908,683</u>	<u>1,872,604</u>	<u>36,079</u>
Public Auditor	<u>337,050</u>	<u>277,629</u>	<u>59,421</u>
Other National Government Programs:			
FSM airline transportation task force	42,500	33,893	8,607
Vocational agriculture program	30,000	30,000	-
Aid to non-public schools	50,000	50,000	-
Contributions	72,000	72,000	-
Monetization project	301,500	266,556	34,944
War claims task force	25,000	20,733	4,267
MS Caroline Is, typhoon relief	10,000	10,000	-
Coop. and credit union dev.	30,000	17,778	12,222
Presidential inauguration	25,000	27,432	(2,432)
Emergency student airlift	33,200	20,368	12,832
Judiciary - Kosrae State	30,000	36,640	(6,640)
Judiciary - Pohnpei State	30,000	25,957	4,043
Judiciary - Truk State	50,000	73,395	(23,395)
Judiciary - Yap State	30,000	306	29,694
Congressional election - Kosrae State	10,000	9,582	418
Congressional election - Pohnpei State	35,900	33,264	2,636
Congressional election - Truk State	75,000	74,999	1
Congressional election - Yap State	79,100	79,100	-
T-3 program	158,300	153,270	5,030
Total	<u>1,117,500</u>	<u>1,035,273</u>	<u>82,227</u>
Other Legislative Appropriations:			
National census	95,100	40,297	54,803
Kosrae census	6,400	3,964	2,436
Yap census	48,500	48,500	-
Leprosy prevention - FSM	26,514	1,200	25,314
Leprosy prevention - States	23,486	25,017	(1,531)
Mobil oil investigating group	10,000	7,757	2,243
Publication of FSM Code	3,912	3,912	-
Maritime matters task force	103,300	94,779	8,521
Pacific asian travel participation	-	-	-
Apartment damage by MTAP students	40,498	40,498	-
Micro legal service operations	120,000	120,000	-
Investment of Compact funds group	30,000	27,944	2,056
A/G security services and other costs	67,500	59,250	8,250
Law enforcement - States	99,179	75,652	23,527
Medical and dental supplies - States	250,000	239,460	10,540
Public projects - Kosrae *	669,899	247,044	422,855
Public projects - Pohnpei *	1,399,591	1,332,165	67,426
Public projects - Truk *	2,544,787	1,301,760	1,243,027
Public projects - Yap *	1,029,825	444,059	585,766
Matching development fund - Kosrae	100,000	32,427	67,573
Yap Outer Is. H.S. reconstruction	100,000	-	100,000
Total	<u>6,768,491</u>	<u>4,145,685</u>	<u>2,622,806</u>
Unfunded expenditures	-	290,105	(290,105)
Total expenditures	<u>19,158,656</u>	<u>16,181,863</u>	<u>2,976,793</u>

(Continued)

FEDERATED STATES OF MICRONESIA
 NATIONAL GOVERNMENT
 GENERAL FUND

Statement of Revenues, Expenditures and Changes in Fund Balance -
 Budget (Appropriation and Allotment) and Actual, Budgetary Basis, Continued
 Year ended September 30, 1987

	Budget (Allotted)	Actual	Variance
Revenues in excess (less than) expenditures	\$(4,353,356)	\$ 210,125	\$(4,563,481)
Operating transfers in (out):			
Passport revolving fund	-	13,958	(13,958)
Maritime operations revolving fund	(465,100)	(465,100)	-
Student loan fund	(100,000)	(100,000)	-
Coconut development authority	(91,118)	(91,118)	-
FSM supply revolving fund	(75,000)	(75,000)	-
Total other sources (uses)	(731,218)	(717,260)	(13,958)
Excess of revenues and other sources over expenditures and other uses	(5,084,574)	(507,135)	(4,577,439)
Unreserved fund balance, beginning of year	3,764,162	3,764,162	-
Other changes in unreserved fund balance:			
Increase in reserve for related asset	-	(352,321)	352,321
Increase in reserve for continuing appropriations	-	(660,821)	660,821
Net encumbrance adjustments	-	227,776	(227,776)
Encumbrances included in reserves for related assets	-	352,321	(352,321)
Adjustment to beginning fund balance	-	2	(2)
Unreserved fund balance, end of year	\$(1,320,412) =====	\$ 2,823,984 =====	\$(4,144,396) =====

* Allotment includes carryover of prior year appropriations as follows:

Yap	\$ 429,825
Truk	1,651,501
Kosrae	278,899
Pohnpei	595,394
	\$2,955,619 =====

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT

SPECIAL REVENUE FUNDS
SEPTEMBER 30, 1987

Specific revenues have been earmarked to finance certain activities of the Government. These revenues are accounted for in the special revenue funds. The special revenue funds accounted for as of September 30, 1987, are discussed below.

Non-Compact Related Special Revenue Funds:

Transition Grants, and OTIA Technical Assistance and Operation and Maintenance Funds - These funds account for special appropriations made to the Department of the Interior which are to be used for specific purposes and remain available until expended. Expenditures against these grants are on a reimbursable basis.

TTPI Federal Grants and Federal and Other Direct Assistance Funds - These funds account for drawdowns and disbursements related to the grants awarded to the National Government as subgrantee of the TTPI or as a primary grantee in the instance of direct awards.

Maritime Operations Revolving Fund - This fund was established by the Congress of the Federated States of Micronesia. All revenues generated through the conduct of ship operations and all appropriations from the Congress for funding ship repair, maintenance and operations accrue to this fund.

Passport Revolving Fund - This fund was established by Congress of the Federated States of Micronesia Public Law 4-68 to account for the costs and revenues associated with the issuance and renewal of passports. Any funds exceeding a \$40,000 limit are transferred to the General Fund.

Compact Grants

Compact grants accounts for special assistance given by the United States Government to the Federated States of Micronesia under the "Compact of Free Association Act of 1985" per United States Public Law 99-239.

A. Section 215

1. (a) 2 - Communications Annual is a contribution for the current operations and maintenance of communication systems. The FSM Government will receive \$600,000 annually from the United States for fifteen years commencing on the effective date of the FSM Compact.

2. b (2) - Communications One Time is restricted for the purpose of acquiring communications hardware and for such other current or capital account activity as may be selected.

B. Section 216

1. (a) 1 - Marine Surveillance Annual is restricted for the surveillance and enforcement of FSM Maritime Zone. The FSM National Government will receive \$519,000 annually for fifteen years.

2. (a) 2 - Health and Medical is restricted for health and medical programs including referrals to hospital and treatment centers. The FSM received \$125,980 in 1987, and will receive \$125,980 annually for fourteen years.

3. (a) 3 - Post Secondary Education is restricted for scholarship funds or funds to support the post secondary education of FSM citizens. The FSM Government received \$1,889,700 in fiscal year 1987, and will receive \$1,889,700 annually for fourteen years.

4. (b) - Marine Surveillance One Time is restricted for the surveillance and enforcement of the Maritime Zone.

C. Section 221

1. (b) - Special Block Grants Fund is restricted for education and health care. The FSM Government received \$315,000 in 1987, and will receive \$315,000 annually for fourteen years.

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT
SPECIAL REVENUE FUNDS

Combining Balance Sheet
September 30, 1987
(With comparative totals as of September 30, 1986)

<u>Assets</u>	<u>Non-Compact</u>	<u>Compact</u>	<u>Totals</u>	
			<u>1987</u>	<u>1986</u>
Cash	\$ -	\$ 486,197	\$ 486,197	\$ -
Investments	-	10,800,089	10,800,089	-
Receivable from:				
Dept. of the Interior (DOI) grants - TTG	574,672	-	574,672	229,591
Federal agencies, TTG	326,871	-	326,871	431,201
Federal agencies, direct	-	-	-	145,928
Due from other funds	698,430	-	698,430	321,913
Advances to FSM States	820,553	-	820,553	-
Dividends and interest receivables	-	58,343	58,343	-
 Total assets	 <u>\$2,420,526</u>	 <u>\$11,344,629</u>	 <u>\$13,765,155</u>	 <u>\$1,128,633</u>
 <u>Liabilities and Fund Balance</u>				
<u>Liabilities:</u>				
Accounts payable	\$ 339,285	\$ -	\$ 339,285	\$ 265,176
Accrued payroll	3,387	-	3,387	2,631
Due to other funds	587,034	759,954	1,346,988	607,946
Due to FSM States	80,000	-	80,000	-
Advances from DOI/TTG/other agency	1,187,578	-	1,187,578	108,649
 Total liabilities	 <u>2,197,284</u>	 <u>759,954</u>	 <u>2,957,238</u>	 <u>984,402</u>
<u>Fund balance:</u>				
Reserved for related assets	-	-	-	-
Reserved for encumbrances	5,377,767	44,562	5,422,329	226,542
Continuing appropriations	-	8,441,959	8,441,959	145,731
Unreserved	(5,154,525)	2,098,154	(3,056,371)	(228,042)
 Total fund balance	 <u>223,242</u>	 <u>10,584,675</u>	 <u>10,807,917</u>	 <u>144,231</u>
 Total liabilities and fund balance	 <u>\$2,420,526</u>	 <u>\$11,344,629</u>	 <u>\$13,765,155</u>	 <u>\$1,128,633</u>

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT
SPECIAL REVENUE FUNDS

Combining Statement of Revenues, Expenditures and Changes in Fund Balance
The year ended September 30, 1987
(With comparative totals as of September 30, 1986)

	<u>Non-Compact</u>	<u>Compact</u>	<u>Totals</u>	
			<u>1987</u>	<u>1986</u>
Revenues:				
Dept. of the Interior grants	\$ 391,661	\$ -	\$ 391,661	\$ 399,933
U.S. Federal contributions	2,029,978	-	2,029,978	1,476,545
Compact grants:				
Base amount	-	10,116,280	10,116,280	-
Inflation adjustment	-	1,452,000	1,452,000	-
Other contributions	70,357	-	70,357	71,897
Sales of goods and services	<u>121,523</u>	<u>-</u>	<u>121,523</u>	<u>105,848</u>
Total revenues	<u>2,613,519</u>	<u>11,568,280</u>	<u>14,181,799</u>	<u>2,054,223</u>
Expenditures:				
Executive branch	<u>2,985,652</u>	<u>59,405</u>	<u>3,045,057</u>	<u>2,315,444</u>
Total expenditures	<u>2,985,652</u>	<u>59,405</u>	<u>3,045,057</u>	<u>2,315,444</u>
Revenues over (under) expenditures	(372,133)	11,508,875	11,136,742	(261,221)
Other sources (uses):				
Transfer/General Fund	<u>451,142</u>	<u>(924,200)</u>	<u>(473,058)</u>	<u>275,000</u>
Excess (deficiency) of revenue and other sources over expenditures and other uses	79,009	10,584,675	10,663,684	13,779
Fund balance, beginning of year	144,231	-	144,231	(1,500)
Adjustment to beginning fund balance	<u>2</u>	<u>-</u>	<u>2</u>	<u>131,952</u>
Fund balance, end of year	<u>\$ 223,242</u>	<u>\$10,584,675</u>	<u>\$10,807,917</u>	<u>\$ 144,231</u>

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT
SPECIAL REVENUE FUNDS

Combining Statement of Revenues, Expenditures by Account and
Changes in Fund Balance
The year ended September 30, 1987
(With comparative totals as of September 30, 1986)

	<u>Non-Compact</u>	<u>Compact</u>	<u>Totals</u>	
			<u>1987</u>	<u>1986</u>
Revenues:				
Dept. of the Interior grants	\$ 391,661	\$ -	\$ 391,661	\$ 399,933
U.S. Federal contributions	2,029,978	-	2,029,978	1,476,545
Compact grants:				
Base amount	-	10,116,280	10,116,280	-
Inflation adjustment	-	1,452,000	1,452,000	-
Other contributions	70,357	-	70,357	71,897
Sales of goods and services	<u>121,523</u>	<u>-</u>	<u>121,523</u>	<u>105,848</u>
Total revenues	<u>2,613,519</u>	<u>11,568,280</u>	<u>14,181,799</u>	<u>2,054,223</u>
Expenditures:				
Personnel	733,864	-	733,864	455,659
Travel	342,221	6,695	348,916	354,870
Contractual services, contributions and subsidies	572,006	49,214	621,220	364,635
Capital asset purchases	44,048	-	44,048	-
Other	<u>1,293,513</u>	<u>3,496</u>	<u>1,297,009</u>	<u>1,140,280</u>
Total expenditures	<u>2,985,652</u>	<u>59,405</u>	<u>3,045,057</u>	<u>2,315,444</u>
Revenues over (under) expenditures	(372,133)	11,508,875	11,136,742	(261,221)
Other sources (uses):				
Transfer/General Fund	<u>451,142</u>	<u>(924,200)</u>	<u>(473,058)</u>	<u>275,000</u>
Excess (deficiency) of revenue and other sources over expenditures and other uses	79,009	10,584,675	10,663,684	13,779
Fund balance, beginning of year	144,231	-	144,231	(1,500)
Adjustment to beginning fund balance	<u>2</u>	<u>-</u>	<u>2</u>	<u>131,952</u>
Fund balance, end of year	<u>\$ 223,242</u>	<u>\$10,584,675</u>	<u>\$10,807,917</u>	<u>\$ 144,231</u>

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT
SPECIAL REVENUE FUNDS - NON-COMPACT

Combining Balance Sheet
September 30, 1987
(With comparative totals as of September 30, 1986)

Assets	Transition Fund	Maritime Operations Revolving Fund	TTPI Federal Grants Fund	Federal and Other Direct Assistance Fund	OTIA Technical Assistance and Operations and Maintenance	Passport Revolving Fund	Totals	
							1987	1986
Receivables from:								
Department of the Interior (DOI) grants - TIG	\$229,591	\$ -	\$ -	\$ -	\$345,081	\$ -	\$ 574,672	\$ 229,591
Federal agencies - TIG	-	-	326,871	-	-	-	326,871	431,201
Federal agencies, direct	-	-	-	-	-	-	-	145,928
Advances to States	-	-	-	820,553	-	-	820,553	-
Due from other funds	-	249,502	-	409,471	-	39,457	698,430	321,913
<u>Total assets</u>	<u>\$229,591</u>	<u>\$249,502</u>	<u>\$ 326,871</u>	<u>\$1,230,024</u>	<u>\$345,081</u>	<u>\$ 39,457</u>	<u>\$2,420,526</u>	<u>\$1,128,633</u>
<u>Liabilities and Fund Balance</u>								
Liabilities:								
Accounts payable	\$ -	\$ 65,402	\$ 158,980	\$ 40,907	\$ 74,539	\$ (543)	\$ 339,285	\$ 265,176
Due to other funds	229,591	-	167,656	-	189,787	-	587,034	607,946
Accrued payroll	-	858	235	1,539	755	-	3,387	2,631
Advances from other grantors	-	-	-	1,187,578	-	-	1,187,578	108,649
Payable to States	-	-	-	-	80,000	-	80,000	-
<u>Total liabilities</u>	<u>229,591</u>	<u>66,260</u>	<u>326,871</u>	<u>1,230,024</u>	<u>345,081</u>	<u>(543)</u>	<u>2,197,284</u>	<u>984,402</u>
Fund balance:								
Reserve for encumbrances	-	14,039	1,565,741	3,705,015	84,236	8,736	5,377,767	226,542
Continuing appropriations Unreserved	-	-	-	-	-	-	-	145,731
<u>Total fund balance</u>	<u>-</u>	<u>14,039</u>	<u>(1,565,741)</u>	<u>(3,705,015)</u>	<u>(84,236)</u>	<u>31,264</u>	<u>(5,154,525)</u>	<u>(228,042)</u>
<u>Total liabilities and fund balance</u>	<u>\$229,591</u>	<u>\$249,502</u>	<u>\$ 326,871</u>	<u>\$1,230,024</u>	<u>\$345,081</u>	<u>\$ 39,457</u>	<u>\$2,420,526</u>	<u>\$1,128,633</u>

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT
SPECIAL REVENUE FUNDS - NON-COMPACT

Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Year ended September 30, 1987
(With comparative totals for the year ended September 30, 1986)

	Transition Fund	Maritime Operations Revolving Fund	TTPI Federal Grants Fund	Federal and Other Direct Assistance Fund	OTIA Technical Assistance and Operations and Maintenance	Passport Revolving Fund	Totals	
							1987	1986
Revenues:								
Department of the Interior grants	\$ -	\$ -	\$ -	\$ -	\$391,661	\$ -	\$ 391,661	\$ 399,933
U.S Federal contributions	-	-	1,163,578	866,400	-	-	2,029,978	1,476,545
Other contributions	-	-	-	70,357	-	-	70,357	71,897
Sales of goods and services	-	44,938	-	-	-	76,585	121,523	105,848
Total revenues	-	44,938	1,163,578	936,757	391,661	76,585	2,613,519	2,054,223
Expenditures:								
Executive Branch	-	472,527	1,163,578	936,757	390,163	22,627	2,985,652	2,315,444
Total expenditures	-	472,527	1,163,578	936,757	390,163	22,627	2,985,652	2,315,444
Revenues over (under) expenditures	-	(427,589)	-	-	1,498	53,958	(372,133)	(261,221)
Other sources (uses):								
Transfer/General Fund	-	465,100	-	-	-	(13,958)	451,142	275,000
Excess (deficiency) of revenue and other sources over expenditures and other uses	-	37,511	-	-	1,498	40,000	79,009	13,779
Fund balance (deficit), beginning of year	-	145,731	-	-	(1,500)	-	144,231	(1,500)
Adjustment to beginning fund balance	-	-	-	-	2	-	2	131,952
Fund balance (deficit), end of year	\$ -	\$183,242	\$ -	\$ -	\$ -	\$ 40,000	\$ 223,242	\$ 144,231

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT
SPECIAL REVENUE FUNDS - NON-COMPACT

Combining Statement of Revenues, Expenditures by Account
and Changes in Fund Balance
Year ended September 30, 1987
(With comparative totals for the year ended September 30, 1986)

	Transition Fund	Maritime Operations Revolving Fund	TIPI Federal Grants Fund	Federal and Other Direct Assistance Fund	OTIA Technical Assistance and Operations and Maintenance	Passport Revolving Fund	Totals	
							1987	1986
Revenues:								
Department of the Interior grants	\$ -	\$ -	\$ -	\$ -	\$391,661	\$ -	\$ 391,661	\$ 399,933
U.S Federal contributions	-	-	1,163,578	866,400	-	-	2,029,978	1,476,545
Other contributions	-	-	-	70,357	-	-	70,357	71,897
Sales of goods and services	-	44,938	-	-	-	76,585	121,523	105,848
Total revenues	-	44,938	1,163,578	936,757	391,661	76,585	2,613,519	2,054,223
Expenditures:								
Personnel	-	89,351	119,703	443,803	81,007	-	733,864	455,659
Travel	-	-	140,583	168,565	33,073	-	342,221	354,870
Contractual services, contributions and subsidies	-	253,822	40,962	184,370	92,852	-	572,006	364,635
Capital asset purchases	-	-	14,005	29,466	-	577	44,048	40,033
Other	-	129,354	848,325	110,553	183,231	22,050	1,293,513	1,100,247
Total expenditures	-	472,527	1,163,578	936,757	390,163	22,627	2,985,652	2,315,444
Revenues over (under) expenditures	-	(427,589)	-	-	1,498	53,958	(372,133)	(261,221)
Other sources (uses):								
Transfer/General Fund	-	465,100	-	-	-	(13,958)	451,142	275,000
Excess (deficiency) of revenue and other sources over expenditures and other uses	-	37,511	-	-	1,498	40,000	79,009	13,779
Fund balance (deficit), beginning of year	-	145,731	-	-	(1,500)	-	144,231	(1,500)
Adjustment to beginning fund balance	-	-	-	-	2	-	2	131,952
Fund balance (deficit), end of year	\$ -	\$183,242	\$ -	\$ -	\$ -	\$ 40,000	\$ 223,242	\$ 144,231

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT
SPECIAL REVENUE FUNDS - COMPACT

Combining Balance Sheet
September 30, 1987

<u>Assets</u>	<u>Communications Annual Section 215 (a) 2</u>	<u>Communications One Time Section 215 (b) 2</u>	<u>Marine Surveillance Annual Section 216 (a) 1</u>	<u>Marine Surveillance One Time Section 216 (b)</u>	<u>Post Secondary Education Section 216 (a) 3</u>	<u>Health and Medical Section 216 (a) 2</u>	<u>Special Block Grant Section 221 (b)</u>	<u>Total</u>
Cash	\$ 12,526	\$ 135,945	\$ 3,717	\$ 5,434	\$ 2,992	\$ 900	\$24,683	\$ 486,197
Investments	7,333	7,430,105	526,613	684,215	2,022,439	127,828	1,556	10,800,069
Receivables from:								
Dividends and interest	<u>119</u>	<u>48,983</u>	<u>3,546</u>	<u>4,506</u>	<u>328</u>	<u>861</u>	<u>-</u>	<u>58,343</u>
Total assets	<u>\$ 19,978</u>	<u>\$7,615,033</u>	<u>\$533,876</u>	<u>\$694,155</u>	<u>\$2,025,759</u>	<u>\$129,589</u>	<u>\$326,239</u>	<u>\$11,344,629</u>
 <u>Liabilities and Fund Balance</u>								
Liabilities:								
Due to other funds	<u>\$ 12,178</u>	<u>\$ 295,033</u>	<u>\$ 74,281</u>	<u>\$ 27,555</u>	<u>\$ 336,059</u>	<u>\$ 3,609</u>	<u>\$ 11,239</u>	<u>\$ 759,954</u>
Total liabilities	<u>12,178</u>	<u>295,033</u>	<u>74,281</u>	<u>27,555</u>	<u>336,059</u>	<u>3,609</u>	<u>11,239</u>	<u>759,954</u>
Fund balance:								
Reserved for encumbrances	-	-	44,562	-	-	-	-	44,562
Continuing appropriations	-	7,242,000	-	-	1,199,959	-	-	8,441,959
Unreserved	<u>7,800</u>	<u>78,000</u>	<u>415,033</u>	<u>666,600</u>	<u>489,741</u>	<u>125,980</u>	<u>315,000</u>	<u>2,098,154</u>
Total fund balance	<u>7,800</u>	<u>7,320,000</u>	<u>459,595</u>	<u>666,600</u>	<u>1,689,700</u>	<u>125,980</u>	<u>315,000</u>	<u>10,584,675</u>
Total liabilities and fund balance	<u>\$ 19,978</u>	<u>\$7,615,033</u>	<u>\$533,876</u>	<u>\$694,155</u>	<u>\$2,025,759</u>	<u>\$129,589</u>	<u>\$326,239</u>	<u>\$11,344,629</u>

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT
SPECIAL REVENUE FUNDS - COMPACT

Combining Statement of Revenues, Expenditures and Changes In Fund Balance
The year ended September 30, 1987

	Communications Annual Section 215 (a) 2	Communications One Time Section 215 (b) 2	Marine Surveillance Annual Section 216 (a) 1	Marine Surveillance One Time Section 216 (b)	Post Secondary Education Section 216 (a) 3	Health and Medical Section 216 (a) 2	Special Block Grant Section 221 (b)	Total
Revenues:								
Compact grants:								
Base amount	\$600,000	\$6,000,000	\$519,000	\$666,600	\$1,889,700	\$125,980	\$315,000	\$10,116,280
Inflation adjustment	<u>132,000</u>	<u>1,320,000</u>	-	-	-	-	-	<u>1,452,000</u>
Total revenues	<u>732,000</u>	<u>7,320,000</u>	<u>519,000</u>	<u>666,600</u>	<u>1,889,700</u>	<u>125,980</u>	<u>315,000</u>	<u>11,568,280</u>
Expenditures:								
Executive branch	-	-	59,405	-	-	-	-	59,405
Total expenditures	-	-	<u>59,405</u>	-	-	-	-	<u>59,405</u>
Revenues over (under) expenditures	732,000	7,320,000	459,595	666,600	1,889,700	125,980	315,000	11,508,875
Other sources (uses):								
Transfer out	<u>(724,200)</u>	-	-	-	<u>(200,000)</u>	-	-	<u>(924,200)</u>
Excess (deficiency) of revenue and other sources over expend- itures and other uses	7,800	7,320,000	459,595	666,600	1,689,700	125,980	315,000	10,584,675
Fund balance, beginning of year	-	-	-	-	-	-	-	-
Fund balance, end of year	<u>\$ 7,800</u>	<u>\$7,320,000</u>	<u>\$459,595</u>	<u>\$666,600</u>	<u>\$1,689,700</u>	<u>\$125,980</u>	<u>\$315,000</u>	<u>\$10,584,675</u>

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT
SPECIAL REVENUE FUNDS - COMPACT

Combining Statement of Revenues, Expenditures by Account and Changes In Fund Balance
The year ended September 30, 1987

	Communica- tions Annual Section 215 (a) 2	Communica- tions One Time Section 215 (b) 2	Marine Surveillance Annual Section 216 (a) 1	Marine Surveillance One Time Section 216 (b)	Post Secondary Education Section 216 (a) 3	Health and Medical Section 216 (a) 2	Special Block Grant Section 221 (b)	Total
Revenues:								
Compact grants:								
Base amount	\$600,000	\$6,000,000	\$519,000	\$666,600	\$1,889,700	\$125,980	\$315,000	\$10,116,280
Inflation adjustment	<u>132,000</u>	<u>1,320,000</u>	-	-	-	-	-	<u>1,452,000</u>
Total revenues	<u>732,000</u>	<u>7,320,000</u>	<u>519,000</u>	<u>666,600</u>	<u>1,889,700</u>	<u>125,980</u>	<u>315,000</u>	<u>11,568,280</u>
Expenditures:								
Travel	-	-	6,695	-	-	-	-	6,695
Contractual services, contribu- tions and subsidies	-	-	49,214	-	-	-	-	49,214
Other	-	-	<u>3,496</u>	-	-	-	-	<u>3,496</u>
Total expenditures	-	-	<u>59,405</u>	-	-	-	-	<u>59,405</u>
Revenues over (under) expenditures	732,000	7,320,000	459,595	666,600	1,889,700	125,980	315,000	11,508,875
Other sources (uses):								
Transfer out	<u>(724,200)</u>	-	-	-	<u>(200,000)</u>	-	-	<u>(924,200)</u>
Excess (deficiency) of revenue and other sources over expend- itures and other uses	7,800	7,320,000	459,595	666,600	1,689,700	125,980	315,000	10,584,675
Fund balance, beginning of year	-	-	-	-	-	-	-	-
Fund balance, end of year	<u>\$ 7,800</u>	<u>\$7,320,000</u>	<u>\$459,595</u>	<u>\$666,600</u>	<u>\$1,689,700</u>	<u>\$125,980</u>	<u>\$315,000</u>	<u>\$10,584,675</u>

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENTCAPITAL PROJECTS FUNDS
SEPTEMBER 30, 1987

Appropriations or grants earmarked to finance capital projects of the Government are accounted for in the capital projects funds. The Capital Projects Funds within the National Government are described below:

TTPI Capital Projects Fund - This fund is used to account for the expenditures of construction grants from the Trust Territory Government or from the Department of the Interior, Office of Territorial and International Affairs. These grants originated from U.S. Congressional appropriations of the U. S. Department of the Interior. Project costs, upon completion are accounted for in the General Fixed Assets Account Group, as are completed projects from other funding sources.

CFSM Capital Projects Fund - This fund is used to account for the expenditure of appropriations from the Congress of the Federated States of Micronesia for improvement and betterment projects within the National Government.

Compact Capital Projects Fund - This fund is used to account for various capital projects funded by the Compact of Free Association with the United States, Title Two, Article I, Section 211.

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT
CAPITAL PROJECTS FUNDS

Combining Balance Sheet
September 30, 1987
(With comparative totals as of September 30, 1986)

<u>Assets</u>	<u>Compact Capital Projects</u>	<u>OTIA/TTPI Capital Projects</u>	<u>CFSM Capital Projects</u>	<u>Totals</u>	
				<u>1987</u>	<u>1986</u>
Cash and equivalents	\$ 51,005	\$ -	\$ -	\$ 51,005	\$ -
Investments	2,787,775	-	-	2,787,775	-
Accrued interest	18,378	-	-	18,378	-
Due from other funds	<u>-</u>	<u>3,773,871</u>	<u>314,438</u>	<u>4,088,309</u>	<u>3,642,578</u>
 Total assets	 \$2,857,158 =====	 \$3,773,871 =====	 \$314,438 =====	 \$6,945,467 =====	 \$3,642,578 =====
 <u>Liabilities and Fund Balance</u>					
<u>Liabilities:</u>					
Accounts payable	\$ 10,433	\$ 566,075	\$ -	\$ 576,508	\$ 43,551
Advances from TTPI/OTIA	-	3,207,796	-	3,207,796	3,265,310
Due to other funds	<u>407,740</u>	<u>-</u>	<u>-</u>	<u>407,740</u>	<u>-</u>
 Total liabilities	 <u>418,173</u>	 <u>3,773,871</u>	 <u>-</u>	 <u>4,192,044</u>	 <u>3,308,861</u>
<u>Fund balance:</u>					
Reserve for encumbrances	81,057	6,913,113	50	6,994,220	69,059
Reserve for continuing appropriation	148,321	457,129	307,970	913,420	4,182,654
Unreserved fund balance	<u>2,209,607</u>	<u>(7,370,242)</u>	<u>6,418</u>	<u>(5,154,217)</u>	<u>(3,917,996)</u>
 Total fund balance	 <u>2,438,985</u>	 <u>-</u>	 <u>314,438</u>	 <u>2,753,423</u>	 <u>333,717</u>
 Total liabilities and fund balance	 \$2,857,158 =====	 \$3,773,871 =====	 \$314,438 =====	 \$6,945,467 =====	 \$3,642,578 =====

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT
CAPITAL PROJECTS FUNDS

Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Year ended September 30, 1987
(With comparative totals for the year ended September 30, 1986)

	<u>Compact Capital Projects</u>	<u>OTIA/TTPI Capital Projects</u>	<u>CFSM Capital Projects</u>	<u>Totals</u>	
				<u>1987</u>	<u>1986</u>
Revenue:					
Department of the Interior grants	\$ -	\$4,861,572	\$ -	\$4,861,572	\$515,940
TTPI grants	-	232,760	-	232,760	-
Capital Compact funds:					
Base	2,251,200	-	-	2,251,200	-
Inflation adjustments	<u>495,264</u>	<u>-</u>	<u>-</u>	<u>495,264</u>	<u>-</u>
Total revenues	<u>2,746,464</u>	<u>5,094,332</u>	<u>-</u>	<u>7,840,796</u>	<u>515,940</u>
Program expenditures:					
Executive Branch	47,479	5,094,332	19,279	5,161,090	547,352
Supreme Court	<u>60,000</u>	<u>-</u>	<u>-</u>	<u>60,000</u>	<u>-</u>
Total expenditures	<u>107,479</u>	<u>5,094,332</u>	<u>19,279</u>	<u>5,221,090</u>	<u>547,352</u>
Revenues in excess of (less than) expenditures	<u>2,638,985</u>	<u>-</u>	<u>(19,279)</u>	<u>2,619,706</u>	<u>(31,412)</u>
Other sources (uses):					
Operating transfers in	-	-	-	-	-
Operating transfers out	<u>(200,000)</u>	<u>-</u>	<u>-</u>	<u>(200,000)</u>	<u>-</u>
Total other sources (uses)	<u>(200,000)</u>	<u>-</u>	<u>-</u>	<u>(200,000)</u>	<u>-</u>
Excess of revenues over expenditures and other sources	2,438,985	-	(19,279)	2,419,706	(31,412)
Fund balance, beginning of year	-	-	333,717	333,717	358,712
Excess of encumbrances over prior year expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,417</u>
Fund balance, end of year	<u>\$2,438,985</u>	<u>\$ -</u>	<u>\$314,438</u>	<u>\$2,753,423</u>	<u>\$333,717</u>

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT
CAPITAL PROJECTS FUNDS

Combining Statement of Revenues, Expenditures by Account
and Changes in Fund Balance
Year ended September 30, 1987
(With comparative totals for the year ended September 30, 1986)

	<u>Compact Capital Projects</u>	<u>OTIA/TTPI Capital Projects</u>	<u>CFSM Capital Projects</u>	<u>Totals</u>	
				<u>1987</u>	<u>1986</u>
Revenue:					
Department of the Interior grants	\$ -	\$4,861,572	\$ -	\$4,861,572	\$515,940
TTPI grants	-	232,760	-	232,760	-
Capital Compact funds:					
Base	2,251,200	-	-	2,251,200	-
Inflation adjustments	<u>495,264</u>	<u>-</u>	<u>-</u>	<u>495,264</u>	<u>-</u>
Total revenues	<u>2,746,464</u>	<u>5,094,332</u>	<u>-</u>	<u>7,840,796</u>	<u>515,940</u>
Program expenditures:					
Personnel	-	31,011	-	31,011	-
Travel	23,894	2,271	-	26,165	-
Contractual services, contributions and subsidies	15,766	-	1,160	16,926	545,954
Other	67,819	33,841	18,119	119,779	1,398
Construction in progress	<u>-</u>	<u>5,027,209</u>	<u>-</u>	<u>5,027,209</u>	<u>-</u>
Total expenditures	<u>107,479</u>	<u>5,094,332</u>	<u>19,279</u>	<u>5,221,090</u>	<u>547,352</u>
Revenues in excess of (less than) expenditures	<u>2,638,985</u>	<u>-</u>	<u>(19,279)</u>	<u>2,619,706</u>	<u>(31,412)</u>
Other sources (uses):					
Operating transfers in	-	-	-	-	-
Operating transfers out	<u>(200,000)</u>	<u>-</u>	<u>-</u>	<u>(200,000)</u>	<u>-</u>
Total other sources (uses)	<u>(200,000)</u>	<u>-</u>	<u>-</u>	<u>(200,000)</u>	<u>-</u>
Excess of revenues over expenditures and other sources	2,438,985	-	(19,279)	2,419,706	(31,412)
Fund balance, beginning of year	-	-	333,717	333,717	358,712
Excess of encumbrances over prior year expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,417</u>
Fund balance, end of year	<u>\$2,438,985</u>	<u>\$ -</u>	<u>\$314,438</u>	<u>\$2,753,423</u>	<u>\$333,717</u>
	=====	=====	=====	=====	=====

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENTENTERPRISE FUNDS
SEPTEMBER 30, 1987

The enterprise funds are used to account for the operations of certain agencies which provide goods or services to the general public on a user charge basis. The National Government's enterprise operations are described below.

Coconut Development Authority was established by Congress in order to assist in the development and marketing of the copra industry within the Federated States of Micronesia.

FSM Telecommunications Corporation - The Telecommunications Corporation of the Federated States of Micronesia (Corporation) was established by Chapter Two, Title 21 of the Code of the Federated States of Micronesia. By law, it is an independent government corporation. Its Board of Directors consist of appointees by the President and the Governors of each state. The Vice-President of the Federated States of Micronesia and the General Manager, who is the chief executive officer of the Corporation, are also members of the Board.

The purpose of the Corporation is to provide telecommunications services, except for radio and television broadcasting, throughout the FSM and with points outside of the FSM. The Corporation began operations on October 1, 1983. Funding of corporate operations is through charges for services and various governmental subsidies, including appropriations from the FSM Government.

FSM Development Bank - Under the law, the Bank is an independent government corporation. Its board consists of appointees by the President of the FSM, with advice and consent of the Congress. The debts and obligations of the Bank shall not be an obligation of the Government of the FSM except as specifically authorized by the President of the FSM and as enacted into law.

The FSM Development Bank began operations on October 1, 1980. The purpose of the Bank is to be a special financial institution to provide loans for economic development of the FSM. Loans are offered at below market rates, currently limited to five percent.

Funding for the Bank has come primarily from the FSM Congress and the prior Trust Territory Economic Development Loan Fund.

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT
ENTERPRISE FUNDS

Combining Balance Sheet
September 30, 1987
(With comparative totals as of September 30, 1986)

<u>Assets</u>	FSM Tele-	FSM	FSM Coconut	<u>Totals</u>	
	Communications Corp.	Development Bank	Development Authority	1987	1986
Cash equivalent	\$ 70,337	\$ 2,097	\$ 42,756	\$ 115,190	\$ 371,166
Time certificates of deposit	1,570,000	1,509,259	-	3,079,259	3,334,109
Investments	-	-	308,593	308,593	-
General receivables, net	1,167,788	13,955	42,464	1,224,207	1,032,648
Loans receivable, net	-	2,112,493	-	2,112,493	1,768,166
Other receivables and prepaids	128,304	90,203	2,344	220,851	149,769
Deferred charges	86,969	-	-	86,969	-
Advances	2,741	-	37,109	39,850	12,393
Restricted assets	-	814,564	-	814,564	740,012
Inventory	-	-	49,519	49,519	-
Fixed assets, net of accumulated depreciation	<u>1,102,956</u>	<u>41,111</u>	<u>14,830</u>	<u>1,158,897</u>	<u>919,818</u>
Total assets	<u>\$4,129,095</u>	<u>\$4,583,682</u>	<u>\$497,615</u>	<u>\$9,210,392</u>	<u>\$8,328,081</u>
 <u>Liabilities and Fund Equity</u>					
<u>Liabilities:</u>					
Accounts payable	\$ 551,733	\$ 9,621	\$ 5,125	\$ 566,479	\$ 217,398
Accrued payroll and others	113,167	19,766	-	132,933	71,109
Deferred credits	<u>41,801</u>	<u>-</u>	<u>-</u>	<u>41,801</u>	<u>-</u>
Total liabilities	<u>706,701</u>	<u>29,387</u>	<u>5,125</u>	<u>741,213</u>	<u>288,507</u>
<u>Fund equity:</u>					
Contributed capital	-	4,929,954	575,116	5,505,070	5,980,898
Retained earnings (loss)	<u>3,422,394</u>	<u>(375,659)</u>	<u>(82,626)</u>	<u>2,964,109</u>	<u>2,058,676</u>
Total fund equity	<u>3,422,394</u>	<u>4,554,295</u>	<u>492,490</u>	<u>8,469,179</u>	<u>8,039,574</u>
Total liabilities and fund equity	<u>\$4,129,095</u>	<u>\$4,583,682</u>	<u>\$497,615</u>	<u>\$9,210,392</u>	<u>\$8,328,081</u>

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT
ENTERPRISE FUNDS

Combining Statement of Revenues, Expenses and Changes in Fund Equity
Year ended September 30, 1987
(With comparative totals for the year ended September 30, 1986)

	FSM Tele- Communications Corp.	FSM Development Bank	FSM Coconut Development Authority	Totals	
				1987	1986
Revenues:					
Charges for goods & services	\$2,182,302	\$ 18,986	\$ 135,778	\$2,337,066	\$2,128,379
Rental income/interest income	-	289,725	-	289,725	936,963
Other	6,590	1,395	-	7,985	25,811
Total operating revenues	2,188,892	310,106	135,778	2,634,776	3,091,153
Operating expenses:					
Personnel services	-	166,945	32,574	199,519	143,248
Supplies and materials	-	7,925	10,313	18,238	19,509
Other	-	242,535	173,317	415,852	1,063,760
Depreciation	-	30,150	-	30,150	10,479
Cost of sales	2,606,662	-	99,579	2,706,241	2,837,392
Total expenses	2,606,662	447,555	315,783	3,370,000	4,074,388
Operating income (loss)	(417,770)	(137,449)	(180,005)	(735,224)	(983,235)
Non-operating revenues (expenses):					
Transfers in	724,200	-	274,554	998,754	472,866
Miscellaneous	12,152	-	904	13,056	34,445
Interest income	90,088	-	10,431	100,519	94,572
Transfers in, intergovernmental revenue	-	-	-	-	597,768
Total non-operating revenues (expense)	826,440	-	285,889	1,112,329	1,199,651
Net income (loss)	408,670	(137,449)	105,884	377,105	216,416
Retained earnings (deficit), beginning of year	3,161,158	(129,370)	(973,112)	2,058,676	1,924,898
Adjustment of retained earnings, beginning of year	(147,434)	(108,840)	784,602	528,328	(82,638)
Retained earnings (deficit), end of year	3,422,394	(375,659)	(82,626)	2,964,109	2,058,676
Contributed capital, beginning of year	-	4,531,782	1,449,116	5,980,898	5,566,330
Additions	-	70,000	-	70,000	414,568
Adjustments	-	328,172	(874,000)	(545,828)	-
Contributed capital, end of year	-	4,929,954	575,116	5,505,070	5,980,898
Fund equity, end of year	\$3,422,394	\$4,554,295	\$ 492,490	\$8,469,179	\$8,039,574

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT
ENTERPRISE FUNDS

Combining Statement of Changes in Financial Position
Year ended September 30, 1987
(With comparative totals for the year ended September 30, 1986)

	FSM Tele- Communications Corp.	FSM Development Bank	FSM Coconut Development Authority	Totals	
				1987	1986
Sources of working capital:					
Operations:					
Net Income (loss)	\$ 408,670	\$(137,449)	\$105,884	\$ 377,105	\$ 216,416
Depreciation not requiring working capital	194,317	30,150	4,377	228,844	163,410
Loss from fire	-	-	-	-	4,082
Working capital provided by operations	602,987	(107,299)	110,261	605,949	383,908
Prior period adjustments	-	328,172	-	328,172	-
Contributions from EDF	-	-	-	-	750,000
Contributions from CFM	-	70,000	-	70,000	673,356
Proceeds from sale of fixed assets	-	-	-	-	1,295
Total sources of working capital	602,987	290,873	110,261	1,004,121	1,808,559
Uses of working capital:					
Acquisition of plant, property and equipment	414,604	41,409	3,898	459,911	407,413
Prior period adjustment	-	108,840	-	108,840	82,638
Distribution of EDF contributions	-	-	-	-	1,008,788
Total uses of working capital	414,604	150,249	3,898	568,751	1,498,839
Net increase (decrease) in working capital	\$ 188,383	\$ 140,624	\$106,363	\$ 435,370	\$ 309,720
Increase (decrease) in elements of working capital:					
Cash	\$(176,972)	\$ (7,252)	\$(71,752)	\$ (255,976)	\$ 77,288
Time certificate of deposit	100,000	(254,850)	208,593	53,743	254,429
Investments	-	-	-	-	335,157
Due from TIPI EDF	-	-	-	-	(1,497,981)
Loans receivable - EDF	-	344,327	-	344,327	793,337
Accounts receivable	402,473	1,976	(92,602)	311,847	(646,913)
Prepaid expenses	87,897	391	-	88,288	3,188
Advances	(5,843)	-	(19,235)	(25,078)	5,258
Deferred Charges	86,969	-	-	86,969	-
Interest receivable	5,518	(8,982)	1,837	(1,627)	68,564
Inventory	-	-	49,519	49,519	-
Restricted assets:					
Investments	-	(169,473)	-	(169,473)	217,886
Interest receivable	-	11,790	-	11,790	4,229
Accounts receivable	-	-	-	-	(4,640)
Loans receivable	-	232,235	-	232,235	144,380
Accounts payable	44,058	-	30,003	74,061	572,350
Salaries and wages payable	8,472	-	-	8,472	(12,262)
Payroll taxes payable	(1,713)	-	-	(1,713)	2,244
Other accrued expenses	(339,581)	(9,538)	-	(349,119)	(6,794)
Accrued leave payable	(22,895)	-	-	(22,895)	-
Net increase (decrease) in working capital	\$ 188,383	\$ 140,624	\$106,363	\$ 435,370	\$ 309,720

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENTEXPENDABLE TRUST FUNDS
SEPTEMBER 30, 1987

Special funds which are administered by the FSM National Government in a fiduciary capacity are accounted for as Trust Funds. The expendable trust funds which the National Government bears responsibility for at September 30, 1987, are as follows:

Health Insurance Fund - Employees of the Federated States of Micronesia contribute to the fund to provide for payment of certain eligible medical expenses. The Federated States Governments also pays in contributions to the Fund on behalf of these participants. This fund essentially operates as an insurer ultimately underwritten by the respective governments of the Federated States.

Student Loan Fund - The Fund was established through Congressional appropriations per Public Law 2-50 to assist in providing funds to eligible students pursuing college degrees. Loans are restricted to \$4,000 per annum and \$16,000 in total to an undergraduate (\$32,000 for a professional or graduate student). Loans bear interest at 4%. The standard loan term is ten years and nine months after the completion of school or the early withdrawal therefrom.

FEDERATED STATES OF MICRONESIA
 NATIONAL GOVERNMENT
 EXPENDABLE TRUST FUNDS

Combining Balance Sheet
 September 30, 1987
 (With comparative totals as of September 30, 1986)

<u>Assets</u>	<u>Health</u>	<u>Student</u>	<u>Totals</u>	
	<u>Insurance</u>	<u>Loan</u>	<u>1987</u>	<u>1986</u>
	<u>Fund</u>	<u>Fund</u>		
Cash and equivalent	\$207,733	\$ -	\$ 207,733	\$ 192,335
General receivables	20,095	-	20,095	20,095
Due from other funds	474,050	79,305	553,355	386,024
Loans	-	1,788,027	1,788,027	1,479,417
Allowance for loan reserves	-	(1,788,027)	(1,788,027)	(1,479,417)
 Total assets	 \$701,878	 \$ 79,305	 \$ 781,183	 \$ 598,454
	=====	=====	=====	=====

Liabilities and Fund Balance

Liabilities:				
Accounts payable	\$ 34,324	\$ -	\$ 34,324	\$ 16,077
Accrued payable	90	-	90	55
 Total liabilities	 34,414	 -	 34,414	 16,132
 Fund balance	 667,464	 79,305	 746,769	 582,322
 Total liabilities and fund balance	 \$701,878	 \$ 79,305	 \$ 781,183	 \$ 598,454
	=====	=====	=====	=====

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT
EXPENDABLE TRUST FUNDS

Combining Statement of Revenues, Expenditures and
Changes in Fund Balance
Year ended September 30, 1987
(With comparative totals for the year ended September 30, 1986)

	<u>Health Insurance Fund</u>	<u>Student Loan Fund</u>	<u>Totals</u>	
			<u>1987</u>	<u>1986</u>
Revenues:				
Interest income	\$ 15,399	\$ -	\$ 15,399	\$ 6,052
Member's contributions	494,313	-	494,313	381,074
Loan repayments	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,912</u>
Total revenues	<u>509,712</u>	<u>-</u>	<u>509,712</u>	<u>405,038</u>
Expenditures:				
Provision for doubtful accounts	-	308,610	308,610	280,811
Insurance claims	300,563	-	300,563	177,376
Administrative expense	<u>36,092</u>	<u>-</u>	<u>36,092</u>	<u>31,770</u>
Total expenditures	<u>336,655</u>	<u>308,610</u>	<u>645,265</u>	<u>489,957</u>
Revenues greater than (less than) expenditures	173,057	(308,610)	(135,553)	(84,919)
Transfers-in	<u>-</u>	<u>300,000</u>	<u>300,000</u>	<u>301,000</u>
Revenues and transfers-in in excess of expenditures	173,057	(8,610)	164,447	216,081
Fund balance, beginning of year	<u>494,407</u>	<u>87,915</u>	<u>582,322</u>	<u>366,241</u>
Fund balance, end of year	<u>\$667,464</u> =====	<u>\$ 79,305</u> =====	<u>\$746,769</u> =====	<u>\$582,322</u> =====