

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

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

YEAR ENDED SEPTEMBER 30, 1995

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Year Ended September 30, 1995

Index

	<u>Page No.</u>
INDEPENDENT AUDITORS' REPORT, GENERAL-PURPOSE FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION	1-67
INDEPENDENT AUDITORS' REPORTS ON COMPLIANCE WITH LAWS AND REGULATIONS	68-189
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE	190-197

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Table Of Contents
Year Ended September 30, 1995

	<u>Page No.</u>
I. Independent Auditors' Report	1
II. General-Purpose Financial Statements:	
Combined Balance Sheet - All Fund Types, Account Groups and Discretely Presented Component Units	3
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types, Expendable Trust Funds and Discretely Presented Component Units	5
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual, Budgetary Basis - General Fund	6
Combined Statement of Revenues, Expenses and Changes in Fund Equity - All Proprietary Fund Types and Discretely Presented Component Units	7
Combined Statement of Cash Flows - All Proprietary Fund Types and Discretely Presented Component Units	8
Statement of Changes in General Fixed Assets Account Group	10
Notes to Financial Statements	11
III. Additional Information:	
Combined Schedule of Expenditures by Account - All Governmental Fund Types and Expendable Trust Funds	36
General Fund:	
Schedule of Revenues and Transfers In	37
Schedule of Expenditures by Function and Department	38
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual, Budgetary Basis	40

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Table of Contents, Continued
Year Ended September 30, 1995

	<u>Page No.</u>
III. Additional Information, Continued:	
Special Revenue Funds:	
Introduction to Special Revenues Funds	45
Combining Balance Sheet	47
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	48
Combining Statement of Revenues, Expenditures by Account and Changes in Fund Balances	49
Combining Balance Sheet (Non-Compact)	50
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit) (Non-Compact)	51
Combining Statement of Revenues, Expenditures by Account and Changes in Fund Balances (Deficit) (Non-Compact)	52
Combining Balance Sheet (Compact)	53
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Compact)	54
Combining Statement of Revenues, Expenditures by Account and Changes in Fund Balances (Compact)	55
Capital Projects Funds:	
Introduction to Capital Projects Funds	56
Combining Balance Sheet	57
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	58
Combining Statement of Revenues, Expenditures by Account and Changes in Fund Balances	59
Component Units - Proprietary Funds:	
Introduction to Component Units - Proprietary Funds	60
Combining Balance Sheet	61
Combining Statement of Revenues, Expenses and Changes in Fund Equity	62
Combining Statement of Cash Flows	63
Expendable Trust Funds:	
Introduction to Expendable Trust Funds	65
Combining Balance Sheet	66
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	67

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Table of Contents, Continued
Year Ended September 30, 1995

	<u>Page No.</u>
IV. Independent Auditors' Reports on Compliance with Laws and Regulations	
Independent Auditors' Report on Compliance Based on the Audit of General-Purpose Financial Statements	69
Independent Auditors' Report on Compliance with Specific Requirements Applicable to Major Federal Financial Assistance Programs	70
Independent Auditors' Report on Compliance with the General Requirements Applicable to Federal Financial Assistance	72
Independent Auditors' Report on Compliance with Requirements Applicable to Nonmajor Federal Financial Assistance Program Transactions	74
Independent Auditors' Report on the Internal Control Structure Used in Administering Federal Financial Assistance	76
Independent Auditors' Report on the Supplementary Schedule of Federal Financial Assistance	79
Schedule of Federal Financial Assistance:	
• U.S. Federal Direct Assistance Fund	80
• Non-U.S. Direct Assistance Grants	111
• OTIA Technical Assistance	113
• OTIA Special O&M	117
• CFSM and OTIA/TTPI Capital Projects Funds	117
• Compact of Free Association Funding	118
• Compact Funding Summary	126
Notes to Schedule of Federal Financial Assistance	129
Schedule of Programs Selected for audit in accordance with OMB Circular A-128	136
Summary of U.S. Federal Program Expenditures	137
Schedule of Findings and Questioned Costs	138
Resolutions of Prior Years' Questioned Costs	189

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Table of Contents, Continued
Year Ended September 30, 1995

	<u>Page No.</u>
V. Independent Auditors' Report on Internal Control Structure	
Independent Auditors' Report on the Internal Control Structure Based on the Audit of the General-Purpose Financial Statements	191
Schedule of Internal Control Findings	193

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

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

YEAR ENDED SEPTEMBER 30, 1995

**INDEPENDENT AUDITORS' REPORT**

Honorable Bailey Olter
President
Federated States of Micronesia:

We have audited the accompanying general-purpose financial statements of the Federated States of Micronesia (FSM) National Government, as set forth in Section II of the foregoing table of contents, as of September 30, 1995, and for the year then ended. These general-purpose financial statements are the responsibility of the FSM National Government's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit. We did not audit the financial statements of the College of Micronesia-FSM, which are shown as the Component Units - Higher Education Fund. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Component Units - Higher Education Fund, is based solely on the report of the other auditors.

Except as discussed in the following paragraphs, we conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

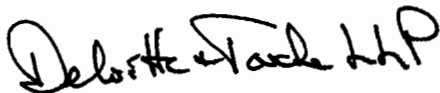
The College of Micronesia-FSM, which comprises the Component Units - Higher Education Fund, has not adequately updated its Plant Fund, nor has it depreciated all of its plant assets as required by generally accepted accounting principles.

We were unable to obtain financial statements supporting the National Fisheries Corporation's (NFC) investment in a corporation stated at \$0 in the Component Units - Proprietary Funds. NFC is included within the Component Units - Proprietary Funds.

In our opinion, based on our audit and the report of other auditors, except for the effects on the general-purpose financial statements of such adjustments, if any, as might have been determined to be necessary had we been able to assure ourselves as to the propriety of fixed assets of the Component Units - Higher Education Fund and had the propriety of, and disclosures related to, an investment of the Component Units - Proprietary Funds been determinable, as discussed in the third and fourth paragraphs above, the accompanying general-purpose financial statements, as set forth in Section II of the table of contents, present fairly, in all material respects, the financial position of the FSM National Government as of September 30, 1995, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated February 7, 1996, on our consideration of the FSM National Government's (primary Government only) internal control structure and a report dated February 7, 1996 on its compliance with laws and regulations.

Our audit was conducted for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The combining and individual fund financial statements and schedules listed in Section III of the foregoing table of contents, which are also the responsibility of the management of the FSM National Government, are presented for purposes of additional analysis and are not a required part of the general-purpose financial statements of the FSM National Government. Such additional information has been subjected to the auditing procedures applied in our audit of the general-purpose financial statements and, except for the matters discussed in the third and fourth paragraphs above, in our opinion, is fairly stated in all material respects when considered in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Deloitte Touche LLP". The signature is written in a cursive, flowing style.

February 7, 1996

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

**Combined Balance Sheet - All Fund Types, Account Groups and Discretely Presented Component Units
September 30, 1995
(With Comparative Totals as of September 30, 1994)**

	Governmental Fund Types							Proprietary	Account Groups		Totals	Component Units			Totals
	Governmental Fund Types			Fund Type	Fiduciary Fund Type	General	General	Government	Component Units			Reporting			
	General	Special	Capital	Internal	Expendable	Fixed	Long-Term	(Memorandum	Higher	Governmental	Proprietary	Entity			
	Revenue	Projects	Service	Trust	Assets	Debt	Only)	Education				(Memorandum Only)	1995	1994	
ASSETS															
Cash and equivalents (notes 2 and 9)	\$ 7,089,430	\$ 1,158,246	\$ -	\$ -	\$ 1,091,813	\$ -	\$ -	\$ 9,339,489	\$ 2,710,845	\$ 1,553,289	\$ 10,335,397	\$ 23,939,020	\$ 24,708,646		
Time certificates and other term deposits (note 2)	5,619,006	-	-	-	-	-	-	5,619,006	-	-	-	5,619,006	4,553,839		
Investments (notes 2 and 9)	28,822,765	10,646,970	3,901,004	-	-	-	-	43,370,739	-	18,231,953	14,072,736	75,675,428	68,750,706		
Equity investments (note 2)	1,500,000	-	3,384,229	-	-	-	-	4,884,229	-	-	662,188	5,546,417	8,046,696		
Receivables from other governments and agencies, net	780,142	3,714,712	-	-	-	-	-	4,494,854	1,276,586	-	-	5,771,440	5,518,140		
Receivables from TTPI/OTIA	-	1,457,448	198,102	-	-	-	-	1,655,550	-	-	-	1,655,550	839,880		
General receivables, net	360,974	-	-	-	315,678	-	-	676,652	911,262	8,477	2,111,838	3,708,229	5,064,666		
Advances	1,461,022	2,563	1,412	-	-	-	-	1,464,997	-	16,030	72,106	1,553,133	1,244,898		
Loans receivable, net (note 8)	3,100,000	-	3,750,000	-	1,606,953	-	-	8,456,953	-	-	11,443,480	19,900,433	17,812,600		
Due from other funds (note 6)	47,089,003	2,716,085	346,545	24,759	1,122,603	-	-	51,298,995	-	-	-	51,298,995	40,416,851		
Interest and other receivables	79,312	443,031	23,392	-	-	-	-	545,735	-	-	570,509	1,116,244	270,552		
Deferred charges	-	-	-	-	-	-	-	-	-	-	50,236	50,236	-		
Inventory	-	-	-	137,436	-	-	-	137,436	86,645	-	1,338,058	1,562,139	707,402		
Restricted assets (note 12)	-	-	-	-	-	-	-	-	-	-	35,337,884	35,337,884	35,051,988		
Amount to be provided for retirement of long-term debt	-	-	-	-	-	-	5,415,107	5,415,107	-	-	-	5,415,107	5,186,917		
Prepaid expenses	-	-	-	-	-	-	-	-	15,830	3,712	707,281	726,823	677,297		
Fixed assets, net	-	-	-	-	-	28,050,786	-	28,050,786	1,114,602	-	65,506,480	94,671,868	94,137,233		
Allowance for loan losses	-	-	-	-	(1,606,953)	-	-	(1,606,953)	-	-	-	(1,606,953)	-		
Total assets	\$ 95,901,654	\$ 20,139,055	\$ 11,604,684	\$ 162,195	\$ 2,530,094	\$ 28,050,786	\$ 5,415,107	\$ 163,803,575	\$ 6,115,770	\$ 19,813,461	\$ 142,208,193	\$ 331,940,999	\$ 312,988,311		

See accompanying notes to financial statements.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

**Combined Balance Sheet - All Fund Types, Account Groups and Discretely Presented Component Units
September 30, 1995
(With Comparative Totals as of September 30, 1994)**

	Governmental Fund Types			Proprietary	Account Groups		Totals	Component Units			Totals		
	General	Special Revenue	Capital Projects	Fund Type	General	General	Primary	Higher Education	Governmental	Proprietary	Reporting Entity		
				Internal Service	Fiduciary Fund Type Expendable Trust	Fixed Assets	Long-Term Debt				Government (Memorandum Only)	(Memorandum Only)	
											1995	1994	
LIABILITIES AND FUND EQUITY													
Liabilities:													
Bank overdraft	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ -	-	\$ -	\$ -	\$ 1,963,547
Accounts payable	1,766,270	1,869,153	402,633	4,416	259,065	-	-	4,301,537	55,563	95,933	1,636,303	6,089,336	5,607,644
Accrued payroll and others	551,666	2,018	102,320	-	-	-	-	656,004	305,121	8,535	566,869	1,536,529	4,456,827
Tax refunds payable	306,224	-	-	-	-	-	-	306,224	-	-	-	306,224	306,224
Due to other funds (note 6)	39,596,682	9,244,058	2,458,255	-	-	-	-	51,298,995	-	-	-	51,298,995	40,416,851
Due to FSM State governments	1,436,215	3,503,622	9,455	-	-	-	-	4,949,292	-	-	-	4,949,292	5,833,308
Deferred revenues	-	702,330	75,358	-	-	-	-	777,688	1,323,525	-	42,835	2,144,048	2,768,778
Vacation leave accrual	-	-	-	-	-	-	826,601	826,601	-	-	-	826,601	598,411
Advances from DOI, TTPI, OTIA and other	-	192,655	-	-	-	-	-	192,655	-	-	-	192,655	192,655
Notes payable (note 7)	-	-	-	-	-	-	4,588,506	4,588,506	-	-	54,811,130	59,399,636	56,427,061
Other liabilities (note 10)	530,340	-	-	-	-	-	-	530,340	981,866	-	3,711,337	5,223,543	4,785,401
Total liabilities	44,187,397	15,513,836	3,048,021	4,416	259,065	-	5,415,107	68,427,842	2,666,075	104,468	60,768,474	131,966,859	123,356,707
Retained earnings reserved for minority interest	-	-	-	-	-	-	-	-	-	-	3,591,540	3,591,540	3,414,786
Fund equity:													
Investment in general fixed assets	-	-	-	-	-	28,050,786	-	28,050,786	1,114,602	-	-	29,165,388	29,259,671
Contributed capital	-	-	-	129,416	-	-	-	129,416	-	-	41,491,335	41,620,751	40,269,241
Retained earnings unreserved	-	-	-	28,363	-	-	-	28,363	-	-	36,356,844	36,385,207	37,227,897
Fund balances:													
Reserved for:													
Benefits	-	-	-	-	2,271,029	-	-	2,271,029	-	19,708,993	-	21,980,022	19,247,389
Loans (note 8)	3,100,000	-	3,750,000	-	-	-	-	6,850,000	-	-	-	6,850,000	6,850,000
Related assets	5,047,123	-	3,384,229	-	-	-	-	8,431,352	-	-	-	8,431,352	7,515,539
Encumbrances	4,330,887	2,496,481	2,625,253	-	-	-	-	9,452,621	-	-	-	9,452,621	10,751,151
Continuing appropriations (note 4)	22,749,865	2,599,570	3,978,413	-	-	-	-	29,327,848	-	-	-	29,327,848	27,576,877
Unreserved	16,486,382	(470,832)	(5,181,232)	-	-	-	-	10,834,318	2,335,093	-	-	13,169,411	7,519,053
Total fund equity	51,714,257	4,625,219	8,556,663	157,779	2,271,029	28,050,786	-	95,375,733	3,449,695	19,708,993	77,848,179	196,382,600	186,216,818
Commitments and contingencies (note 3)													
Total liabilities and fund equity	95,901,654	\$ 20,139,055	\$ 11,604,684	\$ 162,195	\$ 2,530,094	\$ 28,050,786	\$ 5,415,107	163,803,575	\$ 6,115,770	19,813,461	\$ 142,208,193	\$ 331,940,999	\$ 312,988,311

See accompanying notes to financial statements.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Fund Types, Expendable Trust Funds and Discretely Presented Component Units
Year Ended September 30, 1995
(With comparative totals for the year ended September 30, 1994)**

	Governmental Fund Types			Fiduciary	Totals	Component Units		Totals	
	General	Special	Capital	Expendable	Primary	Higher	Governmental	Reporting	
		Revenue	Projects	Trust	Government	Education		Entity	(Memorandum Only)
				(Memorandum Only)				1995	1994
Revenues:									
Federal contributions	\$ -	\$ 3,866,548	\$ 3,332,151	\$ -	\$ 7,198,699	\$ 3,477,002	\$ -	\$ 10,675,701	\$ 4,492,739
Compact grants	6,513,761	4,017,826	2,793,739	-	13,325,326	-	-	13,325,326	13,181,824
Other	34,624,002	535,982	-	2,028,211	37,188,195	4,558,810	8,296,753	50,043,758	47,080,294
Total revenues	41,137,763	8,420,356	6,125,890	2,028,211	57,712,220	8,035,812	8,296,753	74,044,785	64,754,857
Expenditures:									
Executive branch	13,626,281	8,095,420	4,665,433	1,368,001	27,755,135	-	-	27,755,135	22,578,310
Judicial branch	888,268	-	-	-	888,268	-	-	888,268	784,392
Legislative branch	3,086,526	-	-	-	3,086,526	-	-	3,086,526	2,540,720
Office of the Public Auditor	420,022	-	-	-	420,022	-	-	420,022	457,051
Other National Government programs	4,838,310	-	-	-	4,838,310	-	-	4,838,310	3,174,121
Other legislative appropriations	9,703,759	-	-	-	9,703,759	-	-	9,703,759	8,269,563
Boards and commissions	1,096,176	-	-	-	1,096,176	-	-	1,096,176	1,001,401
Other	-	-	-	-	-	6,828,241	6,224,330	13,052,571	12,150,690
Total expenditures	33,659,342	8,095,420	4,665,433	1,368,001	47,788,196	6,828,241	6,224,330	60,840,767	50,956,248
Excess of revenues over expenditures	7,478,421	324,936	1,460,457	660,210	9,924,024	1,207,571	2,072,423	13,204,018	13,798,609
Other financing sources (uses):									
Operating transfers in (out), (note 5)	(1,684,020)	(490,355)	(3,000,000)	-	(5,174,375)	485,291	-	(4,689,084)	(5,073,555)
Total other financing (uses) sources, net	(1,684,020)	(490,355)	(3,000,000)	-	(5,174,375)	485,291	-	(4,689,084)	(5,073,555)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	5,794,401	(165,419)	(1,539,543)	660,210	4,749,649	1,692,862	2,072,423	8,514,934	8,725,054
Fund balances at beginning of year	45,919,856	4,790,638	10,521,206	1,610,819	62,842,519	642,231	17,636,570	81,121,320	74,121,266
Equity contribution (note 11)	-	-	(425,000)	-	(425,000)	-	-	(425,000)	(1,725,000)
Fund balances at end of year	\$ 51,714,257	\$ 4,625,219	\$ 8,556,663	\$ 2,271,029	\$ 67,167,168	\$ 2,335,093	\$ 19,708,993	\$ 89,211,254	\$ 81,121,320

See accompanying notes to financial statements.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Statement of Revenues, Expenditures and Changes in Fund
Balance - Budget and Actual, Budgetary Basis - General Fund
Year Ended September 30, 1995

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Compact	\$ 8,804,284	\$ 6,513,761	\$ (2,290,523)
Local taxes	9,150,000	8,088,249	(1,061,751)
Fishing rights fees	15,000,000	20,839,273	5,839,273
Fishing violation fines	500,000	670,000	170,000
Postal revenues	500,000	548,823	48,823
Investment earnings	3,000,000	3,768,822	768,822
Business fees, fines, penalties, and interest on delinquent taxes	-	274,582	274,582
Other	100,000	434,253	334,253
	<u>37,054,284</u>	<u>41,137,763</u>	<u>4,083,479</u>
Total revenues			
Expenditures:			
Executive branch	15,064,561	13,649,275	1,415,286
Judicial branch	992,975	895,766	97,209
Boards and commissions	1,204,907	1,133,532	71,375
Legislative branch	3,255,777	3,132,188	123,589
Office of the Public Auditor	499,500	472,972	26,528
Other National Government programs	6,943,694	5,097,808	1,845,886
Other legislative appropriations	31,619,854	10,188,858	21,430,996
	<u>59,581,268</u>	<u>34,570,399</u>	<u>25,010,869</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	<u>(22,526,984)</u>	<u>6,567,364</u>	<u>29,094,348</u>
Other financing sources (uses):			
Operating transfers in (out), net	<u>(2,094,110)</u>	<u>(1,694,317)</u>	<u>399,793</u>
	<u>(2,094,110)</u>	<u>(1,694,317)</u>	<u>399,793</u>
Total other financing sources (uses), net			
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(24,621,094)	4,873,047	29,494,141
Unreserved fund balance at beginning of year	13,816,364	13,816,364	-
Other changes in unreserved fund balance:			
Increase in reserve for related assets	-	(1,076,295)	(1,076,295)
Increase in reserve for continuing appropriations	-	(1,126,734)	(1,126,734)
Unreserved fund balance at end of year	<u>\$ (10,804,730)</u>	<u>\$ 16,486,382</u>	<u>\$ 27,291,112</u>

See accompanying notes to financial statements.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Combined Statement of Revenues, Expenses and Changes in Fund Equity -
All Proprietary Fund Types and Discretely Presented Component Units
Year Ended September 30, 1995
(With comparative totals for the year ended September 30, 1994)

	Proprietary Fund Type	Totals Primary Government (Memorandum Only)	Component Units	Totals Reporting Entity (Memorandum Only)	
	Internal Service		Proprietary	1995	1994
Operating revenues:					
Charges for goods and services	\$ 38,598	\$ 38,598	\$ 15,846,895	\$ 15,885,493	\$ 8,950,529
Rental income/interest income	-	-	1,009,212	1,009,212	1,989,633
Other	-	-	2,240,204	2,240,204	506,962
Total operating revenues	<u>38,598</u>	<u>38,598</u>	<u>19,096,311</u>	<u>19,134,909</u>	<u>11,447,124</u>
Operating expenses:					
Personnel services	-	-	3,797,513	3,797,513	3,201,862
Supplies and materials	24,773	24,773	329,144	353,917	165,699
Other	-	-	5,125,005	5,125,005	3,956,590
Depreciation	-	-	3,955,149	3,955,149	2,239,946
Cost of sales	-	-	5,994,891	5,994,891	1,249,141
Total operating expenses	<u>24,773</u>	<u>24,773</u>	<u>19,201,702</u>	<u>19,226,475</u>	<u>10,813,238</u>
Operating income (loss)	<u>13,825</u>	<u>13,825</u>	<u>(105,391)</u>	<u>(91,566)</u>	<u>633,886</u>
Nonoperating revenues (expenses):					
Interest income (expense)	-	-	(1,535,018)	(1,535,018)	(512,112)
Transfers in from General Fund and other sources	-	-	2,078,120	2,078,120	2,437,106
Miscellaneous	-	-	(99,026)	(99,026)	(165,903)
Loss on investment	-	-	(2,252,885)	(2,252,885)	-
Dividends	-	-	50,000	50,000	-
Other	-	-	169,346	169,346	(227,549)
Total nonoperating revenues (expense), net	<u>-</u>	<u>-</u>	<u>(1,589,463)</u>	<u>(1,589,463)</u>	<u>1,531,542</u>
Net income (loss)	<u>13,825</u>	<u>13,825</u>	<u>(1,694,854)</u>	<u>(1,681,029)</u>	<u>2,165,428</u>
Add depreciation on fixed assets acquired by grants that reduces contributed capital	<u>-</u>	<u>-</u>	<u>463,675</u>	<u>463,675</u>	<u>376,450</u>
Increase (decrease) in retained earnings	<u>13,825</u>	<u>13,825</u>	<u>(1,231,179)</u>	<u>(1,217,354)</u>	<u>2,541,878</u>
Retained earnings at beginning of year	<u>14,538</u>	<u>14,538</u>	<u>37,213,356</u>	<u>37,227,894</u>	<u>34,569,634</u>
Increase (decrease) in reserve for minority interest	<u>-</u>	<u>-</u>	<u>374,667</u>	<u>374,667</u>	<u>(137,868)</u>
Adjustment of retained earnings at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>254,253</u>
Retained earnings at end of year	<u>28,363</u>	<u>28,363</u>	<u>36,356,844</u>	<u>36,385,207</u>	<u>37,227,897</u>
Contributed capital at beginning of year	<u>129,416</u>	<u>129,416</u>	<u>40,139,826</u>	<u>40,269,242</u>	<u>30,864,013</u>
Current year additions	-	-	1,815,184	1,815,184	9,781,678
Adjustments	-	-	(463,675)	(463,675)	(376,450)
Contributed capital at end of year	<u>129,416</u>	<u>129,416</u>	<u>41,491,335</u>	<u>41,620,751</u>	<u>40,269,241</u>
Total fund equity	<u>\$ 157,779</u>	<u>\$ 157,779</u>	<u>\$ 77,848,179</u>	<u>\$ 78,005,958</u>	<u>\$ 77,497,138</u>

See accompanying notes to financial statements.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Combined Statement of Cash Flows
All Proprietary Fund Types and Discretely Presented Component Units
Year Ended September 30, 1995
(With comparative totals for the year ended September 30, 1994)

	Proprietary Fund Type	Totals Primary Government	Component Units	Totals Reporting Entity	
	Internal Service	(Memorandum Only)	Proprietary	1995	1994
Increase (decrease) in cash and equivalents:					
Cash flows from operating activities:					
Operating income (loss)	\$ 13,825	\$ 13,825	\$ (105,391)	\$ (91,566)	\$ 403,838
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	-	-	3,955,149	3,955,149	2,239,946
Bad debts	-	-	360,000	360,000	164,567
Others	-	-	(633,451)	(633,451)	61,531
	<u>13,825</u>	<u>13,825</u>	<u>3,576,307</u>	<u>3,590,132</u>	<u>2,869,882</u>
Changes in assets and liabilities:					
Cash advance	-	-	(1,864)	(1,864)	3,886
Travel advances	-	-	(10,204)	(10,204)	(24,289)
Interest receivable	-	-	(89,491)	(89,491)	(161,399)
Accounts receivable trade	-	-	480,294	480,294	(616,160)
Accounts receivable other	-	-	(13,639)	(13,639)	49,776
Materials and supplies inventory	(8,020)	(8,020)	(589,885)	(597,905)	(259,200)
Inventory trade	-	-	(170,187)	(170,187)	(24,785)
Prepaid expenses	-	-	(161,474)	(161,474)	4,863
Contract retentions payable	-	-	(1,078,945)	(1,078,945)	-
Deferred charges	-	-	(50,236)	(50,236)	-
Loans receivable	-	-	(849,393)	(849,393)	(2,999,276)
Accounts payable	-	-	(1,163,531)	(1,163,531)	2,147,469
Due from other funds	(5,805)	(5,805)	1,907	(3,898)	12,597
Accrued payroll	-	-	(1,441)	(1,441)	1,062
Accrued leave payable	-	-	5,052	5,052	23,165
Deferred revenue	-	-	(240,470)	(240,470)	260,726
Accrued expenses, other	-	-	292,703	292,703	(137,796)
Interfund payables	-	-	333,292	333,292	-
	<u>(13,825)</u>	<u>(13,825)</u>	<u>(3,307,512)</u>	<u>(3,321,337)</u>	<u>(1,719,361)</u>
Net cash flows provided by operating activities	<u>-</u>	<u>-</u>	<u>268,795</u>	<u>268,795</u>	<u>1,150,521</u>

See accompanying notes to financial statements.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Combined Statement of Cash Flows, Continued
All Proprietary Fund Types and Discretely Presented Component Units
Year Ended September 30, 1995
(With comparative totals for the year ended September 30, 1994)

	Proprietary	Totals	Component Units Proprietary	Totals	
	Fund	Primary		Reporting Entity	
	Type	Government		(Memorandum Only)	
	Internal	(Memorandum		1995	1994
	Service	Only)			
Cash flows for noncapital financing activities:					
CFSM appropriations received	\$ -	\$ -	\$ -	\$ -	\$ 2,437,106
Contribution paid to COM-FSM	-	-	1,962,944	1,962,944	-
Loan participations sold	-	-	(163,404)	(163,404)	538,985
Proceeds from borrowing	-	-	338,659	338,659	1,230,035
Contributed capital received and other funding	-	-	1,298,758	1,298,758	9,592,532
	<u>-</u>	<u>-</u>	<u>3,436,957</u>	<u>3,436,957</u>	<u>13,798,658</u>
Net cash provided by noncapital financing activities					
	<u>-</u>	<u>-</u>	<u>3,436,957</u>	<u>3,436,957</u>	<u>13,798,658</u>
Cash flows from capital and related financing activities:					
Proceeds from notes payable	-	-	2,000,948	2,000,948	5,880,402
Note repayments	-	-	(597,067)	(597,067)	-
Acquisition of fixed assets	-	-	(3,432,503)	(3,432,503)	(14,004,745)
Disposals of fixed assets	-	-	4,300	4,300	(62,862)
Interest expense	-	-	(2,156,367)	(2,156,367)	(1,156,350)
Restricted cash	-	-	168,795	168,795	(480,075)
	<u>-</u>	<u>-</u>	<u>(4,011,894)</u>	<u>(4,011,894)</u>	<u>(9,823,630)</u>
Net cash used for capital and related financing activities					
	<u>-</u>	<u>-</u>	<u>(4,011,894)</u>	<u>(4,011,894)</u>	<u>(9,823,630)</u>
Cash flows from investing activities:					
Notes receivable	-	-	76,376	76,376	140,283
Investment in joint venture	-	-	(1,718,974)	(1,718,974)	-
Investment in securities	-	-	50,000	50,000	(7,867,645)
Escrow fund	-	-	(374,236)	(374,236)	(308,028)
Interest income received	-	-	796,064	796,064	723,348
	<u>-</u>	<u>-</u>	<u>(1,170,770)</u>	<u>(1,170,770)</u>	<u>(7,312,042)</u>
Net cash used for investing activities					
	<u>-</u>	<u>-</u>	<u>(1,170,770)</u>	<u>(1,170,770)</u>	<u>(7,312,042)</u>
Net decrease in cash and equivalents	-	-	(1,476,912)	(1,476,912)	(2,186,493)
Cash and equivalents at beginning of year	-	-	11,812,309	11,812,309	13,998,802
Cash and equivalents at end of year	\$ -	\$ -	\$ 10,335,397	\$ 10,335,397	\$ 11,812,309

See accompanying notes to financial statements.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Statement of Changes in General Fixed Assets Account Group
Year Ended September 30, 1995
(With comparative totals for the year ended September 30, 1994)

	<u>1995</u>	<u>1994</u>
Balance at beginning of year	\$ 27,598,360	\$ 26,076,031
Current year additions	452,426	1,664,134
Current year deletions	<u>-</u>	<u>(141,805)</u>
Balance at end of year	<u>\$ 28,050,786</u>	<u>\$ 27,598,360</u>

See accompanying notes to financial statements.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 1995

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

As required by generally accepted accounting principles, the general-purpose financial statements of the FSM National Government present the government and its component units; entities for which the government is considered to be financially accountable. Discretely presented component units are reported in separate columns in the general-purpose financial statements to emphasize that they are legally separate from the government. Each discretely presented component unit has a September 30 year end except for the FSM Development Bank which has a December 31 year end and the FSM Social Security Administration which has a March 31 year end.

Discretely Presented Component Units

Governmental Fund - FSM Social Security Administration

The FSM Social Security Administration has been included in the FSM National Government's general-purpose financial statements as a component unit. This component unit has been presented on a discrete basis as it is administered separately and apart from other funds. The Component Unit's principal income may be expended in the course of its designated operations, and accordingly, the component unit is accounted for in essentially the same manner as a governmental fund. The financial statements of the component unit are presented under the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they become both measurable and available to finance expenditures of the current period and expenditures are generally recognized when the related liability is incurred. Due to a difference in the reporting period from the rest of the FSM National Government, financial statements for the FSM Social Security Administration are included as of March 31, 1995 and for the year then ended.

Higher Education Fund - College of Micronesia-FSM

The Higher Education Fund consists of the College of Micronesia-FSM (COM-FSM) which is included in the FSM National Government's general-purpose financial statements based on the criteria for inclusion of component units. This component unit is presented on a discrete basis as it is administered separately.

COM-FSM was established by the FSM Public Law 7-79 on September 25, 1993 as a FSM public corporation to serve the varied post-secondary and adult educational needs of the Federated States of Micronesia. It is under the general management and control of a seven member Board of Regents, appointed by the FSM President with the advice and consent of the Congress. The term for all the board members is three years.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 1995

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

Discretely Presented Component Units, Continued

Proprietary Funds

Coconut Development Authority

The Federated States of Micronesia Coconut Development Authority (the Authority) was established in 1981 by Public Law 1-145, as amended by Public Law 2-8, and incorporated as Chapter Two, Title 22 of the Code of the Federated States of Micronesia. The purpose of the Authority is to manufacture, process, buy, collect, market, sell, export, inspect, improve the quality, and deal with, in general, all products derived from the coconut tree. The Authority has the additional responsibility to establish prices to producers or sellers of coconut products in the Federated States of Micronesia, to collect and receive all monies derived from the sales of coconut products, and to stabilize the price of these products. The Authority is a component unit of the Federated States of Micronesia National Government.

The affairs of the Authority are managed by a five-member board, consisting of representatives of the four FSM states and the FSM National Government. Daily operation of the Authority is delegated to a general manager, who is hired by and serves at the pleasure of the Board.

The operation of the Authority is funded by annual appropriations from the FSM Congress. The purchase of coconut products is funded by copra subsidy appropriations from the FSM Congress and revenues generated through sales of copra.

FSM Telecommunications Corporation

The Telecommunications Corporation of the Federated States of Micronesia (the Corporation) was established as a public corporation under the laws of the Federated States of Micronesia, the purpose of which is to provide telecommunications services, except radio and television broadcasting, throughout the FSM and to points outside the FSM. The Corporation began its operations on October 1, 1983.

Additional funding was made available under Section 215(a) and Section 215 (b) of the Compact of Free Association, and loan funds from the USDA Rural Electrification Administration.

FSM Development Bank

The Federated States of Micronesia Development Bank (FSMDB) was created in 1979 by Public Law 1-37 of the First Congress of the Federated States of Micronesia. The FSM Development Bank began its operations on October 1, 1980. The FSMDB was reorganized in January of 1994 by Public Law 8-47 of the Eighth Congress of the Federated States of Micronesia. The purpose of the FSM Development Bank is to provide loans for the economic development of the FSM at below market rates.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 1995

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

Discretely Presented Component Units, Continued

Proprietary Funds, Continued

FSM Development Bank, Continued

The Investment Development Fund (IDF), which provides funds for loans made by the FSMDB, was established by Public Law 5-122 in January 1989. The purpose of the IDF is to finance projects which will (1) have their operations primarily located within the FSM; (2) improve the balance of payments position of the FSM; (3) increase the value of visible and invisible exports or result in import substitutions; (4) demonstrate positive economic returns; (5) contribute to the furtherance of close economic relations with the USA.

The Pohnpei Development Loan fund and the Yap Development Loan Fund are administered by the FSMDB in a Trust capacity. All loan decisions are made by executives of the respective state governments.

National Fisheries Corporation

The National Fisheries Corporation (the Corporation) was established on July 13, 1983 by FSM Public Law No. 3-14. The component unit is directed by a board composed of seven members. The purpose of the Corporation is to engage in activities dealing with the development of fisheries in the Federated States of Micronesia.

B. Fund Accounting

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

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

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

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

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 1995

(1) Summary of Significant Accounting Policies, Continued

B. Fund Accounting, Continued

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds). The proprietary fund type of the FSM National Government is comprised of an internal service fund which is the Supply Stock Revolving Fund created by Public Law No. 4-74 for the government to benefit from discounted prices of supplies and other items available from volume purchasing.

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the FSM National Government. When these assets are held under the terms of a formal trust agreement, either a pension trust fund, a nonexpendable trust fund or an expendable trust fund is used. The terms "nonexpendable" and "expendable" refer to whether or not the FSM National Government is under an obligation to maintain the trust principal.

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

C. Basis of Presentation

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

Those revenues susceptible to accrual are FSM local taxes, charges for services, leases and interest revenue. Fines and permit revenues are not susceptible to accrual because they are generally not measurable until received in cash.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 1995

(1) Summary of Significant Accounting Policies, Continued

C. Basis of Presentation, Continued

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

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 of Free Association, which went into effect November 3, 1986, approval of all CFSM Laws is vested with the President of the Federated States of Micronesia.

During fiscal year 1995, supplemental appropriations were also made for both operating and capital purposes, to reflect the evolving priorities of the FSM National Government.

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

Encumbrance accounting is utilized for budgetary control purposes. Encumbrances outstanding at year-end are reported as reservations of fund balance and will be funded as expenditures in the ensuing year. Encumbrances remain reservations of fund balance until becoming expended or cancelled. If an encumbrance is subsequently cancelled, the funds revert to the applicable unreserved fund balance unless otherwise required by law.

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

E. Receivables

Receivables in the FSM National Government's governmental and fiduciary fund types 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.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 1995

(1) Summary of Significant Accounting Policies, Continued

E. Receivables, Continued

At September 30, 1995, the FSM National Government had rendered tax assessments of an unknown amount for delinquent taxes. If collected, one-half of these receivables will accrue as revenue to the FSM National Government; the other one-half will accrue to the collecting State Government. However, due to the uncertainty of collection, these amounts have not been reflected within the accompanying general-purpose financial statements.

Additionally, for the general fund general receivables, the amount stated on the accompanying combined balance sheet is net of an allowance for doubtful accounts of \$1,416,731 in 1995 (\$1,561,409 in 1994).

The General Fund includes a loan receivable from the National Fisheries Corporation (a Component Unit - Proprietary Fund) in the amount of \$3,100,000. This loan is fully reserved for in fund balance due to the terms of the loan (see note 8A).

For the Student Loan Fund, a Fiduciary Fund Type - Expendable Trust Fund, the policy of the FSM National Government is to reserve all loans until collection occurs since applicable loan terms are such that it is difficult to estimate when repayments may occur. As of September 30, 1995, \$1,606,953 was the outstanding balance of loans, the sum total of which was fully reserved.

The Compact Capital Improvement Project Fund includes a loan receivable of \$3,750,000 from Caroline Fisheries Corporation. This outstanding loan balance has been fully reserved for in fund balance. (Also refer Note 8B).

F. Interfund Transactions

The National Government has two potential types of 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

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. 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. It is the FSM National Government's policy to not capitalize infrastructure costs. Depreciation is not charged against the General Fixed Assets Account Group. Substantially all fixed assets of the FSM National Government are equipment, furniture and fixtures and vehicles.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 1995

(1) Summary of Significant Accounting Policies, Continued

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 operations; 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.

J. Fund Balance Reserves and Designations.

The FSM National Government's fund balance reserves represent those portions of fund balance (1) not appropriable for expenditure 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. Reserves for encumbrances, contracts, and continuing appropriations are examples of the latter.

Reserves for related assets for the general fund as of September 30, 1995, are as follows:

World Bank Group securities	\$1,149,850
Imprest cash fund	147,231
Petty cash fund	4,061
Revolving Funds - FSM States	623,474
Other receivables	1,585,394
Equity investment - UMDA	1,500,000
Restricted assets	<u>37,113</u>
Total	<u>\$5,047,123</u>

Reserves for related assets of the capital projects funds relate to equity investments of those funds.

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.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 1995

(1) Summary of Significant Accounting Policies, Continued

L. Investments

Investments are generally carried at the lower of cost or market. Investments in the equity of companies are carried at cost if less than twenty percent of the companies' total equity, on the equity method if greater than twenty percent and less than fifty percent and on a consolidated basis if greater than fifty percent.

M. Cash and Equivalents

For purposes of the Combined Balance Sheet and the Combined Statement of Cash Flows, cash and equivalents are defined as cash on deposit in banks including time certificates of deposit with an initial maturity of ninety days or less.

(2) Cash and Equivalents and 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 FSM Secretary of Finance for the FDA.

The FSM National Government and each of the individual States of the Federated States of Micronesia 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 balance 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:

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 1995

(2) Cash and Equivalents and Investments, Continued

I. Compact Funds, Continued

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 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:
 - 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 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 fishing rights fees and health insurance proceeds.

As of September 30, 1995, fishing rights fees of \$19,438,941, including reinvested earnings, are held with Hawaiian Trust Company, Ltd. \$5,037,531 of the balance is invested in short-term deposits and the remainder in long-term securities.

The Health Insurance Fund, an Expendable Trust Fund, has cash deposits of \$1,091,813 with Hawaiian Trust Company, Ltd. at September 30, 1995.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 1995

(2) Cash and Equivalents and Investments, Continued

III. Investment Management

The administration of the initial Compact Investment Development Fund of \$12 million received under Section 111(b)(1) of the Compact agreement in October 1987 was transferred to the FSM Development Bank, a Component Unit - Proprietary Fund, together with all cumulative earnings in March 1989 pursuant to Public Law 5-122. The second installment of \$8 million received under this section of the Compact was received by the FSM National Government during fiscal year 1991, and was transferred to the FSM Development Bank together with all cumulative earnings on February 22, 1994, pursuant to Public Law 6-109.

As of September 30, 1995, the details of the FSM National Government's Governmental and Fiduciary fund type cash and equivalents and investments are as follows:

	<u>Carrying Amount</u>	<u>Market Value</u>
<u>Compact Funds:</u>		
<u>Cash and equivalents</u>		
Commercial paper, Treasury notes, HTCo.		
Automated Cash Management (ACM) [Market value approximates cost]		
General Fund	\$ (163,673)	\$ (163,673)
Special Revenue Fund	1,158,246	1,158,246
CIP Fund	<u>(102,320)</u>	<u>(102,320)</u>
	892,253	892,253
<u>Investments</u>		
Pooled investment securities	<u>21,393,472</u>	<u>23,745,864</u>
Total Compact Funds	<u>22,285,725</u>	<u>24,638,117</u>
<u>Other Funds:</u>		
<u>Cash and equivalents</u>		
Banker's acceptances, corporate and bank notes, TCD's and money market accounts		
	6,129,344	6,129,344
<u>Investments</u>		
Common Stock	<u>21,977,267</u>	<u>22,965,283</u>
Total Other Funds	<u>28,106,611</u>	<u>29,094,627</u>
Total cash and investments, Governmental and Fiduciary fund types	50,392,336	53,732,744
Reconciliation of cash and investments to combined balance sheet (Cost approximates market):		
Other cash in bank, General Fund, net	<u>2,317,892</u>	<u>2,318,392</u>
Total cash and investments, Governmental and Fiduciary Fund Types	\$ <u>52,710,228</u>	\$ <u>56,051,073</u>

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 1995

(2) Cash and Equivalents and Investments, Continued

III. Investment Management, Continued

The above total does not include FSM Social Security Administration which is shown separately at Note 9.

IV. Investment Valuation

At September 30, 1995, the FSM National Government had time certificates and other term deposits as follows:

General Fund

Cash and deposits with Hawaiian Trust Co., ACM	\$ 4,873,858
All other cash and deposits held in FDIC insured banks	<u>2,215,572</u>

Total cash and equivalents	\$ <u>7,089,430</u>
----------------------------	---------------------

Securities with World Bank	\$ 1,149,850
----------------------------	--------------

Time certificates of deposit with FDIC insured banks	<u>4,469,156</u>
--	------------------

	\$ <u>5,619,006</u>
--	---------------------

Special Revenue Funds

Cash on deposit with Hawaiian Trust Co. ACM	\$ <u>1,158,246</u>
---	---------------------

Expendable Trust Funds

Cash on deposit with Hawaiian Trust Co. ACM	\$ <u>1,091,813</u>
---	---------------------

Capital Projects Fund

Cash on deposit with Hawaiian Trust Co. ACM	\$ <u>(102,320)</u>
---	---------------------

The FSM National Government and its component units, do not require collateralization of its cash accounts. Therefore, cash and equivalents are substantially uncollateralized.

For cash and investments of the FSM Social Security Administration, refer to Note 9.

V. Investment Categorization

Governmental Accounting Standards Board Statement (GASB) No. 3 requires government entities to categorize investments to give an indication of the level of risk assumed by the entity at year end.

Category 1 - Insured or registered, or securities held by the FSM National Government or its agent in the FSM National Government's name.

Category 2 - Uninsured and unregistered, or securities held by a party other than the FSM National Government or its agent, but in the FSM National Government's name.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 1995

(2) Cash and Equivalents and Investments, Continued

V. Investment Categorization, Continued

Category 3 - Uninsured and unregistered, with securities held by a party other than the FSM National Government and not in the FSM National Government's name.

The FSM National Government's demand and time deposits are non-categorized investments in accordance with GASB Statement # 3. Compact of Free Association funds held by the designated trustee have been classified as category 2 investments as all Compact investments are held in the name of the Federated Development Authority. Other fund investments are classified as category 1 investments as investments are either registered or held in the agency's name. All other investments are classified as category 2 investments as they are held by the designated trustee in the FSM National Government's name.

VI. Equity Investment

The FSM National Government owns 300,000 shares of the stock of a commercial bank incorporated within the FSM. The principal investment of \$3,000,000 is accounted for on the equity method since the investment constitutes a 32% ownership share. The investment is recorded in the Capital Projects Fund and is reserved for as a related asset within that fund (\$3,384,229 as of September 30, 1995).

The FSM National Government also owns 50,000 shares of the stock of a commercial enterprise located in the Commonwealth of the Northern Marianas. The investment of \$1,500,000 resulted from a contribution and is accounted for in the General Fund at cost since the investment constitutes a .05% ownership share. This investment is reserved for as a related asset in the general fund.

VII. Component Units - Equity Investments

The FSMDB, a component unit - proprietary fund, owns 100,000 shares of the stock of a commercial bank incorporated within the FSM. The investment is now accounted for on the cost method after previously being accounted for on the equity method. The investment constitutes a 10.84% ownership share.

The FSM National Fisheries Corporation has recorded two investments in for-profit fishing corporations whose carrying values have each been reduced to zero.

(3) Commitments and Contingencies

1. Sick Leave. It is the policy of the FSM National Government to record sick leave when leave is actually taken and a liability is actually incurred. The accumulated estimated amount of unused sick leave at September 30, 1995, was \$1,660,000.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 1995

(3) Commitments and Contingencies, Continued

2. Litigation. The FSM National Government is party to several legal proceedings arising from governmental operations. Claims are filed with the FSM Attorney General. Approved claims are paid from appropriations to the affected government agency. At September 30, 1995, there existed several unapproved claims. The Attorney General of the FSM National Government represents that the ultimate resolution of these claims is undeterminable, but should not have a material impact on the accompanying general-purpose financial statements.
3. Leases. The FSM National Government has entered into house lease agreements varying from one to five years. The aggregate amount of future lease payments has not been accumulated as renewal is subject to annual appropriation.
4. Authorization for Appropriations As of September 30, 1995, the following authorizations for appropriations from the general fund were outstanding:

Public Law 6-69

Loan to National Fisheries Corporation

\$ 4,649,000

Public Law 7-101

Asian Development Bank Loan

\$ 6,500,000

These items have not been included in the reserve for continuing appropriations as of September 30, 1995, as an additional appropriation law must be passed by Congress or a drawdown of loan proceeds must occur before the above balances can be allotted.

5. Federal Program Questioned Costs

The National Government participates in a number of U.S. federally assisted grant programs. These programs are subject to financial and compliance audits to ascertain if Federal laws and guidelines have been followed.

Additionally, \$10,964,542 of questioned costs exists from the four States of the Federated States of Micronesia which receive federal funds in a subrecipient capacity. If these questioned costs are sustained, such will be funded by State resources.

Pursuant to Title I, Section 105 of United States Public Law 99-290, the Government of the Federated States of Micronesia (FSM) is no longer liable for debts to U.S. federal agencies arising prior to the date of the implementation of the Compact of Free Association. This matter has not yet been officially resolved with the U.S. Government. Accordingly, the States have made no adjustment to the above questioned costs for amounts which were incurred prior to the implementation of the Compact of Free Association.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 1995

(4) Continuing Appropriations

General Fund

At September 30, 1995, the General Fund reflected the following as continuing appropriations:

Chuuk State Projects	\$ 5,500,494
Pohnpei State Projects	6,101,474
Yap State Projects	4,522,512
Kosrae State Projects	2,177,770
National Marketing Specialist	40,000
ADB Membership	891,364
Continental Scholarships	812
IMF Membership	201,534
UNDP Micron Ent	180,000
National Airline	500,000
Yap State Tourism	74,000
Chuuk State Tourism	58,106
Maritime Training	13,000
Printing of Convention Journal	24,055
Political Education	67,486
Pohnpei State Tourism	15,375
Kosrae State Tourism	74,440
Fuel Analyst	40,000
Presidential Task Force	33,232
Student Transportation	562
COM-FSM Palikir Campus	896,720
ADB Loan Specialist	8,763
Typhoon Nina	4,986
Center for Continuing Education	1,300,000
National Board of Nursing	20,038
Palikir Water System	<u>3,142</u>
 Total	 \$ <u>22,749,865</u>

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 1995

(4) Continuing Appropriations, Continued

Communications One-Time (PL 5-3):

FSM Telecommunications Corp. - Building	1,824
FSM Telecommunications Corp. - Switch and others	177,413
FSM Telecommunications Corp. - Telephone System	<u>32,113</u>

211,350

Energy

Kosrae Projects	41,656
Chuuk Projects	<u>135,522</u>

177,178

Special Block Grant

Leptospirosis, Dengue Fever and Cholera	3,021
Yap Continuing Education (PL-7-96)	<u>15,079</u>

18,100

Total Compact Special Revenue Funds

1,384,659

Disaster Revolving Fund

383,043

Asian Development Bank Loan Fund

831,868

Total Special Revenue Funds

\$ 2,599,570

(5) Transfers Out/In

Net transfers for the year ended September 30, 1995, consist of the following:

General Fund transfers out:

Coconut Development Authority	\$ (98,334)
Maritime Operations Revolving Fund	(449,492)
FSM Development Bank	(250,000)
National Fisheries Corporation	(494,750)
COM-FSM	(485,291)
Passport Revolving Fund	<u>93,847</u>

Net General Fund transfers out

\$ (1,684,020)

Compact Capital Projects Fund transfers out:

FSM Development Bank	\$ <u>(3,000,000)</u>
----------------------	-----------------------

Special Revenue Funds transfers out:

Passport Revolving Fund	\$ (93,847)
One-Time & Annual Communications transfer out to FSM	
Telecommunications Fund	(846,000)
Maritime Operations Revolving Fund	<u>449,492</u>

Net Special Revenue Funds transfers out

\$ (490,355)

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 1995

(6) Interfund Receivables and Payables

As of September 30, 1995, 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	\$ 39,596,682	\$ 47,089,003
Special Revenue Funds:		
Transition	36,936	-
Federal grants direct	-	240,210
OTIA	608,308	-
Maritime Operations	-	363,087
Disaster Relief	-	431,379
Fisheries Revolving Fund	-	39,786
Substance Abuse	1,796	-
Asian Development Loan Fund	-	1,122,596
Passport Revolving Fund	-	49,549
Section 214	907,383	-
Section 215 (a)(2)	959,872	-
Section 215 (b)(2)	797,845	-
Section 216 (a)(1)	1,241,550	-
Section 216 (a)(2)	212,909	-
Section 216 (a)(3)	3,491,035	-
Section 216 (b)	986,424	-
Section 221 (b)	-	436,035
Special Development Fund	-	33,443
Capital Projects Funds:		
Compact	2,458,255	-
OTIA/TTPI	-	267,723
CFSM	-	78,822
Expendable Trust Funds:		
Health insurance	-	611,026
Student loan fund	-	511,577
Internal Service Fund	<u>-</u>	<u>24,759</u>
Total	\$ <u>51,298,995</u>	\$ <u>51,298,995</u>

(7) Notes Payable

During fiscal year 1993, the FSM National Government became members of both the International Monetary Fund and the World Bank Group. Membership required the FSM to issue demand notes totaling \$4,588,506. The demand notes are recorded in the General Long-Term Debt Account Group as management is of the opinion that such does not represent an expected use of current resources.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 1995

(7) Notes Payable, Continued

As of fiscal year 1995, FSM Telecommunications Corporation (FSMTC) (a component unit-proprietary fund) had drawn down a total of \$39,959,536 from U.S. Department of Agriculture Rural Electrification Administration as part of a \$41 million loan package to be used for telephone network expansion in the FSM. \$6 million was invested in an escrow fund and the remainder was earmarked for network expansion.

The following summarizes the FSMTC debt service requirements for the next five years and thereafter:

<u>Year</u>	<u>Principal</u>
1996	\$ 610,019
1997	620,317
1998	598,299
1999	628,214
2000	659,625
Thereafter	<u>35,933,325</u>
	<u>\$ 39,049,799</u>

Notes payable of the National Fisheries Corporation (NFC) (a component unit-proprietary fund) are as follows:

Various notes payable to the FSM National Government, due in various annual installments, noninterest bearing, uncollateralized, due between 2007 and 2014.	\$ 3,100,000
Various notes payable to the FSM Development Bank, a component unit of the FSM National Government, due in various quarterly and monthly installments at various interest rates, due between 1998 and 2010.	8,117,627
Loan payable to the FSM National Government and Pohnpei State, one-third guaranteed by NFC, payable annually at \$495,000 with interest ranging from 8.9% to 9.49%, currently past due.	2,833,333
Other notes	<u>141,677</u>
	<u>\$ 14,192,637</u>

Future maturities of NFC notes payable are as follows:

1996	\$ 3,997,950
1997	1,000,246
1998	1,018,253
1999	728,832
2000	605,009
Thereafter	<u>6,842,347</u>
	<u>\$ 14,192,637</u>

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 1995

(7) Notes Payable, Continued

The FSM Development Bank has obtained certain loans which are then passed through to other entities. As of December 31, 1995, outstanding borrowings are as follows:

Two loans from Scandivaviska Ensklida Banken, passed through to consolidated subsidiaries of NFC, interest at 6.23%, payable in ten semi-annual principal installments of \$27,200 and \$35,819, respectively. \$ 441,133

Loan from Export-Import Bank of the United States, original amount of \$736,515, interest at 5.93%, passed through to consolidated subsidiaries of NFC, payable in ten semi-annual principal installments of \$73,652 and \$68,000, respectively. 1,127,561

\$ 1,568,694

The following is the total component units-proprietary funds future debt payments for subsequent years:

<u>Year</u>	<u>Principal</u>
1996	\$ 5,017,290
1997	2,029,904
1998	2,025,893
1999	1,629,717
2000	1,332,634
Thereafter	<u>42,775,692</u>

\$ 54,811,130

(8) Loans Receivable

A. General Fund

As of September 30, 1995, an amount of \$3,100,000 was outstanding from the National Fisheries Corporation (a component unit-proprietary fund). The first three notes were used for the purchase of common and preferred stock of Yap Fishing Corporation and two longline fishing boats, including initial working capital.

The additional four notes were used for longline training activities, purchase of common stock of Yap Fresh Tuna, and business joint ventures:

<u>Date</u>	<u>Principal</u>	<u>Annual Installments</u>	<u>First Payment Date</u>	<u>Term</u>
3/29/91	\$ 750,640	\$ 44,155	3/29/94	20 years
7/11/91	1,212,940	86,639	7/11/94	17 years
9/27/91	397,176	23,363	9/27/94	20 years
10/1/91	500,000	29,412	10/18/94	17 years

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 1995

(8) Loans Receivable, Continued

A. General Fund, Continued

4/2/92	100,000	5,000	4/30/95	23 years
4/2/92	39,244	1,962	4/30/95	23 years
11/1/91	<u>100,000</u>	-	-	-
	<u>\$ 3,100,000</u>			

Pursuant to Public Law 6-69, no interest is payable on these loans. Additionally, no terms currently exist for the last listed loan of \$100,000.

B. Compact Capital Projects Fund

As of September 30, 1995, an amount of \$3,750,000 was outstanding from the Caroline Fisheries Corporation (CFC), a joint venture between the National Fisheries Corporation (NFC) (a component unit-proprietary fund), Pohnpei State Economic Development Authority and the Australian-owned Tuna Development Company, Pty. Ltd. (TDC). The loan matures on October 15, 1997, with interest being paid semi-annually at rates ranging from 9.19% to 9.44% per annum.

Five annual principal payments of \$750,000 are to occur commencing on October 15, 1993. However, CFC has defaulted on all installments due. Collateral for the loan is in the form of mortgages over CFC's fishing vessels and guarantees by NFC, Pohnpei State Economic Development Authority and TDC.

C. Loans Receivable - FSM Development Bank (FSMDB)

The FSMDB's policy is to report loans receivable net of an allowance for uncollectible loans. Following is a schedule of loan fund balances and the respective allowances:

<u>December 31, 1995</u>	<u>Loan Balance</u>	<u>Allowance for D/A</u>	<u>Net</u>
FSM Development Bank	\$ 12,690,847	\$ 1,287,197	\$11,403,650
State Development Fund (Pohnpei & Yap)	863,423	-	863,423
IDF	<u>18,180,774</u>	<u>-</u>	<u>18,180,774</u>
Total	<u>\$ 31,735,044</u>	<u>\$ 1,287,197</u>	<u>\$30,447,847</u>

As of December 31, 1995, the Bank has fifteen loans of \$47,906 to employees and spouses of employees of the Bank. The above loans for IDF and State Development Fund are classified in restricted assets (Note 12).

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 1995

(9) FSM Social Security Administration

The Social Security Administration of the Federated States of Micronesia National Government was established by Public Law 2-74, passed on February 8, 1983, and began operations on October 1, 1987, for the purpose of providing retirement, disability and death benefits to qualified individuals and their survivors. The Administration is administered under the authority of a six-member board appointed by the President of the Federated States of Micronesia (FSM).

A. Basis of Accounting

For the year ended March 31, 1995, the FSM Social Security Administration has prepared financial statements using the modified accrual basis of accounting (refer Note 1C). Accounting for the Social Security system does not strictly follow pension fund accounting and accordingly the present value of the liability of prospective benefit payments and the present value of future contributions are not recorded. However, investments are recorded at market value in accordance with pension fund accounting guidelines.

B. Investments

Securities are stated at market value. Gains or losses on securities sold or disposed of are computed on the basis of specific identification.

Generally, the FSM Social Security Administration can invest in bonds and other evidence of indebtedness of the FSM or U.S.; or of any State of the FSM and U.S.; in bonds, debentures, notes, and other evidence of indebtedness issued or assumed by FSM or U.S. institutions, and in common stock on a U.S. stock exchange.

All investments are registered or held by the Hawaiian Trust Company in the name of the FSM Social Security Administration.

As of March 31, 1995, the details of the FSM Social Security Administration's cash and investments are as follows:

Cash and equivalents

Cash on deposit with Hawaiian Trust Company ACM	\$ 463,691
All other cash on deposit with FDIC insured banks	<u>1,089,598</u>
Total cash and equivalents	<u>\$ 1,553,289</u>

Investments

	<u>Cost</u>	<u>Market</u>
Common stock	\$ 7,909,671	\$ 9,936,037
U.S. government obligations	4,783,803	4,757,024
Government agencies	1,385,678	1,392,614
Corporate bonds	<u>2,192,181</u>	<u>2,146,278</u>
Total investments	<u>\$ 16,271,333</u>	<u>\$ 18,231,953</u>

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 1995

(9) FSM Social Security Administration, Continued

B. Investments, Continued

The FSM Social Security Administration's demand and time deposits are non-categorized investments in accordance with Governmental Accounting Standard Board (GASB) Statement No. 3. All other investments held by the Administration have been classified as category 1 investments in accordance with GASB No. 3 as all investments are held in the name of the FSM Social Security Administration by the Hawaiian Trust Co., the trustee.

GASB Statement No. 3 requires government entities to categorize investments in the following categories to give an indication of the level of risk assumed by the entity at year end.

Category 1 - Insured or registered, or securities held by the FSM Social Security Administration or its agent in the Administration's name.

Category 2 - Uninsured and unregistered, or securities held by a party other than the FSM Social Security Administration or its agent, in the Administration's name.

Category 3 - Uninsured and unregistered, with securities held by a party other than the FSM Social Security Administration and not in the Administration's name.

C. Fixed Assets

Fixed assets are accounted for in the General Fixed Assets Account Group rather than in governmental funds. During the fiscal year ended March 31, 1995, net investment in fixed assets of \$62,578 was accounted for in the Administration's General Fixed Assets Account Group. Fixed assets consist of furniture, fixtures and equipment and are recorded at cost. Depreciation is provided over the estimated useful lives of the assets by the straight-line method.

This account group is not a "fund." It is concerned only with the measurement of financial position and is not involved with measurement of results of operations.

(10) Component Units

A. Financial Overview

Key financial data for material component units - proprietary funds, as of and for the year ended September 30, 1995, is as follows:

	FSM Telecom- munications Corporation	FSM Development Bank	FSM Coconut Development Authority	National Fisheries Corporation
Total assets	\$ <u>62,840,831</u>	\$ <u>56,487,664</u>	\$ <u>909,157</u>	\$ <u>21,970,541</u>
Total equity	\$ <u>22,894,829</u>	\$ <u>52,829,193</u>	\$ <u>825,190</u>	\$ <u>1,298,967</u>

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 1995

(10) Component Units, Continued

A. Financial Overview, Continued

Net earnings (loss)	\$ <u>392,716</u>	\$ <u>1,416,628</u>	\$ <u>82,469</u>	\$ <u>(3,586,667)</u>
Operating subsidy	\$ <u>846,000</u>	\$ <u>250,000</u>	\$ <u>310,708</u>	\$ <u>671,412</u>
Cumulative capital contributions	\$ <u>7,108,650</u>	\$ <u>23,238,835</u>	\$ <u>646,616</u>	\$ <u>10,497,234</u>
Receivables, net (including restricted assets)	\$ <u>1,149,648</u>	\$ <u>30,447,847</u>	\$ <u>76,281</u>	\$ <u>856,116</u>
Allowance for doubtful accounts	\$ <u>1,222,646</u>	\$ <u>1,287,197</u>	\$ <u>38,200</u>	\$ <u>298,789</u>
Operating revenue	\$ <u>8,178,083</u>	\$ <u>2,628,777</u>	\$ <u>195,274</u>	\$ <u>8,094,177</u>
Notes payable	\$ <u>39,049,799</u>	\$ <u>1,944,275</u>	\$ <u>-</u>	\$ <u>14,192,637</u>
Depreciation and amortization	\$ <u>2,421,331</u>	\$ <u>69,104</u>	\$ <u>20,069</u>	\$ <u>1,444,645</u>
Operating income (loss)	\$ <u>671,260</u>	\$ <u>1,142,168</u>	\$ <u>(240,652)</u>	\$ <u>(1,678,167)</u>
Additions to fixed assets	\$ <u>689,069</u>	\$ <u>115,868</u>	\$ <u>8,715</u>	\$ <u>2,618,851</u>

B. Fixed Assets - Component Units-Proprietary Funds

Fixed assets of the component units-proprietary funds as of September 30, 1995, are as follows:

	FSM Telecom- munications Corporation	FSM Development Bank	FSM Coconut Development Authority	National Fisheries Corporation	Total
Building and leasehold improvement	\$ -	\$ 128,262	\$ 243,956	\$ 11,053,324	\$ 11,425,542
Furniture and fixtures	-	137,856	33,116	369,325	540,297
Vehicles	-	-	27,572	-	27,572
Equipment and machinery	-	140,955	3,489	10,899,917	11,044,361
General support assets	10,787,301	-	-	-	10,787,301
Central office assets	7,866,513	-	-	-	7,866,513
Earth station	4,500,275	-	-	-	4,500,275
Terminal equipment	2,734,338	-	-	-	2,734,338
Cable, pole & wiring facilities	28,162,200	-	-	-	28,162,200
Less accumulated depreciation	(8,472,454)	(287,313)	(91,959)	(2,731,759)	(11,583,485)
Construction in progress	<u>1,566</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,566</u>
	<u>\$ 45,579,739</u>	<u>\$ 119,760</u>	<u>\$ 216,174</u>	<u>\$ 19,590,807</u>	<u>\$ 65,506,480</u>

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 1995

C. Material Fund Deficit

The following fund reflects a material fund deficit as of September 30, 1995.

National Fisheries Corporation	\$ <u>9,198,267</u>
--------------------------------	---------------------

However, the above deficit retained earnings are offset by contributed capital of \$10,497,234.

D. Fixed Assets - Higher Education Fund

Fixed assets of the Higher Education Fund are not depreciated and are comprised of the following:

Buildings and improvements	\$ 448,372
Furniture and equipment	221,016
Vehicles	37,066
Instructional materials	<u>408,148</u>
	\$ <u>1,114,602</u>

E. Other Liabilities - Higher Education Fund

Included within other liabilities of the Higher Education Fund is an amount of \$981,866 due to the U.S. Department of Education. The amount is repayable, with interest at 3%, as follows:

<u>Fiscal Year Ending</u>	<u>Payment</u>
September 30, 1996	\$ 410,595
September 30, 1997	410,595
September 30, 1998	<u>205,298</u>
	1,026,488
Amount related to interest	<u>44,622</u>
	\$ <u>981,866</u>

(11) Equity Contribution

The following reflects equity contributions made during the year for Kosrae State as stipulated by public law 7-107.

<u>Compact Capital Fund</u>	<u>Equity Contribution</u>
Compact CIP	\$ <u>425,000</u>

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 1995

(12) Restricted Assets

Component Units - Proprietary Funds - Restricted assets at September 30, 1995, are primarily comprised of the following:

FSM Telecommunications Corporation - Restricted assets are \$7,348,978 in U.S. Treasury notes and bills and in money market funds which collateralize loans received from the USDA Rural Electrification Administration and \$51,012 in cash which is restricted for construction projects.

FSM Development Bank - Restricted assets are related to various funds which are administered substantially in a trust capacity on behalf of the FSM National Government, Pohnpei State and Yap State. These restricted assets include, among others, approximately \$7,152,823 of U.S. Government obligations and loans receivable of \$19,044,197.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

**Combined Schedule of Expenditures by Account -
All Governmental Fund Types and Expendable Trust Funds
Year Ended September 30, 1995
(With comparative totals for the year ended September 30, 1994)**

	<u>Governmental Fund Types</u>			<u>Fiduciary</u>	<u>Totals</u>	
	<u>General</u>	<u>Special</u>	<u>Capital</u>	<u>Expendable</u>	<u>(Memorandum Only)</u>	
		<u>Revenue</u>	<u>Projects</u>	<u>Trust</u>	<u>1995</u>	<u>1994</u>
Expenditures:						
Personnel	\$ 10,440,654	\$ 450,136	\$ 60,292	\$ -	\$ 10,951,082	\$ 10,355,553
Travel	2,571,526	285,037	39,418	-	2,895,981	2,534,290
Capital asset purchases	541,627	72,457	899,408	-	1,513,492	2,723,088
Contractual services, contributions and subsidies	3,969,865	677,637	219,882	-	4,867,384	2,734,865
Communications	731,083	-	-	-	731,083	569,790
Supplies and materials	3,060,607	-	-	-	3,060,607	2,297,875
Office/house rent/lease	1,776,663	-	-	-	1,776,663	776,196
Construction in progress	146,884	-	3,323,647	-	3,470,531	1,857,655
Scholarships	-	1,781,949	-	-	1,781,949	1,448,902
National Government direct assistance	-	4,201,187	-	-	4,201,187	2,999,447
Other	<u>10,420,433</u>	<u>627,017</u>	<u>122,786</u>	<u>1,368,001</u>	<u>12,538,237</u>	<u>10,507,897</u>
Total expenditures	\$ <u>33,659,342</u>	\$ <u>8,095,420</u>	\$ <u>4,665,433</u>	\$ <u>1,368,001</u>	\$ <u>47,788,196</u>	\$ <u>38,805,558</u>

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA
GENERAL FUND**

Schedule of Revenues and Transfers In
Year Ended September 30, 1995
(With comparative totals for the year ended September 30, 1994)

	<u>1995</u>	<u>1994</u>
Compact funding current:		
Base amount	\$ 4,461,480	\$ 1,461,480
Inflation adjustment	<u>2,052,281</u>	<u>643,051</u>
	<u>6,513,761</u>	<u>2,104,531</u>
Local taxes:		
Import	1,981,375	2,105,453
Fuel	202,090	174,170
Income tax, individuals, net of tax refunds	2,841,313	2,747,310
Gross receipts tax, businesses	<u>3,063,471</u>	<u>3,020,587</u>
	<u>8,088,249</u>	<u>8,047,520</u>
Investment income:		
Realized gain on sale of equities	2,010,752	1,656,446
Realized loss on sale of equities	(667,163)	(980,287)
Dividends and interest income	<u>2,425,233</u>	<u>2,070,048</u>
	<u>3,768,822</u>	<u>2,746,207</u>
Fees, licenses, and other income:		
Fishing rights fees	20,839,273	21,256,218
Fishing violation fines	670,000	87,500
Postal collections	548,823	513,164
Penalties and interest on delinquent taxes	274,582	158,707
Business license and firearms fees	77,762	50,298
Other income	<u>356,491</u>	<u>184,570</u>
	<u>22,766,931</u>	<u>22,250,457</u>
Other sources:		
Transfer in	<u>93,847</u>	<u>108,167</u>
Total revenues and transfers in	<u>\$ 41,231,610</u>	<u>\$ 35,256,882</u>

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA
GENERAL FUND**

Schedule of Expenditures by Function and Department
Year Ended September 30, 1995
(With comparative totals for the year ended September 30, 1994)

	<u>1995</u>	<u>1994</u>
Executive Branch:		
President's Office	\$ 1,266,429	\$ 631,260
Office of the Public Defender	550,219	557,361
Department of Human Resources	-	453,632
Department of Health Services	385,964	-
Department of Education	384,335	-
Department of Resources and Development	580,734	501,471
Office of the Attorney General	2,253,317	1,859,190
Department of Finance	1,858,050	1,786,737
Office of Administrative Services	1,076,745	1,014,085
Office of Planning and Statistics	851,812	688,046
Budget Office	256,073	255,268
Department of External Affairs and LNO's	3,813,091	3,506,238
Department of Transportation	349,512	361,199
	<u>13,626,281</u>	<u>11,614,487</u>
Total Executive Branch		
	<u>888,268</u>	<u>784,392</u>
Judicial Branch		
	<u>888,268</u>	<u>784,392</u>
Legislative Branch:		
Office of the Speaker	723,871	675,202
Congress staff	1,483,342	1,245,172
Delegation offices	338,876	116,596
Legislature conference	-	400
Official representation	331,284	210,230
Members travel and expense allowance	197,506	288,405
Legislative committees	11,647	4,715
	<u>3,086,526</u>	<u>2,540,720</u>
Total Legislative Branch		
	<u>3,086,526</u>	<u>2,540,720</u>
Office of the Public Auditor	<u>420,022</u>	<u>457,051</u>
	<u>420,022</u>	<u>457,051</u>
Other National Government Programs:		
Aids to non-public schools	-	300,000
Contributions	1,162,491	827,033
World Health Organization	-	37,000
State judiciary	282,849	232,235
T-3 program	247,859	209,321
FSM Olympic Games	21,884	1,152
Aquaculture Center Program	88,787	100,418
Travel by non-government rep	957	2,586
Judgment Funds	-	48,291
Joint law enforcement	433,825	337,971
Air Continental scholarship	33,000	47,065
Student Financial Aid	-	300,450
ICAO membership fee	27,038	31,839
Constitutional convention - Kosrae	-	1,794
ADB Fisheries Loan	38,588	1,115
Pohnpei Medical Supplies	-	60,215
Staff Upgrade Program	-	86,314
Presidential Task Force	595	10,023
	<u>2,337,873</u>	<u>2,634,822</u>
Subtotal - Other National Government Programs		
	<u>2,337,873</u>	<u>2,634,822</u>

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA
GENERAL FUND**

Schedule of Expenditures by Function and Department, Continued
Year Ended September 30, 1995
(With comparative totals for the year ended September 30, 1994)

	<u>1995</u>	<u>1994</u>
Balance Forwarded - Other National Government Programs	\$ 2,337,873	\$ 2,634,822
FSM Student Education - Palau	-	292,860
Student Transportation	4,277	42,661
State Police Officers	-	6,000
Travel for Government Officials	-	34,022
Printing of ConCon Journal	-	458
COM-FSM Palikir Construction	74,107	8,923
FSM Census	15,824	154,375
National Planner PL 8-96	37,187	-
South Pacific Forum	3,335	-
Governor, Yap PL 8-103	1,000	-
Chuuk Visitors Bureau	16,894	-
Pohnpei Farmers Home Admin	50,210	-
Chuuk Farmers Home Admin	20,855	-
Direct Telecom Link Finance	25,477	-
FSM Con-Con	1,781	-
Kosrae Farmers Home Admin	6,662	-
Yap Farmers Home Admin	7,746	-
FSM Subsc to 71 Shares/ADB	12,064	-
Kosrae Farmers Home Supplement	936	-
Pohnpei Tourism	59,625	-
State/Natl Energy Conference	30,900	-
National Government Tourism	53,138	-
Feasibility Study/Cont Air	49,086	-
Fisheries Development Project	284,239	-
FSM National Olympic Committee	516,955	-
Out-of-Pocket H/Exp Reimb	45,926	-
Reimb to USDOE D/Drawdown	1,182,213	-
	<u>4,838,310</u>	<u>3,174,121</u>
Total Other National Government Programs		
Other Legislative Appropriations:		
State projects:		
Chuuk	3,314,412	4,634,568
Pohnpei	2,934,279	2,364,364
Yap	812,705	472,921
Kosrae	846,334	797,710
National Government	1,796,029	-
	<u>9,703,759</u>	<u>8,269,563</u>
Total Other Legislative Appropriations		
Boards and Commissions:		
Micronesian Maritime Authority	351,111	328,116
FSM Postmaster Postal Services	711,903	648,285
College of Micronesia Board of Regents	25,000	25,000
National Board of Nursing	8,162	-
	<u>1,096,176</u>	<u>1,001,401</u>
Total Boards and Commissions		
Total General Fund expenditures before operating transfers	<u>\$ 33,659,342</u>	<u>\$ 27,841,735</u>

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA
GENERAL FUND**

Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual, Budgetary Basis - General Fund
Year Ended September 30, 1995

	Budget	Actual	Variance
Revenues:			
Compact	\$ 8,804,284	\$ 6,513,761	\$ (2,290,523)
Local taxes	9,150,000	8,088,249	(1,061,751)
Fishing right fees	15,000,000	20,839,273	5,839,273
Fishing violation fines	500,000	670,000	170,000
Postal revenues	500,000	548,823	48,823
Investment earnings	3,000,000	3,768,822	768,822
Business fees, fines, penalties and interest on delinquent taxes	-	274,582	274,582
Other	100,000	434,253	334,253
Total revenues	37,054,284	41,137,763	4,083,479
Expenditures-budgetary basis by department:			
Executive Branch:			
Office of the President	534,785	522,364	12,421
Disaster Office	51,500	38,714	12,786
Public Information	583,400	169,975	413,425
Congressional Election	3,755	3,400	355
Pohnpei Election Commission	76,245	76,038	207
Chuuk Election Commission	105,000	100,162	4,838
Kosrae Election Commission	20,000	17,579	2,421
Yap Election Commission	55,000	50,357	4,643
National Election Director	259,502	206,566	52,936
Presidential Inauguration	50,000	47,390	2,610
Kosrae Delegation Support	50,000	17,721	32,279
Pohnpei Delegation Athlete Support	25,000	13,530	11,470
Chuuk Delegation Athlete Support	30,000	29,688	312
Yap Delegation Athlete Support	20,000	-	20,000
SNDA Construction - Retaining Wall	-	(10,000)	10,000
Total	1,864,187	1,283,484	580,703
Department of External Affairs:			
Administrative	306,036	303,152	2,884
International affairs	170,400	165,898	4,502
U.S. Relations	84,100	83,758	342
FSM Consulate - Guam	353,300	323,765	29,535
FSM Consulate - Honolulu	321,606	298,180	23,426
FSM Embassy - Tokyo	1,031,230	1,042,313	(11,083)
FSM Embassy - Washington D.C.	625,703	558,193	67,510
FSM Embassy - Fiji	236,020	236,020	-
FSM Permanent Mission - New York	861,965	671,732	190,233
Total	3,990,360	3,683,011	307,349
Department of Health:			
Administration	116,500	115,970	530
Medical Care Services	48,900	38,900	10,000
Preventive Health	85,900	85,926	(26)
Environmental/Community Service	230,376	189,215	41,161
Total	481,676	430,011	51,665

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA
GENERAL FUND**

Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual, Budgetary Basis
Year Ended September 30, 1995

	Budget	Actual	Variance
Department of Education:			
Administration	\$ 202,600	\$ 172,179	\$ 30,421
Health (Human Resources)	-	391	(391)
Kosrae State Scholarship	39,000	-	39,000
Yap State Scholarship	48,900	48,900	-
Pohnpei State Scholarship	87,300	86,448	852
Chuuk State Scholarship	124,800	119,500	5,300
Total	502,600	427,418	75,182
Department of Resources and Development:			
Administration	239,505	195,533	43,972
Commerce and Industry	89,750	84,712	5,038
Agriculture	87,100	85,645	1,455
Marine Resources	85,400	84,419	981
Labor	98,400	97,180	1,220
Total	600,155	547,489	52,666
Department of Transportation:			
Administration	102,600	94,197	8,403
Marine	114,600	113,731	869
Aviation	75,250	76,080	(830)
Communication	63,000	62,345	655
Total	355,450	346,353	9,097
Department of Finance:			
Administration	243,842	241,118	2,724
ADP	164,443	138,690	25,753
Investment Management	110,660	96,567	14,093
Accounting	337,883	427,901	(90,018)
Revenue	523,683	491,803	31,880
Customs	406,515	72,280	334,235
Property and Supply	88,343	375,765	(287,422)
FSM Banking Board	90,790	39,624	51,166
Total	1,966,159	1,883,748	82,411
Office of the Attorney General:			
Administration - Attorney General	381,300	343,184	38,116
Immigration	425,867	413,937	11,930
Law	148,250	143,679	4,571
Litigation	100,000	95,040	4,960
Security & Investigation	1,081,087	1,064,814	16,273
International Law	106,800	87,672	19,128
Marine Surveillance	-	(1,895)	1,895
National Police Overtime	103,046	103,046	-
Division of Immigration Overtime	16,648	16,648	-
Total	2,362,998	2,266,125	96,873
Office of the Public Defender	583,140	547,122	36,018

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA
GENERAL FUND**

Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual, Budgetary Basis, Continued
Year Ended September 30, 1995

	Budget	Actual	Variance
Office of Budget:			
Administration	\$ 115,597	\$ 106,738	\$ 8,859
Management	74,600	61,477	13,123
Budget preparation	39,600	36,591	3,009
Grant management	49,400	45,323	4,077
Total	<u>279,197</u>	<u>250,129</u>	<u>29,068</u>
Office of Planning and Statistics:			
Administration	151,900	139,934	11,966
Planning	161,700	159,020	2,680
Statistics	95,700	87,400	8,300
Construction review	162,800	143,268	19,532
Maintenance	274,943	248,703	26,240
A&E, GR&SR State Campuses	190,000	97,663	92,337
Total	<u>1,037,043</u>	<u>875,988</u>	<u>161,055</u>
Office of Administrative Services:			
Administration	66,100	65,671	429
Personnel	76,300	70,033	6,267
Archives and Historic Preservation	67,100	65,311	1,789
Training	60,700	58,327	2,373
Recruitment/repatriation	140,000	143,503	(3,503)
Housing allowance	631,396	705,552	(74,156)
Total	<u>1,041,596</u>	<u>1,108,397</u>	<u>(66,801)</u>
Total Executive Branch	<u>15,064,561</u>	<u>13,649,275</u>	<u>1,415,286</u>
Judicial Branch	<u>992,975</u>	<u>895,766</u>	<u>97,209</u>
Board and Commissions:			
Micronesia Maritime Authority	403,500	353,109	50,391
National Board of Nursing	28,200	8,162	20,038
COM Treaty/Board of Regents	25,000	25,000	-
Postal services	748,207	747,261	946
Total Boards and Commissions	<u>1,204,907</u>	<u>1,133,532</u>	<u>71,375</u>
Legislative Branch:			
Office of the Speaker	800,687	737,279	63,408
Congress staff	1,493,515	1,480,276	13,239
Delegation offices	406,962	356,622	50,340
Members official representation	360,200	360,279	(79)
Members' travel fund	183,413	187,495	(4,082)
Legislature committees	11,000	10,237	763
Total Legislative Branch	<u>3,255,777</u>	<u>3,132,188</u>	<u>123,589</u>
Office of the Public Auditor	<u>499,500</u>	<u>472,972</u>	<u>26,528</u>

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA
GENERAL FUND**

Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual, Budgetary Basis, Continued
Year Ended September 30, 1995

	Budget	Actual	Variance
Other National Government Programs:			
National Planner PL 8-96	\$ 156,000	\$ 80,998	\$ 75,002
Presidential task force	33,232	-	33,232
Student transportation	4,839	4,277	562
Aquaculture center program	121,300	105,206	16,094
South Pacific Forum	-	(434)	434
Yap State tourism	75,000	1,000	74,000
Chuuk State tourism	74,454	16,894	57,560
Political education	51,755	-	51,755
Printing of con-con journal	24,055	-	24,055
Pohnpei Farmers Home	44,000	52,243	(8,243)
Continental scholarship	812	-	812
Chuuk Farmers Home Admin	24,000	22,923	1,077
Direct telecom link	27,222	25,477	1,745
FSM membership - ADB	891,364	-	891,364
Air Continental scholarship	35,000	33,000	2,000
Kosrae Farmers Home Admin	7,000	6,662	338
Yap Farmers Home Admin	10,000	7,746	2,254
FSM Subscrip to 71 Shares/ADB	12,064	12,064	-
COM-FSM Palikir construction	91,077	74,357	16,720
Kosrae Farmers Home Admin supplement	1,000	936	64
Pohnpei tourism	75,000	59,625	15,375
ICAO membership fee	31,839	27,038	4,801
T-3 program	260,710	252,448	8,262
State/national energy conference	47,110	38,454	8,656
National government tourism	80,000	79,833	167
ADB fisheries	45,885	39,122	6,763
Counterpart/Sec./Banking	46,480	49,086	(2,606)
Air transportation task force	-	(7,769)	7,769
Fisheries development project	419,786	298,498	121,288
FSM national olympic committee	572,000	564,262	7,738
FSM olympics	21,288	21,824	(536)
Kosrae state tourism	75,000	-	75,000
Travel for non-govt officials	-	957	(957)
Out-of-pocket housing exp. reimb	63,017	45,926	17,091
Reimburs to USDOE double drawdown	1,182,213	1,182,213	-
FSM contributions	1,203,740	1,159,491	44,249
Yap youth activities	-	(7,235)	7,235
Staff upgrade program	202,452	-	202,452
National housing & population census	158,000	154,446	3,554
Joint law enforcement	460,000	396,604	63,396
State judiciary	315,000	299,636	15,364
Total Other National Government Programs	6,943,694	5,097,808	1,845,886
Other Legislative Appropriations:			
Public projects - Kosrae	3,260,988	859,358	2,401,630
Public projects - Pohnpei	10,444,625	3,388,787	7,055,838
Public projects - Chuuk	8,825,626	3,342,823	5,482,803
Public projects - Yap	5,091,970	816,079	4,275,891
Public projects - National Government	3,996,645	1,781,811	2,214,834
Total Other Legislative Appropriations	31,619,854	10,188,858	21,430,996
Total expenditures	59,581,268	34,570,399	25,010,869
Excess (deficiency) of revenues over (under) expenditures	(22,526,984)	6,567,364	29,094,348

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA
GENERAL FUND**

Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual, Budgetary Basis, Continued
Year Ended September 30, 1995

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Other financing sources (uses):			
Passport Revolving Fund	\$ 94,736	\$ 94,736	\$ -
Coconut Development Authority	(109,314)	(109,520)	(206)
COM-FSM	(885,290)	(485,291)	399,999
FSM National Fisheries	(494,750)	(494,750)	-
FSM Development Bank	(250,000)	(250,000)	-
Maritime Revolving Fund	(449,492)	(449,492)	-
Total other financing sources (uses), net	<u>(2,094,110)</u>	<u>(1,694,317)</u>	<u>399,793</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(24,621,094)	4,873,047	29,494,141
Unreserved fund balance at beginning of year	13,816,364	13,816,364	-
Other changes in unreserved fund balance:			
Increase in reserve for related assets	-	(1,076,295)	(1,076,295)
Increase in reserve for continuing appropriations	-	(1,126,734)	(1,126,734)
Unreserved fund balance at end of year	<u>\$ (10,804,730)</u>	<u>\$ 16,486,382</u>	<u>\$ 27,291,112</u>

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Special Revenue Funds
September 30, 1995

Specific revenues that are legally restricted to expenditures for particular purposes are accounted for in the Special Revenue Funds. The special revenue funds as of September 30, 1995 are discussed below.

Non-Compact Related Special Revenue Funds:

Disaster Relief Fund - This fund was established by the Congress of the Federated States of Micronesia Public Law 2-64 to provide funds for emergency disaster relief.

Transition Grants, and OTIA Technical Assistance and Operation and Maintenance Funds - These funds account for special appropriations made by the U.S. 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.

U.S. Federal Assistance and Other Direct Assistance Funds - These funds account for drawdowns and disbursements related to the grants awarded to the National Government as a primary grantee of U.S. federal assistance programs and direct assistance from other agencies and foreign entities.

Maritime Operations Revolving Fund - This fund was established by the Congress of the Federated States of Micronesia P. L. 3-8. All revenues generated through the conduct of ship operations and all appropriations from the Congress for funding ship repair, maintenance and operations are accounted for in this fund.

Passport Revolving Fund - This fund was established by the 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.

Fisheries Revolving Fund - This fund accounts for the use of certain fisheries related collections.

Substance Abuse Revolving Fund - This fund was established by Public Law No. 7-81 to provide an ongoing revolving fund for the receipt and disbursement of funds associated with the purchase and sale of controlled substances for the health care systems of the FSM.

Asian Development Bank Loan Fund - The Asian Development Bank Loan Fund was established by Public Law No. 7-101 mainly to carry out the purpose of the Fisheries Development Project Loan Agreement of 1992 between the Government of the Federated States of Micronesia and the Asian Development Bank, and the Technical Assistance Agreement of 1992 for Institutional Strengthening for Marine Resource Management and Conservation between the FSM and ADB.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Special Revenue Funds, Continued
September 30, 1995

Compact Grants

Compact grant funds account 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 214 - The energy grant is a contribution aimed at aiding the FSM Government in achieving increased self-sufficiency in energy production.

B. Section 215

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

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

C. Section 216

1. (a) 1 - Marine Surveillance Annual Contribution is restricted for the surveillance and enforcement of the FSM Maritime Zone. The FSM National Government receives \$519,000 annually through the year 2002.

2. (a) 2 - Health and Medical Contribution is restricted for health and medical programs including referrals to hospital and treatment centers. The National Government received \$125,980 in 1995, and will receive \$125,980 annually.

3. (a) 3 - Post Secondary Education Contribution 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 1995, and will receive \$1,889,700 annually.

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

D. Section 221

1. (b) - Special Block Grants Fund is restricted for education and health care. The National Government received \$315,000 in 1995, and will receive \$315,000 annually.

E. Special Development Fund Section 111 (b) (1) - This contribution is to assist in funding special economic development projects within the FSM. The FSM Government received \$12 million during the first full fiscal year following the effective date of the Compact and \$8 million during the third full fiscal year following the effective date of the Compact.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA
SPECIAL REVENUE FUNDS**

Combining Balance Sheet
September 30, 1995
(With comparative totals as of September 30, 1994)

<u>Assets</u>	<u>Non-Compact</u>	<u>Compact</u>	<u>Totals</u>	
			<u>1995</u>	<u>1994</u>
Cash and equivalents	\$ -	\$ 1,158,246	\$ 1,158,246	\$ 582,215
Investments	-	10,646,970	10,646,970	10,044,913
Receivables from:				
U.S. Department of the Interior (DOI)	1,457,448	-	1,457,448	1,703,104
Federal agencies, TTPI	-	-	-	326,871
Federal agencies, direct	3,714,712	-	3,714,712	3,394,185
Advances	2,563	-	2,563	2,563
Due from other funds	2,246,607	469,478	2,716,085	3,983,482
Interest receivable	-	53,271	53,271	53,776
Other receivables	389,760	-	389,760	3,102
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	\$ <u>7,811,090</u>	\$ <u>12,327,965</u>	\$ <u>20,139,055</u>	\$ <u>20,094,211</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 1,709,058	\$ 160,095	\$ 1,869,153	\$ 729,465
Accrued payroll and others	1,874	144	2,018	1,981
Due to other funds	647,040	8,597,018	9,244,058	9,659,240
Deferred revenues	702,330	-	702,330	1,063,131
Due to FSM State governments	2,594,153	909,469	3,503,622	3,657,101
Advances from DOI/TTPI/Other	192,655	-	192,655	192,655
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>5,847,110</u>	<u>9,666,726</u>	<u>15,513,836</u>	<u>15,303,573</u>
Fund balances:				
Reserved for encumbrances	1,867,185	629,296	2,496,481	2,046,977
Reserved for continuing appropriations	1,214,911	1,384,659	2,599,570	2,822,205
Unreserved (deficit)	(1,118,116)	647,284	(470,832)	(78,544)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>1,963,980</u>	<u>2,661,239</u>	<u>4,625,219</u>	<u>4,790,638</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	\$ <u>7,811,090</u>	\$ <u>12,327,965</u>	\$ <u>20,139,055</u>	\$ <u>20,094,211</u>

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA
SPECIAL REVENUE FUNDS**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended September 30, 1995
(With comparative totals for the year ended September 30, 1994)

	Non-Compact	Compact	Totals	
			1995	1994
Revenues:				
U.S. Department of the Interior grants	\$ 1,013,325	\$ -	\$ 1,013,325	\$ 1,088,372
Federal contributions	2,853,223	-	2,853,223	1,730,822
Compact grants:				
Base amount	-	3,741,826	3,741,826	3,649,780
Inflation adjustment	-	276,000	276,000	352,044
Other contributions	334,639	-	334,639	180,253
Sales of goods and services	201,343	-	201,343	235,688
Total revenues	4,402,530	4,017,826	8,420,356	7,236,959
Expenditures:				
Executive branch	4,806,289	3,289,131	8,095,420	6,893,934
Total expenditures	4,806,289	3,289,131	8,095,420	6,893,934
Excess (deficiency) of revenues over (under) expenditures	(403,759)	728,695	324,936	343,025
Other financing sources (uses):				
Operating and other transfers, net	355,645	(846,000)	(490,355)	(1,452,382)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(48,114)	(117,305)	(165,419)	(1,109,357)
Fund balances at beginning of year	2,012,094	2,778,544	4,790,638	5,899,995
Fund balances at end of year	\$ 1,963,980	\$ 2,661,239	\$ 4,625,219	\$ 4,790,638

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA
SPECIAL REVENUE FUNDS**

Combining Statement of Revenues, Expenditures by Account and Changes in Fund Balances
Year Ended September 30, 1995
(With comparative totals for the year ended September 30, 1994)

	Non-Compact	Compact	Totals	
			1995	1994
Revenues:				
U.S. Department of the Interior grants	\$ 1,013,325	\$ -	\$ 1,013,325	\$ 1,088,372
Federal contributions	2,853,223	-	2,853,223	1,730,822
Compact grants:				
Base amount	-	3,741,826	3,741,826	3,649,780
Inflation adjustment	-	276,000	276,000	352,044
Other contributions	334,639	-	334,639	180,253
Sales of goods and services	201,343	-	201,343	235,688
Total revenues	4,402,530	4,017,826	8,420,356	7,236,959
Expenditures:				
Personnel	212,196	237,940	450,136	815,827
Travel	78,786	206,251	285,037	208,670
Contractual services, contributions and subsidies	182,708	494,929	677,637	224,782
Capital asset purchases	9,926	62,531	72,457	91,283
Scholarships	-	1,781,949	1,781,949	1,448,902
National Government direct assistance	4,201,187	-	4,201,187	2,999,447
Other	121,486	505,531	627,017	1,105,023
Total expenditures	4,806,289	3,289,131	8,095,420	6,893,934
Excess (deficiency) of revenues over (under) expenditures	(403,759)	728,695	324,936	343,025
Other financing sources (uses):				
Operating and other transfers, net	355,645	(846,000)	(490,355)	(1,452,382)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(48,114)	(117,305)	(165,419)	(1,109,357)
Fund balances at beginning of year	2,012,094	2,778,544	4,790,638	5,899,995
Fund balances at end of year	\$ 1,963,980	\$ 2,661,239	\$ 4,625,219	\$ 4,790,638

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

Combining Balance Sheet
September 30, 1995
(With comparative totals as of September 30, 1994)

ASSETS	Transition	Maritime Operations Revolving	Disaster Relief	Federal and Other Direct Assistance	OTIA	Passport Revolving	Fisheries Revolving	Substance Abuse Revolving	Asian Development Bank Loan	Totals	
					Technical Assistance & Operations & Maintenance					1995	1994
Receivables from:											
U.S. Department of the Interior (DOI)	\$ 229,591	\$ -	\$ -	\$ -	\$ 1,227,857	\$ -	\$ -	\$ -	\$ -	\$ 1,457,448	\$ 1,703,104
Federal agencies, TTPI	-	-	-	-	-	-	-	-	-	-	326,871
Federal agencies, direct	-	-	-	3,714,712	-	-	-	-	-	3,714,712	3,394,185
Advances	-	-	-	2,563	-	-	-	-	-	2,563	2,563
Due from other funds	-	363,087	431,379	240,210	-	49,549	39,786	-	1,122,596	2,246,607	3,950,039
Other receivables	-	3,102	-	46,658	-	-	-	-	340,000	389,760	3,102
Total assets	\$ 229,591	\$ 366,189	\$ 431,379	\$ 4,004,143	\$ 1,227,857	\$ 49,549	\$ 39,786	\$ -	\$ 1,462,596	\$ 7,811,090	\$ 9,379,864
LIABILITIES AND FUND BALANCES											
Liabilities:											
Account payable	\$ -	\$ 21,524	\$ 1,145	\$ 1,229,889	\$ 97,098	\$ 8,480	\$ 10,922	\$ -	\$ 340,000	\$ 1,709,058	\$ 612,512
Accrued payroll and others	-	1,652	-	222	-	-	-	-	-	1,874	1,837
Due to other funds	36,936	-	-	-	608,308	-	-	1,796	-	647,040	1,943,785
Deferred revenues	-	-	-	702,330	-	-	-	-	-	702,330	1,063,131
Due to State governments	-	-	-	2,071,702	522,451	-	-	-	-	2,594,153	3,553,850
Advances from DOI/TTPI/Other	192,655	-	-	-	-	-	-	-	-	192,655	192,655
Total liabilities	229,591	23,176	1,145	4,004,143	1,227,857	8,480	10,922	1,796	340,000	5,847,110	7,367,770
Fund balances:											
Reserved for encumbrances	-	196,022	51,917	1,274,839	210,388	75,474	56,150	2,395	-	1,867,185	1,427,561
Reserved for continuing appropriations	-	-	383,043	-	-	-	-	-	831,868	1,214,911	1,561,770
Unreserved (deficit)	-	146,991	(4,726)	(1,274,839)	(210,388)	(34,405)	(27,286)	(4,191)	290,728	(1,118,116)	(977,237)
Total fund balances	-	343,013	430,234	-	-	41,069	28,864	(1,796)	1,122,596	1,963,980	2,012,094
Total liabilities and fund balances	\$ 229,591	\$ 366,189	\$ 431,379	\$ 4,004,143	\$ 1,227,857	\$ 49,549	\$ 39,786	\$ -	\$ 1,462,596	\$ 7,811,090	\$ 9,379,864

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

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)
Year Ended September 30, 1995
(With comparative totals for the year ended September 30, 1994)

	Transition	Maritime Operations Revolving	Disaster Relief	Federal and Other Direct Assistance	OTIA Technical Assistance & Operations & Maintenance	Passport Revolving	Fisheries Revolving	Substance Abuse Revolving	Asian Development Bank Loan	Totals	
										1995	1994
Revenues:											
U.S. Department of the Interior grants	\$ -	\$ -	\$ -	\$ -	\$ 1,013,325	\$ -	\$ -	\$ -	\$ -	\$ 1,013,325	\$ 1,088,372
Federal contributions	-	-	-	2,853,223	-	-	-	-	-	2,853,223	1,730,822
Other contributions	-	-	-	334,639	-	-	-	-	-	334,639	180,253
Sales of goods and services	-	28,757	-	-	-	94,736	77,850	-	-	201,343	235,688
Total revenues	-	28,757	-	3,187,862	1,013,325	94,736	77,850	-	-	4,402,530	3,235,135
Expenditures:											
Executive Branch	-	470,198	26,569	3,187,862	1,013,325	-	98,464	(795)	10,666	4,806,289	3,717,337
Total expenditures	-	470,198	26,569	3,187,862	1,013,325	-	98,464	(795)	10,666	4,806,289	3,717,337
Excess (deficiency) of revenues over (under) expenditures	-	(441,441)	(26,569)	-	-	94,736	(20,614)	795	(10,666)	(403,759)	(482,202)
Other financing sources (uses):											
Operating and other transfers, net	-	449,492	-	-	-	(93,847)	-	-	-	355,645	384,869
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	-	8,051	(26,569)	-	-	889	(20,614)	795	(10,666)	(48,114)	(97,333)
Fund balances (deficit) at beginning of year	-	334,962	456,803	-	-	40,180	49,478	(2,591)	1,133,262	2,012,094	2,109,427
Fund balances (deficit) at end of year	\$ -	\$ 343,013	\$ 430,234	\$ -	\$ -	\$ 41,069	\$ 28,864	\$ (1,796)	\$ 1,122,596	\$ 1,963,980	\$ 2,012,094

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

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)
Year Ended September 30, 1995
(With comparative totals for the year ended September 30, 1994)

	Transition	Maritime Operations Revolving	Disaster Relief	Federal and Other Direct Assistance	OTIA Technical Assistance & Operations & Maintenance	Passport Revolving	Fisheries Revolving	Substance Abuse Revolving	Asian Development Bank Loan	Totals	
										1995	1994
Revenues:											
U.S. Department of the Interior grants	\$ -	\$ -	\$ -	\$ -	\$ 1,013,325	\$ -	\$ -	\$ -	\$ -	\$ 1,013,325	\$ 1,088,372
Federal contributions	-	-	-	2,853,223	-	-	-	-	-	2,853,223	1,730,822
Other contributions	-	-	-	334,639	-	-	-	-	-	334,639	180,253
Sales of goods and services	-	28,757	-	-	-	94,736	77,850	-	-	201,343	235,688
Total revenues	-	28,757	-	3,187,862	1,013,325	94,736	77,850	-	-	4,402,530	3,235,135
Expenditures:											
Personnel	-	212,196	-	-	-	-	-	-	-	212,196	213,867
Travel	-	8,250	4,113	-	-	-	66,423	-	-	78,786	63,823
Contractual services,											
Contractual services, contributions and subsidies	-	133,996	19,029	-	-	-	29,683	-	-	182,708	148,459
Capital asset purchases	-	4,907	2,115	-	-	-	-	-	2,904	9,926	7,039
National Government direct assistance	-	-	-	3,187,862	1,013,325	-	-	-	-	4,201,187	2,999,447
Other	-	110,849	1,312	-	-	-	2,358	(795)	7,762	121,486	284,702
Total expenditures	-	470,198	26,569	3,187,862	1,013,325	-	98,464	(795)	10,666	4,806,289	3,717,337
Excess (deficiency) of revenues over (under) expenditures	-	(441,441)	(26,569)	-	-	94,736	(20,614)	795	(10,666)	(403,759)	(482,202)
Other financing sources (uses):											
Operating and other transfers, net	-	449,492	-	-	-	(93,847)	-	-	-	355,645	384,869
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	-	8,051	(26,569)	-	-	889	(20,614)	795	(10,666)	(48,114)	(97,333)
Fund balances (deficit) at beginning of year	-	334,962	456,803	-	-	40,180	49,478	(2,591)	1,133,262	2,012,094	2,109,427
Fund balances (deficit) at end of year	\$ -	\$ 343,013	\$ 430,234	\$ -	\$ -	\$ 41,069	\$ 28,864	\$ (1,796)	\$ 1,122,596	\$ 1,963,980	\$ 2,012,094

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

Combining Balance Sheet
September 30, 1995

Assets	Communications	Communications	Marine	Marine	Post	Health and	Special	Energy	Special	Totals
	Annual	One Time	Surveillance	Surveillance	Secondary	Medical	Block Grant	Compact	Development	
	Section 215(a)2	Section 215(b)2	Section 216(a)1	Section 216(b)	Section 216(a)3	Section 216(a)2	Section 221(b)	Section 214	Fund	
Cash and equivalents	\$ 29,361	\$ 810	\$ 6,180	\$ 55	\$ 93,759	\$ 28,494	\$ 952,532	\$ 44,389	\$ 2,666	\$ 1,158,246
Investments	995,188	1,007,370	1,721,732	1,181,549	3,755,654	734,986	89,610	1,156,284	4,597	10,646,970
Due from other funds	-	-	-	-	-	-	436,035	-	33,443	469,478
Interest receivable	1,323	1,290	11,436	7,271	9,424	6,429	-	16,098	-	53,271
Total assets	\$ 1,025,872	\$ 1,009,470	\$ 1,739,348	\$ 1,188,875	\$ 3,858,837	\$ 769,909	\$ 1,478,177	\$ 1,216,771	\$ 40,706	\$ 12,327,965
Liabilities and Fund Balances										
Liabilities:										
Accounts payable	\$ -	\$ 275	\$ 70,180	\$ 92	\$ 15,600	\$ 1,003	\$ 27,310	\$ 4,929	\$ 40,706	\$ 160,095
Due to State governments	-	-	-	-	-	-	877,050	32,419	-	909,469
Due to other funds	959,872	797,845	1,241,550	986,424	3,491,035	212,909	-	907,383	-	8,597,018
Accrued payroll and others	-	-	-	-	-	-	144	-	-	144
Total liabilities	959,872	798,120	1,311,730	986,516	3,506,635	213,912	904,504	944,731	40,706	9,666,726
Fund balances:										
Reserved for encumbrances	-	-	274,652	34,182	45	32,570	218,345	69,502	-	629,296
Reserved for continuing appropriations	-	211,350	-	-	978,031	-	18,100	177,178	-	1,384,659
Unreserved (deficit)	66,000	-	152,966	168,177	(625,874)	523,427	337,228	25,360	-	647,284
Total fund balances	66,000	211,350	427,618	202,359	352,202	555,997	573,673	272,040	-	2,661,239
Total liabilities and fund balances	\$ 1,025,872	\$ 1,009,470	\$ 1,739,348	\$ 1,188,875	\$ 3,858,837	\$ 769,909	\$ 1,478,177	\$ 1,216,771	\$ 40,706	\$ 12,327,965

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

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended September 30, 1995**

	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)	Energy Compact Section 214	Special Development Fund	Totals
Revenues:										
Compact grants:										
Basic amount	\$ 600,000	\$ -	\$ 519,000	\$ -	\$ 1,889,700	\$ 125,980	\$ 315,000	\$ 292,146	\$ -	\$ 3,741,826
Inflation adjustment	276,000	-	-	-	-	-	-	-	-	276,000
Total revenues	<u>876,000</u>	<u>-</u>	<u>519,000</u>	<u>-</u>	<u>1,889,700</u>	<u>125,980</u>	<u>315,000</u>	<u>292,146</u>	<u>-</u>	<u>4,017,826</u>
Expenditures:										
Executive branch	-	71,775	410,945	-	1,981,949	71,660	403,997	348,805	-	3,289,131
Total expenditures	<u>-</u>	<u>71,775</u>	<u>410,945</u>	<u>-</u>	<u>1,981,949</u>	<u>71,660</u>	<u>403,997</u>	<u>348,805</u>	<u>-</u>	<u>3,289,131</u>
Excess (deficiency) of revenues over (under) expenditures	876,000	(71,775)	108,055	-	(92,249)	54,320	(88,997)	(56,659)	-	728,695
Other financing sources (uses):										
Transfers out	(846,000)	-	-	-	-	-	-	-	-	(846,000)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	30,000	(71,775)	108,055	-	(92,249)	54,320	(88,997)	(56,659)	-	(117,305)
Fund balances at beginning of year	<u>36,000</u>	<u>283,125</u>	<u>319,563</u>	<u>202,359</u>	<u>444,451</u>	<u>501,677</u>	<u>662,670</u>	<u>328,699</u>	<u>-</u>	<u>2,778,544</u>
Fund balances at end of year	<u>\$ 66,000</u>	<u>\$ 211,350</u>	<u>\$ 427,618</u>	<u>\$ 202,359</u>	<u>\$ 352,202</u>	<u>\$ 555,997</u>	<u>\$ 573,673</u>	<u>\$ 272,040</u>	<u>\$ -</u>	<u>\$ 2,661,239</u>

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

Combining Statement of Revenues, Expenditures by Account and Changes in Fund Balances
Year Ended September 30, 1995

	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)	Energy Compact Section 214	Special Development Fund	Totals
Revenues:										
Compact grants :										
Base amount	\$ 600,000	\$ -	\$ 519,000	\$ -	\$ 1,889,700	\$ 125,980	\$ 315,000	\$ 292,146	\$ -	\$ 3,741,826
Inflation adjustment	276,000	-	-	-	-	-	-	-	-	276,000
Total revenues	876,000	-	519,000	-	1,889,700	125,980	315,000	292,146	-	4,017,826
Expenditures:										
Personnel	-	-	-	-	200,000	-	37,940	-	-	237,940
Travel	-	-	-	-	-	1,784	204,467	-	-	206,251
Capital asset purchases	-	5,736	20,751	-	-	27,600	8,444	-	-	62,531
Contractual services, contributions and subsidies	-	66,039	12,070	-	-	35,911	32,104	348,805	-	494,929
Other	-	-	378,124	-	-	6,365	121,042	-	-	505,531
Scholarships	-	-	-	-	1,781,949	-	-	-	-	1,781,949
Total expenditures	-	71,775	410,945	-	1,981,949	71,660	403,997	348,805	-	3,289,131
Excess (deficiency) of revenues over (under) expenditures	876,000	(71,775)	108,055	-	(92,249)	54,320	(88,997)	(56,659)	-	728,695
Other financing sources (uses):										
Transfers out	(846,000)	-	-	-	-	-	-	-	-	(846,000)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	30,000	(71,775)	108,055	-	(92,249)	54,320	(88,997)	(56,659)	-	(117,305)
Fund balances at										
beginning of year	36,000	283,125	319,563	202,359	444,451	501,677	662,670	328,699	-	2,778,544
Fund balances at										
end of year	\$ 66,000	\$ 211,350	\$ 427,618	\$ 202,359	\$ 352,202	\$ 555,997	\$ 573,673	\$ 272,040	\$ -	\$ 2,661,239

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Capital Projects Funds
September 30, 1995

The acquisition and construction of major capital facilities, other than those financed by proprietary and trust funds, are accounted for in the Capital Projects Funds. The Capital Projects Funds within the National Government are described below:

OTIA/TTPI Capital Projects Fund - This fund is used to account for the expenditures of construction grants from the Trust Territory Government or from the U.S. Department of the Interior, Office of Territorial and International Affairs. These grants originated from U.S. Congressional appropriations to the U. S. Department of the Interior.

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.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA
CAPITAL PROJECTS FUNDS**

Combining Balance Sheet
September 30, 1995
(With comparative totals as of September 30, 1994)

	Compact Capital Projects	OTIA/TTPI Capital Projects	CFSM Capital Projects	Totals	
				1995	1994
<u>Assets</u>					
Cash and equivalents	\$ -	-	\$ -	\$ -	\$ 73,339
Investments	3,901,004	-	-	3,901,004	3,883,523
Equity investments	3,384,229	-	-	3,384,229	3,544,711
Receivables from TTPI / OTIA	-	198,102	-	198,102	513,009
Loan receivable, net	3,750,000	-	-	3,750,000	3,750,000
Advances	1,412	-	-	1,412	1,412
Interest and other receivables	23,392	-	-	23,392	27,888
Due from other funds	-	267,723	78,822	346,545	78,822
	<u>-</u>	<u>267,723</u>	<u>78,822</u>	<u>346,545</u>	<u>78,822</u>
Total assets	<u>\$ 11,060,037</u>	<u>465,825</u>	<u>\$ 78,822</u>	<u>\$ 11,604,684</u>	<u>\$ 11,872,704</u>
 <u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ 12,166	390,467	\$ -	\$ 402,633	\$ 187,681
Accrued payroll and others	102,320	-	-	102,320	-
Deferred revenues	-	75,358	-	75,358	75,358
Due to FSM State governments	9,455	-	-	9,455	34,455
Due to other funds	2,458,255	-	-	2,458,255	1,054,004
	<u>2,458,255</u>	<u>-</u>	<u>-</u>	<u>2,458,255</u>	<u>1,054,004</u>
Total liabilities	<u>2,582,196</u>	<u>465,825</u>	<u>-</u>	<u>3,048,021</u>	<u>1,351,498</u>
Fund balances:					
Reserved for:					
Loans	3,750,000	-	-	3,750,000	3,750,000
Related assets	3,384,229	-	-	3,384,229	3,544,711
Encumbrances	648,488	1,976,765	-	2,625,253	5,294,641
Continuing appropriations	3,910,466	-	67,947	3,978,413	3,131,541
Unreserved (deficit)	(3,215,342)	(1,976,765)	10,875	(5,181,232)	(5,199,687)
	<u>(3,215,342)</u>	<u>(1,976,765)</u>	<u>10,875</u>	<u>(5,181,232)</u>	<u>(5,199,687)</u>
Total fund balances	<u>8,477,841</u>	<u>-</u>	<u>78,822</u>	<u>8,556,663</u>	<u>10,521,206</u>
Total liabilities and fund balances	<u>\$ 11,060,037</u>	<u>465,825</u>	<u>\$ 78,822</u>	<u>\$ 11,604,684</u>	<u>\$ 11,872,704</u>

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA
CAPITAL PROJECTS FUNDS**

Combining Statement of Revenues, Expenditures And Changes in Fund Balances
Year Ended September 30, 1995
(With comparative totals for the year ended September 30, 1994)

	Compact Capital Projects	OTIA/TTPI Capital Projects	CFSM Capital Projects	Totals	
				1995	1994
Revenues:					
U.S. Department of the Interior grants	\$ -	3,332,151	\$ -	\$ 3,332,151	\$ 1,673,545
Compact Capital grants:					
Base amount	2,793,739	-	-	2,793,739	4,913,520
Inflation adjustment	-	-	-	-	2,161,949
Total revenues	2,793,739	3,332,151	-	6,125,890	8,749,014
Expenditures:					
Executive branch	1,333,282	3,332,151	-	4,665,433	2,683,284
Total expenditures	1,333,282	3,332,151	-	4,665,433	2,683,284
Excess of revenues over expenditures	1,460,457	-	-	1,460,457	6,065,730
Other financing uses:					
Operating transfers out	(3,000,000)	-	-	(3,000,000)	(3,286,449)
Total other financing uses	(3,000,000)	-	-	(3,000,000)	(3,286,449)
Excess (deficiency) of revenues over expenditures and other financing uses	(1,539,543)	-	-	(1,539,543)	2,779,281
Fund balances at beginning of year	10,442,384	-	78,822	10,521,206	9,466,925
Equity contribution	(425,000)	-	-	(425,000)	(1,725,000)
Fund balances at end of year	\$ 8,477,841	-	\$ 78,822	\$ 8,556,663	\$ 10,521,206

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA
CAPITAL PROJECTS FUNDS**

Combining Statement of Revenues, Expenditures by Account And Changes in Fund Balances
Year Ended September 30, 1995
(With comparative totals for the year ended September 30, 1994)

	Compact Capital Projects	OTIA/TTPI Capital Projects	CFSM Capital Projects	Totals	
				1995	1994
Revenues:					
U.S. Department of the Interior grants	\$ -	3,332,151	\$ -	\$ 3,332,151	\$ 1,673,545
Compact Capital grants:					
Base amount	2,793,739	-	-	2,793,739	4,913,520
Inflation adjustment	-	-	-	-	2,161,949
Total revenues	2,793,739	3,332,151	-	6,125,890	8,749,014
Expenditures:					
Personnel	60,292	-	-	60,292	77,006
Travel	38,884	534	-	39,418	65,954
Capital asset purchases	845,206	54,202	-	899,408	17,481
Contractual services, contributions and subsidies	205,451	14,431	-	219,882	4,608
Other	122,786	-	-	122,786	718,798
Construction in progress	60,663	3,262,984	-	3,323,647	1,799,437
Total expenditures	1,333,282	3,332,151	-	4,665,433	2,683,284
Excess of revenues over expenditures	1,460,457	-	-	1,460,457	6,065,730
Other financing uses:					
Operating transfers out	(3,000,000)	-	-	(3,000,000)	(3,286,449)
Total other financing uses	(3,000,000)	-	-	(3,000,000)	(3,286,449)
Excess (deficiency) of revenues over expenditures and other financing uses	(1,539,543)	-	-	(1,539,543)	2,779,281
Fund balances at beginning of year	10,442,384	-	78,822	10,521,206	9,466,925
Equity contribution	(425,000)	-	-	(425,000)	(1,725,000)
Fund balances at end of year	\$ 8,477,841	-	\$ 78,822	\$ 8,556,663	\$ 10,521,206

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Component Units - Proprietary Funds
September 30, 1995

Component units - proprietary funds are legally separate organizations for which the elected officials of the FSM National Government are financially accountable. Proprietary funds are used to account for a government's ongoing organizations and activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business and quasi - business activities - where net income and capital maintenance are measured - are accounted for through proprietary funds. The generally accepted accounting principles here are generally those applicable to similar businesses in the private sector; the measurement focus is on determination of net income, financial position and cash flows. The National Government's component units' - proprietary funds are described below:

FSM Coconut Development Authority was established by the FSM Congress 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 (the 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 radio and television broadcasting, throughout the FSM and to points outside 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 FSM law, the Bank is an independent government corporation. Its Board consists of appointees by the President of the FSM, with the 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 provide loans for the 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, the prior Trust Territory Economic Development Loan Fund, and Section 111 (b)(1) of the Compact of Free Association.

National Fisheries Corporation - The National Fisheries Corporation was created on July 13, 1983 by FSM Public Law No. 3-14.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA
COMPONENT UNITS - PROPRIETARY FUNDS**

Combining Balance Sheet
September 30, 1995
(With comparative totals as of September 30, 1994)

<u>ASSETS</u>	FSM Tele- Communications Corporation	FSM Development Bank	FSM Coconut Development Authority	National Fisheries Corporation	<u>Totals</u>	
					1995	1994
Cash and equivalents	\$ 7,079,851	\$ 2,727,787	\$ 225,458	\$ 302,301	\$ 10,335,397	\$ 11,812,309
Investments	910,114	13,162,622	-	-	14,072,736	12,015,950
Equity investments	-	662,188	-	-	662,188	3,001,985
General receivables, net	1,149,648	133,447	75,466	753,277	2,111,838	2,778,110
Advances	8,282	-	815	63,009	72,106	60,983
Loans receivable, net	-	11,403,650	-	39,830	11,443,480	10,962,600
Interest receivable	-	327,669	-	-	327,669	-
Deferred charges	50,236	-	-	-	50,236	-
Inventory	340,682	-	376,416	620,960	1,338,058	577,986
Restricted assets	7,399,990	27,937,894	-	-	35,337,884	34,686,336
Prepaid expenses	79,449	12,647	14,828	600,357	707,281	637,747
Accrued interest	242,840	-	-	-	242,840	-
Fixed assets, net	<u>45,579,739</u>	<u>119,760</u>	<u>216,174</u>	<u>19,590,807</u>	<u>65,506,480</u>	<u>64,877,562</u>
 Total assets	 <u>\$ 62,840,831</u>	 <u>\$ 56,487,664</u>	 <u>\$ 909,157</u>	 <u>\$ 21,970,541</u>	 <u>\$ 142,208,193</u>	 <u>\$ 141,411,568</u>
 <u>LIABILITIES AND FUND EQUITY</u>						
Liabilities:						
Accounts payable	\$ 10,268	\$ 192,739	\$ 83,135	\$ 1,350,161	\$ 1,636,303	\$ 2,607,890
Accrued payroll and others	566,037	-	832	-	566,869	3,842,602
Deferred revenues	42,835	-	-	-	42,835	33,305
Interest payable	-	-	-	1,228,738	1,228,738	965,238
Other payables	-	1,488,807	-	-	1,488,807	-
Contract retention payable	277,063	-	-	-	277,063	1,356,008
Notes payable	39,049,799	1,568,694	-	14,192,637	54,811,130	51,838,555
Other liabilities	-	408,231	-	308,498	716,729	-
 Total liabilities	 <u>39,946,002</u>	 <u>3,658,471</u>	 <u>83,967</u>	 <u>17,080,034</u>	 <u>60,768,474</u>	 <u>60,643,598</u>
 Minority interest in consolidated subsidiaries	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>3,591,540</u>	 <u>3,591,540</u>	 <u>3,414,786</u>
Fund equity:						
Contributed capital	7,108,650	23,238,835	646,616	10,497,234	41,491,335	40,139,825
Retained earnings (deficit)	<u>15,786,179</u>	<u>29,590,358</u>	<u>178,574</u>	<u>(9,198,267)</u>	<u>36,356,844</u>	<u>37,213,359</u>
 Total fund equity	 <u>22,894,829</u>	 <u>52,829,193</u>	 <u>825,190</u>	 <u>1,298,967</u>	 <u>77,848,179</u>	 <u>77,353,184</u>
 Total liabilities and fund equity	 <u>\$ 62,840,831</u>	 <u>\$ 56,487,664</u>	 <u>\$ 909,157</u>	 <u>\$ 21,970,541</u>	 <u>\$ 142,208,193</u>	 <u>\$ 141,411,568</u>

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA
COMPONENT UNITS - PROPRIETARY FUNDS**

Combining Statement of Revenues, Expenses and Changes in Fund Equity
Year Ended September 30, 1995
(With comparative totals for the year ended September 30, 1994)

	FSM Tele-	FSM	FSM Coconut	National	Totals	
	Communications Corporation	Development Bank	Development Authority	Fisheries Corporation	1995	1994
Operating revenues:						
Charges for goods and services	\$ 8,091,940	\$ -	\$ 195,274	\$ 7,559,681	\$ 15,846,895	\$ 8,907,604
Rental income/interest income	-	1,009,212	-	-	1,009,212	1,989,633
Other	86,143	1,619,565	-	534,496	2,240,204	506,962
Total operating revenues	8,178,083	2,628,777	195,274	8,094,177	19,096,311	11,404,199
Operating expenses:						
Personnel services	2,098,260	589,809	48,593	1,060,851	3,797,513	3,201,862
Supplies and materials	77,889	16,937	12,220	222,098	329,144	117,370
Depreciation	2,421,331	69,104	20,069	1,444,645	3,955,149	2,239,946
Cost of sales	-	-	233,454	5,761,437	5,994,891	1,249,141
Other	2,909,343	810,759	121,590	1,283,313	5,125,005	3,956,590
Total operating expenses	7,506,823	1,486,609	435,926	9,772,344	19,201,702	10,764,909
Operating income (loss)	671,260	1,142,168	(240,652)	(1,678,167)	(105,391)	639,290
Nonoperating revenues (expenses) :						
Dividends - Bank of the FSM	-	50,000	-	-	50,000	-
Loss on investment in unconsolidated subsidiary	-	-	-	(2,252,885)	(2,252,885)	-
Transfers in	846,000	250,000	310,708	671,412	2,078,120	2,437,106
Miscellaneous	1,000	(130,000)	-	29,974	(99,026)	(165,903)
Interest income (expense)	(1,125,544)	-	12,413	(421,887)	(1,535,018)	(512,112)
Other income (expenses)	-	104,460	-	64,886	169,346	(227,549)
Total nonoperating revenues (expense), net	(278,544)	274,460	323,121	(1,908,500)	(1,589,463)	1,531,542
Net income (loss)	392,716	1,416,628	82,469	(3,586,667)	(1,694,854)	2,170,832
Add depreciation on fixed assets acquired by grants that reduces contributed capital						
	-	-	-	463,675	463,675	376,450
Increase (decrease) in retained earnings(deficit)	392,716	1,416,628	82,469	(3,122,992)	(1,231,179)	2,547,282
Retained earnings (deficit) at beginning of year	15,393,463	28,173,730	96,105	(6,449,942)	37,213,356	34,549,692
Increase in reserve for minority interest	-	-	-	374,667	374,667	(137,868)
Adjustment of retained earnings at beginning of year	-	-	-	-	-	254,253
Retained earnings (deficit) at end of year	15,786,179	29,590,358	178,574	(9,198,267)	36,356,844	37,213,359
Contributed capital at beginning of year	7,047,164	22,938,835	646,616	9,507,211	40,139,826	30,750,374
Additions	61,486	300,000	-	1,453,698	1,815,184	9,765,901
Less depreciation on contributed fixed assets	-	-	-	(463,675)	(463,675)	(376,450)
Contributed capital at end of year	7,108,650	23,238,835	646,616	10,497,234	41,491,335	40,139,825
Total fund equity	\$ 22,894,829	\$ 52,829,193	\$ 825,190	\$ 1,298,967	\$ 77,848,179	\$ 77,353,184

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA
COMPONENT UNITS - PROPRIETARY FUNDS**

**Combining Statement of Cash Flows
Year Ended September 30, 1995
(With comparative totals for the year ended September 30, 1994)**

	FSM Tele-	FSM	FSM Coconut	National	Totals	
	Communications Corporation	Development Bank	Development Authority	Fisheries Corporation	1995	1994
Increase (decrease) in cash and equivalents:						
Cash flows from operating activities:						
Operating income (loss)	\$ 671,260	\$ 1,142,168	\$ (240,652)	\$ (1,678,167)	\$ (105,391)	\$ 409,242
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation	2,421,331	69,104	20,069	1,444,645	3,955,149	2,239,946
Bad debts	-	360,000	-	-	360,000	164,567
Others	64,765	(710,629)	12,413	-	(633,451)	61,531
	<u>3,157,356</u>	<u>860,643</u>	<u>(208,170)</u>	<u>(233,522)</u>	<u>3,576,307</u>	<u>2,875,286</u>
Change in assets and liabilities:						
Cash advances	(1,864)	-	-	-	(1,864)	3,886
Travel advances	-	-	9,030	(19,234)	(10,204)	(24,289)
Interest receivable	-	(89,491)	-	-	(89,491)	(161,399)
Accounts receivable trade	440,713	(118,897)	13,740	144,738	480,294	(616,160)
Accounts receivable other	(13,639)	-	-	-	(13,639)	49,776
Materials and supplies inventory	36,121	-	(5,046)	(620,960)	(589,885)	(259,200)
Inventory trade	-	-	(170,187)	-	(170,187)	(24,785)
Prepaid expenses	(7,521)	107,816	(14,828)	(246,941)	(161,474)	4,863
Deferred charges	(50,236)	-	-	-	(50,236)	-
Loans receivable	-	(849,393)	-	-	(849,393)	(2,999,276)
Accounts payable	(1,419,228)	(68,710)	63,249	261,158	(1,163,531)	2,155,724
Contract retentions payable	(1,078,945)	-	-	-	(1,078,945)	-
Due from other funds	-	-	1,907	-	1,907	(1,062)
Accrued payroll and others	-	-	(1,441)	-	(1,441)	1,062
Accrued leave payable	5,052	-	-	-	5,052	23,165
Deferred revenue	9,530	(250,000)	-	-	(240,470)	260,726
Accrued expenses, other	99,505	-	-	193,198	292,703	(137,796)
Interfund payables	-	333,292	-	-	333,292	-
	<u>(1,980,512)</u>	<u>(935,383)</u>	<u>(103,576)</u>	<u>(288,041)</u>	<u>(3,307,512)</u>	<u>(1,724,765)</u>
Net cash provided by (used for) operating activities	<u>1,176,844</u>	<u>(74,740)</u>	<u>(311,746)</u>	<u>(521,563)</u>	<u>268,795</u>	<u>1,150,521</u>

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA
COMPONENT UNITS - PROPRIETARY FUNDS**

Combining Statement of Cash Flows, Continued
Year Ended September 30, 1995
(With comparative totals for the year ended September 30, 1994)

	FSM Tele-	FSM	FSM Coconut	National	Totals	
	Communications Corporation	Development Bank	Development Authority	Fisheries Corporation	1995	1994
Cash flows from noncapital financing activities:						
CFSM appropriation received	907,486	250,000	310,708	494,750	1,962,944	2,437,106
Loan participations sold	-	(163,404)	-	-	(163,404)	538,985
Proceeds from borrowing	-	338,659	-	-	338,659	1,230,035
Contributed capital received and other funding	-	300,000	-	998,758	1,298,758	9,592,532
Net cash provided by noncapital financing activities	907,486	725,255	310,708	1,493,508	3,436,957	13,798,658
Cash flows from capital and related financing activities:						
Proceeds from note payable	977,591	-	-	1,023,357	2,000,948	5,880,402
Note repayments	(597,067)	-	-	-	(597,067)	-
Acquisition of fixed assets	(689,069)	(115,868)	(8,715)	(2,618,851)	(3,432,503)	(14,004,745)
Disposals of fixed assets	-	-	-	3,300	3,300	(62,862)
Interest expense	(1,958,737)	-	-	(197,630)	(2,156,367)	(1,156,350)
Proceeds from other income - sale of fixed assets	1,000	-	-	-	1,000	-
Restricted cash	168,795	-	-	-	168,795	(480,075)
Net cash used for capital and related financing activities	(2,097,487)	(115,868)	(8,715)	(1,789,824)	(4,011,894)	(9,823,630)
Cash flows from investing activities:						
Notes receivable	-	-	-	76,376	76,376	140,283
Increase in investments	-	(1,718,974)	-	-	(1,718,974)	-
Investment in securities	-	50,000	-	-	50,000	(7,867,645)
Escrow fund	(374,236)	-	-	-	(374,236)	(308,028)
Interest income received	689,261	-	-	106,803	796,064	723,348
Cash provided by (used for) investing activities	315,025	(1,668,974)	-	183,179	(1,170,770)	(7,312,042)
Net increase (decrease) in cash and equivalents	301,868	(1,134,327)	(9,753)	(634,700)	(1,476,912)	(2,186,493)
Cash and equivalents at beginning of year	6,777,983	3,862,114	235,211	937,001	11,812,309	13,998,802
Cash and equivalents at end of year	\$ 7,079,851	\$ 2,727,787	\$ 225,458	\$ 302,301	\$ 10,335,397	\$ 11,812,309

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Expendable Trust Funds
September 30, 1995

Expendable trust funds are used to account for assets held by a government unit in a trustee capacity for individuals, private organizations, or other governmental units, whose resources, including both principal and earnings, may be expended. Expendable trust funds are accounted for in essentially the same manner as governmental funds. The expendable trust funds which the National Government bears responsibility for at September 30, 1995, 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 State Governments of the FSM also pay in contributions to the Fund on behalf of State employee 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.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA
EXPENDABLE TRUST FUNDS**

Combining Balance Sheet
September 30, 1995
(With comparative totals as of September 30, 1994)

<u>ASSETS</u>	Health Insurance Fund	Student Loan Fund	<u>Totals</u>	
			1995	1994
Cash and equivalents	\$ 1,091,813	\$ -	\$ 1,091,813	\$ 1,042,043
General receivables, net	315,678	-	315,678	1,013,562
Due from other funds	611,026	511,577	1,122,603	690,441
Loans receivable	-	1,606,953	1,606,953	1,606,953
Allowance for loan reserves	-	(1,606,953)	(1,606,953)	(1,606,953)
 Total assets	 <u>\$ 2,018,517</u>	 <u>\$ 511,577</u>	 <u>\$ 2,530,094</u>	 <u>\$ 2,746,046</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 259,065	\$ -	\$ 259,065	\$ 1,135,227
Total liabilities	259,065	-	259,065	1,135,227
Fund balances reserved for benefits	1,759,452	511,577	2,271,029	1,610,819
Total liabilities and fund balances	<u>\$ 2,018,517</u>	<u>\$ 511,577</u>	<u>\$ 2,530,094</u>	<u>\$ 2,746,046</u>

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA
EXPENDABLE TRUST FUNDS**

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Year Ended September 30, 1995
(With comparative totals for the year ended September 30, 1994)

	Health Insurance Fund	Student Loan Fund	Totals	
			1995	1994
Revenues:				
Interest income	\$ 56,216	\$ -	\$ 56,216	\$ 32,065
Member's contributions	-	-	-	1,721,350
Loan repayments	<u>1,931,763</u>	<u>40,232</u>	<u>1,971,995</u>	<u>54,357</u>
Total revenues	<u>1,987,979</u>	<u>40,232</u>	<u>2,028,211</u>	<u>1,807,772</u>
Expenditures:				
Insurance claims	1,175,430	-	1,175,430	1,238,627
Administrative expense	<u>192,571</u>	<u>-</u>	<u>192,571</u>	<u>147,978</u>
Total expenditures	<u>1,368,001</u>	<u>-</u>	<u>1,368,001</u>	<u>1,386,605</u>
Excess of revenues over expenditures	619,978	40,232	660,210	421,167
Fund balances at beginning of year	<u>1,139,474</u>	<u>471,345</u>	<u>1,610,819</u>	<u>1,189,652</u>
Fund balances at end of year	<u>\$ 1,759,452</u>	<u>\$ 511,577</u>	<u>\$ 2,271,029</u>	<u>\$ 1,610,819</u>

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

**INDEPENDENT AUDITORS' REPORTS ON
COMPLIANCE WITH LAWS AND REGULATIONS**

YEAR ENDED SEPTEMBER 30, 1995



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
BASED ON THE AUDIT OF GENERAL-PURPOSE FINANCIAL STATEMENTS

Honorable Bailey Olter
President
Federated States of Micronesia:

We have audited the general-purpose financial statements of the Federated States of Micronesia (FSM) National Government as of and for the year ended September 30, 1995, and have issued our report thereon dated February 7, 1996. Our report on the audit of the general-purpose financial statements was modified due to; 1) our inability to determine the propriety of fixed assets of the Component Units - Higher Education Fund; and 2) our inability to determine the propriety of an investment of the Component Units-Proprietary Funds.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement.

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

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*.

However, we noted certain immaterial instances of noncompliance that we have reported to the management of the FSM National Government, which are described in the accompanying Schedule of Findings and Questioned Costs (pages 138 through 188) in Federal Findings 1 and 2 and Local Findings 1-5.

We also noted matters involving compliance with laws and regulations related to federal financial assistance, which we reported to the FSM National Government's management in our reports dated February 7, 1996 on compliance related to federal financial assistance programs.

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

February 7, 1996



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

Honorable Bailey Olter
President
Federated States of Micronesia:

We have audited the general-purpose financial statements of the Federated States of Micronesia (FSM) National Government as of and for the year ended September 30, 1995, and have issued our report thereon dated February 7, 1996. Our report on the audit of the general-purpose financial statements was modified due to; 1) our inability to determine the propriety of fixed assets of the Component Units - Higher Education Fund; and 2) our inability to determine the propriety of an investment of the Component Units-Proprietary Funds.

We have also audited the FSM National Government's compliance with the requirements governing the Compact of Free Association; types of services allowed or unallowed; eligibility; reporting; special tests and provisions related to the National Oceanic Atmospheric Administration Program; monitoring subrecipients; and claims for advances and reimbursements that are applicable to each of its major federal financial assistance programs, which are identified in the accompanying Schedule of Federal Financial Assistance (pages 80 through 128), for the year ended September 30, 1995. The management of the FSM National Government is responsible for the FSM National Government's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

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

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying Schedule of Findings and Questioned Costs (pages 138 through 188). We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the FSM National Government complied, in all material respects, with the requirements governing the Compact of Free Association; monitoring subrecipients; types of services allowed or unallowed; eligibility; reporting; special tests and provisions related to the National Oceanic Atmospheric Administration Program; and claims for advances and reimbursements that are applicable to each of its major federal financial assistance programs for the year ended September 30, 1995.

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

Deloitte + Touche LLP

February 7, 1996



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

Honorable Bailey Olter
President
Federated States of Micronesia:

We have audited the general-purpose financial statements of the Federated States of Micronesia (FSM) National Government as of and for the year ended September 30, 1995, and have issued our report thereon dated February 7, 1996. Our report on the audit of the general-purpose financial statements was modified due to; 1) our inability to determine the propriety of fixed assets of the Component Units - Higher Education Fund; and 2) our inability to determine the propriety of an investment of the Component Units-Proprietary Funds. We have also audited the FSM National Government's compliance applicable to requirements of major federal financial assistance programs and have issued our report thereon dated February 7, 1996.

We have applied procedures to test the FSM National Government's compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the Schedule of Federal Financial Assistance (pages 80 through 128), for the year ended September 30, 1995: cash management, federal financial reports, allowable costs/cost principles, Drug-Free Workplace Act, and administrative requirements.

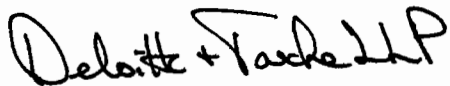
The requirements of political activity, Davis-Bacon Act, civil rights, and relocation assistance and real property acquisition are not applicable to the federal financial assistance programs, which are identified in the Schedule of Federal Financial Assistance.

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

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the FSM National Government had not complied, in all material respects, with those requirements.

We also noted matters involving compliance with laws and regulations related to our audit of the general-purpose financial statements and with requirements related to major and nonmajor federal financial assistance programs that we reported to the FSM National Government's management in our reports dated February 7, 1996.

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

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

February 7, 1996



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

Honorable Bailey Olter
President
Federated States of Micronesia:

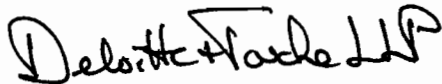
We have audited the general-purpose financial statements of the Federated States of Micronesia (FSM) National Government as of and for the year ended September 30, 1995, and have issued our report thereon dated February 7, 1996. Our report on the audit of the general-purpose financial statements was modified due to; 1) our inability to determine the propriety of fixed assets of the Component Units - Higher Education Fund; and 2) our inability to determine the propriety of an investment of the Component Units-Proprietary Funds. We have also audited the FSM National Government's compliance applicable to requirements of major federal financial assistance programs and applied procedures to test compliance with general requirements applicable to federal financial assistance programs and have issued our reports thereon dated February 7, 1996.

In connection with our audit of the 1995 general-purpose financial statements of the FSM National Government and with our consideration of the FSM National Government's control structure used to administer federal financial assistance programs, as required by Office of Management and Budget (OMB) Circular A-128, "Audits of State and Local Governments", we selected certain transactions applicable to certain nonmajor federal financial assistance programs for the year ended September 30, 1995.

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

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the FSM National Government had not complied, in all material respects, with those requirements.

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

A handwritten signature in black ink that reads "Deloitte + Toche LLP". The signature is written in a cursive, flowing style.

February 7, 1996

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

Honorable Bailey Olter
President
Federated States of Micronesia:

We have audited the general-purpose financial statements of the Federated States of Micronesia (FSM) National Government as of and for the year ended September 30, 1995, and have issued our report thereon dated February 7, 1996. Our report on the audit of the general-purpose financial statements was modified due to; 1) our inability to determine the propriety of fixed assets of the Component Units - Higher Education Fund; and 2) our inability to determine the propriety of an investment of the Component Units-Proprietary Funds. We have also audited the FSM National Government's compliance with requirements applicable to major federal financial assistance programs and have issued our report thereon dated February 7, 1996.

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

In planning and performing our audits for the year ended September 30, 1995, we considered the FSM National Government's internal control structure and assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinions on the FSM National Government's general-purpose financial statements and on its compliance with requirements applicable to major programs and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the general-purpose financial statements in a separate report dated February 7, 1996.

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

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

Controls Used in Administering Federal Programs

General Requirements

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

Specific Requirements

- Compact of Free Association
- Types of services allowed or unallowed
- Eligibility
- Reporting
- Special tests and provisions related to the National Oceanic Atmospheric Administration Program
- Monitoring subrecipients

Claims for Advances and Reimbursements

Accounting Controls

- Revenue and receipt cycle
- Purchases and disbursement cycle
- Payroll and personnel cycle
- External financial reporting
- Cash and equivalents
- Receivables
- Fixed assets
- Payables and accrued liabilities

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

During the year ended September 30, 1995, the FSM National Government expended 87% of its total federal financial assistance under major federal financial assistance programs listed on page 136.

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements and requirements governing claims for advances and reimbursements that are applicable to the FSM National Government's major federal financial assistance programs, which are identified in the accompanying Schedule of Federal Financial Assistance (pages 80 through 128). Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

We noted certain matters, which are described in federal findings 1 and 2 in the accompanying Schedule of Findings and Questioned Costs (pages 138 to 188), involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the FSM National Government's ability to administer federal financial assistance programs in accordance with applicable laws and regulations.

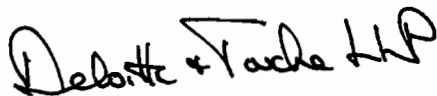
A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program may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

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

We also noted matters involving the internal control structure and its operation based on our audit of the general-purpose financial statements that we reported to the management of the FSM National Government in a report dated February 7, 1996.

We also noted other matters involving the internal control structure and its operation, which are described in the accompanying Schedule of Findings and Questioned Costs in the section dealing with Federal Findings and Questioned Costs - Monitoring Subrecipients (pages 145 - 188) which we have reported to the management of the FSM National Government.

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



February 7, 1996

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

Honorable Bailey Olter
President
Federated States of Micronesia:

We have audited the general-purpose financial statements of the Federated States of Micronesia (FSM) National Government as of and for the year ended September 30, 1995, and have issued our report thereon dated February 7, 1996. Our report on the audit of the general-purpose financial statements was modified due to; 1) our inability to determine the propriety of fixed assets of the Component Units - Higher Education Fund; and 2) our inability to determine the propriety of an investment of the Component Units-Proprietary Funds. These general-purpose financial statements are the responsibility of the FSM National Government's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the general-purpose financial statements of the FSM National Government taken as a whole. The accompanying Schedule of Federal Financial Assistance (pages 80 through 128) for the year ended September 30, 1995, which is also the responsibility of the management of the FSM National Government, is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements. The information in that schedule has been subjected to the auditing procedures applied in our audit of the general-purpose financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the general-purpose financial statements taken as a whole.

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

February 7, 1996

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Federal Financial Assistance
By Grantor
Year Ended September 30, 1995

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1995 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
U.S. Federal Direct Assistance Fund									
U.S. Department of Education									
	84.124		93 Teacher Training R124A20001-93						
		7745	National Government	\$ 13,389	\$ 9,141	\$ -	\$ 100	\$ 9,241	\$ 4,148
		7746	Pohnpei	58,135	57,410	475	-	57,885	250
		7746	Chuuk	66,810	61,882	417	-	62,299	4,511
		7746	Yap	54,424	54,072	-	-	54,072	352
		7746	Kosrae	54,750	51,938	-	-	51,938	2,812
			Program Total	247,508	234,443	892	100	235,435	12,073
	84.124		94 Teacher Training R124A20001-94						
		7722	Unallotted	4,242	-	-	-	-	4,242
		7723	National Government	13,303	-	-	10,975	10,975	2,328
		7724	Pohnpei	58,172	-	58,173	-	58,173	(1)
		7724	Chuuk	66,000	-	59,592	-	59,592	6,408
		7724	Yap	53,000	-	51,414	-	51,414	1,586
		7724	Kosrae	52,464	-	2,854	-	2,854	49,610
			Program Total	247,181	-	172,033	10,975	183,008	64,173
	84.027		93 Special Education H027A30009						
		7731	National Government	398,469	360,833	-	8,566	369,399	29,070
		7732	Pohnpei	1,187,041	1,113,785	4,497	-	1,118,282	68,759
		7732	Chuuk	1,301,430	881,610	19,477	-	901,087	400,343
		7732	Yap	491,683	211,748	117,084	-	328,832	162,851
		7732	Kosrae	606,074	543,689	32,860	-	576,549	29,525
			Program Total	3,984,697	3,111,665	173,918	8,566	3,294,149	690,548
			Balance forward	4,479,386	3,346,108	346,843	19,641	3,712,592	766,794

See accompanying notes to schedule of federal financial assistance.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Federal Financial Assistance, Continued
By Grantor
Year Ended September 30, 1995

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1995 Fiscal Year Expenditures		Total Program Expenditures	Excess Authorizations Over Program Expenditures
						Subrecipient	National Government		
U.S. Federal Direct Assistance Fund									
U.S. Dept. of Education balance forwarded				\$ 4,479,386	\$ 3,346,108	\$ 346,843	\$ 19,641	\$ 3,712,592	\$ 766,794
	84.027		94 Special Education H027A40007						
		7742	National Government	413,923	121,690	-	228,805	350,495	63,428
		7743	Pohnpei	1,221,717	417,255	717,051	-	1,134,306	87,411
		7743	Chuuk	1,336,476	177,261	755,058	-	932,319	404,157
		7743	Kosrae	640,750	119,826	395,342	-	515,168	125,582
		7743	Yap	526,361	-	333,221	-	333,221	193,140
			Program Total	4,139,227	836,032	2,200,672	228,805	3,265,509	873,718
	84.027		95 Special Education H027A40111						
		7720	Unallotted	2,044,120	-	-	-	-	2,044,120
		7721	National Government	563,500	-	-	306,057	306,057	257,443
		7729	Pohnpei	621,717	-	307,517	-	307,517	314,200
		7729	Chuuk	602,667	-	68,847	-	68,847	533,820
		7729	Kosrae	502,731	-	82,183	-	82,183	420,548
			Program Total	4,334,735	-	458,547	306,057	764,604	3,570,131
	84.002		93 Adult Education V002A30001						
		7737	National Government	100,000	57,165	-	28,910	86,075	13,925
	84.002		94 Adult Education V002A40002						
		7738	National Government	100,000	20,589	-	76,314	96,903	3,097
	84.002		95 Adult Education V002A40057						
		7728	National Government	100,000	-	-	69,474	69,474	30,526
			Balance forward	13,253,348	4,259,894	3,006,062	729,201	7,995,157	5,258,191

See accompanying notes to schedule of federal financial assistance.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Federal Financial Assistance, Continued
By Grantor
Year Ended September 30, 1995

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1995 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
U.S. Federal Direct Assistance Fund									
U.S. Dept. of Education balance forwarded				\$ 13,253,348	\$ 4,259,894	\$ 3,006,062	\$ 729,201	\$ 7,995,157	\$ 5,258,191
	84.185		94 Robert C. Byrd Scholarship P185A40059						
		7748	National Government	15,000	15,000	-	-	15,000	-
	84.185		95 Robert C. Byrd Scholarship P185A50059						
		7749	National Government	30,000	-	-	-	-	30,000
	84.185		FY-95 National Close-up Local						
		7726	National Government	15,000	-	-	14,181	14,181	819
	84.276		FY-95 Goal 2000 Program S276A50055						
		7735	Unallotted National Government	44,237 29,492	- -	- -	- 17,264	- 17,264	44,237 12,228
				73,729	-	-	17,264	17,264	56,465
Total U.S. Dept. of Education				\$ 13,387,077	\$ 4,274,894	\$ 3,006,062	\$ 760,646	\$ 8,041,602	\$ 5,345,475

See accompanying notes to schedule of federal financial assistance.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Federal Financial Assistance, Continued
By Grantor
Year Ended September 30, 1995

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1995 Fiscal Year Expenditures		Total Program Expenditures	Excess Authorizations (Deficit) Over Program Expenditures
						Subrecipient	National Government		
U.S. Federal Direct Assistance Fund									
U.S. Department of Labor									
	17.250		64-016 - JTPA '92						
		3415	Unallotted	\$ 44,503	\$ -	\$ -	\$ -	\$ -	\$ 44,503
		3416	National Government	88,329	88,305	-	259	88,564	(235)
		3417	National Government	26,167	26,106	-	(2,221)	23,885	2,282
		3418	National Government	50,188	52,115	-	-	52,115	(1,927)
		3420	Pohnpei	56,141	57,925	(2,136)	-	55,789	352
		3420	Chuuk	88,137	98,770	-	-	98,770	(10,633)
		3420	Kosrae	11,908	27,751	-	-	27,751	(15,843)
		3420	Yap	18,713	19,297	-	-	19,297	(584)
		3421	Pohnpei	157,193	146,931	2,708	-	149,639	7,554
		3421	Chuuk	257,461	265,049	-	-	265,049	(7,588)
		3421	Kosrae	33,344	35,004	-	-	35,004	(1,660)
		3421	Yap	52,397	36,923	15,475	-	52,398	(1)
		3422	Pohnpei	104,795	78,100	19,945	-	98,045	6,750
		3422	Chuuk	155,605	164,265	-	-	164,265	(8,660)
		3422	Kosrae	22,229	23,380	-	-	23,380	(1,151)
		3422	Yap	34,932	31,648	4,392	-	36,040	(1,108)
		3423	Pohnpei	67,946	64,573	1,180	-	65,753	2,193
		3423	Chuuk	83,360	83,038	-	-	83,038	322
		3423	Kosrae	11,908	12,750	-	-	12,750	(842)
		3423	Yap	18,713	17,297	1,416	-	18,713	-
		3424	Pohnpei	38,793	39,556	17,273	-	56,829	(18,036)
		3424	Chuuk	47,000	30,523	-	-	30,523	16,477
		3424	Kosrae	22,167	17,287	-	-	17,287	4,880
		3424	Yap	25,099	7,826	-	-	7,826	17,273
			Chuuk	-	11,994	-	-	11,994	(11,994)
			Program Total	<u>1,517,028</u>	<u>1,436,413</u>	<u>60,253</u>	<u>(1,962)</u>	<u>1,494,704</u>	<u>22,324</u>
			Balance forward	<u>1,517,028</u>	<u>1,436,413</u>	<u>60,253</u>	<u>(1,962)</u>	<u>1,494,704</u>	<u>22,324</u>

See accompanying notes to schedule of federal financial assistance.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Federal Financial Assistance, Continued
By Grantor
Year Ended September 30, 1995

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1995 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
U.S. Federal Direct Assistance Fund									
U.S. Dept. of Labor balance forwarded:				\$ 1,517,028	\$ 1,436,413	\$ 60,253	\$ (1,962)	\$ 1,494,704	\$ 22,324
	17.250		<u>93 JTPA Program</u>						
		3426	Unallotted	38,442	-	-	-	-	38,442
		3427	National Government	79,685	77,865	-	735	78,600	1,085
		3428	National Government	24,156	23,972	-	147	24,119	37
		3430	Pohnpei	68,175	55,857	11,100	-	66,957	1,218
		3430	Chuuk	105,496	117,119	800	-	117,919	(12,423)
		3430	Kosrae	14,639	22,456	1	-	22,457	(7,818)
		3430	Yap	22,244	22,275	2,337	-	24,612	(2,368)
		3431	Pohnpei	104,569	56,849	37,630	-	94,479	10,090
		3431	Chuuk	145,921	139,719	4,500	-	144,219	1,702
		3431	Kosrae	29,444	39,049	(1)	-	39,048	(9,604)
		3431	Yap	42,376	14,047	14,830	-	28,877	13,499
		3432	Pohnpei	110,602	89,001	19,814	-	108,815	1,787
		3432	Chuuk	181,308	179,032	-	-	179,032	2,276
		3432	Kosrae	25,297	33,842	-	-	33,842	(8,545)
		3432	Yap	28,250	12,982	14,517	-	27,499	751
		3433	Pohnpei	57,530	41,349	6,575	-	47,924	9,606
		3433	Chuuk	94,752	97,705	2,112	-	99,817	(5,065)
		3433	Kosrae	9,935	22,612	1	-	22,613	(12,678)
		3433	Yap	15,000	11,930	3,070	-	15,000	-
		3434	Pohnpei	27,676	10,976	16,700	-	27,676	-
		3434	Chuuk	12,263	12,508	16,316	-	28,824	(16,561)
		3434	Kosrae	41,431	9,950	23,037	-	32,987	8,444
		3435	Chuuk	35,000	20,000	15,000	-	35,000	-
		3435	Kosrae	13,895	10,587	3,309	-	13,896	(1)
			Program Total	<u>1,328,086</u>	<u>1,121,682</u>	<u>191,648</u>	<u>882</u>	<u>1,314,212</u>	<u>13,874</u>
			Balance forward	<u>2,845,114</u>	<u>2,558,095</u>	<u>251,901</u>	<u>(1,080)</u>	<u>2,808,916</u>	<u>36,198</u>

See accompanying notes to schedule of federal financial assistance.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Federal Financial Assistance, Continued
By Grantor
Year Ended September 30, 1995

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1995 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
U.S. Federal Direct Assistance Fund									
U.S. Dept. of Labor balance forwarded:				\$ 2,845,114	\$ 2,558,095	\$ 251,901	\$ (1,080)	\$ 2,808,916	\$ 36,198
	17.250		<u>94 JTPA Program</u> <u>64-94-01/64-94-02</u>						
		3436	Unallotted	26,013	-	-	-	-	26,013
		3437	National Government	140,149	5,263	-	135,554	140,817	(668)
		3438	National Government	18,575	-	-	1,858	1,858	16,717
		3439	National Government	57,763	-	-	26,582	26,582	31,181
		3440	Pohnpei	86,899	-	85,327	-	85,327	1,572
		3440	Chuuk	127,854	25,559	160,378	-	185,937	(58,083)
		3440	Kosrae	19,427	-	19,294	-	19,294	133
		3440	Yap	28,353	-	27,693	-	27,693	660
		3441	Pohnpei	159,702	-	138,424	-	138,424	21,278
		3441	Chuuk	344,503	-	245,208	-	245,208	99,295
		3441	Kosrae	47,110	-	24,368	-	24,368	22,742
		3441	Yap	43,218	-	33,134	-	33,134	10,084
		3442	Pohnpei	115,428	-	98,021	-	98,021	17,407
		3442	Chuuk	136,231	-	51,550	-	51,550	84,681
		3442	Kosrae	25,400	-	8,619	-	8,619	16,781
		3442	Yap	55,046	-	34,497	-	34,497	20,549
		3443	Pohnpei	51,610	-	45,312	-	45,312	6,298
		3443	Kosrae	540	-	1,300	-	1,300	(760)
		3443	Yap	8,346	-	2,272	-	2,272	6,074
		3444	Pohnpei	5,546	-	-	-	-	5,546
		3444	Kosrae	5,948	-	5,042	-	5,042	906
		3444	Yap	20,108	-	11,474	-	11,474	8,634
		3445	Pohnpei	40,000	-	38,744	-	38,744	1,256
		3445	Kosrae	16,000	-	15,862	-	15,862	138
		3446	Pohnpei	20,852	-	19,518	-	19,518	1,334
		3446	Chuuk	30,680	-	25,994	-	25,994	4,686
		3446	Kosrae	4,662	-	4,297	-	4,297	365
		3446	Yap	6,804	-	3,520	-	3,520	3,284
			Program Total	<u>1,642,767</u>	<u>30,822</u>	<u>1,099,848</u>	<u>163,994</u>	<u>1,294,664</u>	<u>348,103</u>
			Balance forward	<u>4,487,881</u>	<u>2,588,917</u>	<u>1,351,749</u>	<u>162,914</u>	<u>4,103,580</u>	<u>384,301</u>

See accompanying notes to schedule of federal financial assistance.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Federal Financial Assistance, Continued
By Grantor
Year Ended September 30, 1995

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1995 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
U.S. Federal Direct Assistance Fund									
U.S. Dept. of Labor balance forwarded:				\$ 4,487,881	\$ 2,588,917	\$ 1,351,749	\$ 162,914	\$ 4,103,580	\$ 384,301
	17.250		<u>95 JTPA Program</u> <u>64-95-01/64-95-02</u>						
		3200	Unallotted	1,098,243	-	-	-	-	1,098,243
		3201	National Government	57,929	-	-	22,660	22,660	35,269
		3203	Pohnpei	41,500	-	-	-	-	41,500
		3204	Pohnpei	51,000	-	-	-	-	51,000
		3205	Pohnpei	20,000	-	-	-	-	20,000
		3206	Pohnpei	5,052	-	-	-	-	5,052
		3207	Pohnpei	12,000	-	-	-	-	12,000
			Program Total	<u>1,285,724</u>	<u>-</u>	<u>-</u>	<u>22,660</u>	<u>22,660</u>	<u>1,263,064</u>
	17.249		<u>School To Work</u> <u>U-5120-5-00-88-60</u>						
		3448	National Government	89,600	-	-	6,789	6,789	82,811
			Total U.S. Dept. of Labor	<u>\$ 5,863,205</u>	<u>\$ 2,588,917</u>	<u>\$ 1,351,749</u>	<u>\$ 192,363</u>	<u>\$ 4,133,029</u>	<u>\$ 1,730,176</u>

See accompanying notes to schedule of federal financial assistance.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Federal Financial Assistance, Continued
By Grantor
Year Ended September 30, 1995

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1995 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
U.S. Federal Direct Assistance Fund									
U.S. Dept. of Agriculture									
	10.560	3338	Nutrition Education F97190: National	\$ 57,886	\$ 33,292	\$ -	\$ 2,863	\$ 36,155	\$ 21,731
			Program Total	57,886	33,292	-	2,863	36,155	21,731
	10.555	3388	Food Service 89 F97081 Yap	206,873	136,239	24,610	-	160,849	46,024
		3388	Kosrae	169,775	166,881	-	-	166,881	2,894
		3388	Pohnpei	500,674	441,148	5,138	-	446,286	54,388
		3388	Chuuk	905,068	1,012,290	-	-	1,012,290	(107,222)
		3389	National Government	141,824	128,084	-	5,428	133,512	8,312
			Program Total	1,924,214	1,884,642	29,748	5,428	1,919,818	4,396
	10.664	7708	Forestry 93 05-93-13 Pohnpei	68,470	47,827	12,428	-	60,255	8,215
		7708	Chuuk	12,200	7,003	-	-	7,003	5,197
		7708	Kosrae	17,800	4,794	11,143	-	15,937	1,863
		7708	Yap	7,000	-	7,000	-	7,000	-
			Program Total	105,470	59,624	30,571	-	90,195	15,275
	10.664	7714	94 Forestry G-5-94-20-035 Pohnpei	28,107	1,282	14,543	-	15,825	12,282
		7714	Chuuk	7,900	-	2,047	-	2,047	5,853
		7714	Yap	12,816	-	-	-	-	12,816
		7714	Kosrae	11,577	-	1,241	-	1,241	10,336
			Program Total	60,400	1,282	17,831	-	19,113	41,287
			Balance forward	2,147,970	1,978,840	78,150	8,291	2,065,281	82,689

See accompanying notes to schedule of federal financial assistance.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Federal Financial Assistance, Continued
By Grantor
Year Ended September 30, 1995

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1995 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
U.S. Federal Direct Assistance Fund									
U.S. Dept. of Agriculture balance forwarded				\$ 2,147,970	\$ 1,978,840	\$ 78,150	\$ 8,291	\$ 2,065,281	\$ 82,689
	10.664		93 Fire Prevention G-5-93-20-043						
		7711	National Government	3,500	3,056	-	-	3,056	444
		7712	Pohnpei	5,000	3,392	728	-	4,120	880
		7712	Chuuk	3,500	-	-	-	-	3,500
		7712	Yap	5,000	-	-	-	-	5,000
		7712	Kosrae	3,000	-	2,201	-	2,201	799
			Program Total	<u>20,000</u>	<u>6,448</u>	<u>2,929</u>	<u>-</u>	<u>9,377</u>	<u>10,623</u>
	10.664		94 Fire Prevention G-5-94-20-097						
		7716	National	5,000	-	-	-	-	5,000
		7717	Pohnpei	10,000	-	3,088	-	3,088	6,912
		7717	Chuuk	8,500	-	1,530	-	1,530	6,970
		7717	Yap	8,500	-	2,705	-	2,705	5,795
		7717	Kosrae	11,000	-	2,996	-	2,996	8,004
			Program Total	<u>43,000</u>	<u>-</u>	<u>10,319</u>	<u>-</u>	<u>10,319</u>	<u>32,681</u>
	10.664		95 Forestry G-5-94-20-042						
		7717	Pohnpei	22,900	-	460	-	460	22,440
		7717	Chuuk	4,000	-	-	-	-	4,000
		7717	Yap	11,200	-	-	-	-	11,200
		7717	Kosrae	-	-	490	-	490	(490)
			Program Total	<u>38,100</u>	<u>-</u>	<u>950</u>	<u>-</u>	<u>950</u>	<u>37,150</u>
			Total U.S. Dept. of Agriculture	<u>\$ 2,249,070</u>	<u>\$ 1,985,288</u>	<u>\$ 92,348</u>	<u>\$ 8,291</u>	<u>\$ 2,085,927</u>	<u>\$ 163,143</u>

See accompanying notes to schedule of federal financial assistance.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Federal Financial Assistance, Continued
By Grantor
Year Ended September 30, 1995

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1995 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
U.S. Federal Direct Assistance Fund									
U.S. Dept. of the Interior									
	15.904		Historic Preservation '93 64-93-80110						
		7302	National Government	\$ 93,151	\$ 85,587	\$ -	\$ 8,667	\$ 94,254	\$ (1,103)
		7303	Pohnpei	36,250	35,494	754	-	36,248	2
		7303	Chuuk	36,250	30,112	1,835	-	31,947	4,303
		7303	Yap	36,250	35,656	4,381	-	40,037	(3,787)
		7303	Kosrae	36,250	30,210	121	-	30,331	5,919
			Program Total	<u>238,151</u>	<u>217,059</u>	<u>7,091</u>	<u>8,667</u>	<u>232,817</u>	<u>5,334</u>
	15.904		94 Historic Preservation 64-94-90036						
		7325	National Government	112,787	16,507	-	76,679	93,186	19,601
		7326	Pohnpei	43,450	2,978	39,538	-	42,516	934
		7326	Chuuk	36,250	498	20,491	-	20,989	15,261
		7326	Yap	36,250	10,630	35,996	-	46,626	(10,376)
		7326	Kosrae	43,550	6,334	24,000	-	30,334	13,216
			Program Total	<u>272,287</u>	<u>36,947</u>	<u>120,025</u>	<u>76,679</u>	<u>233,651</u>	<u>38,636</u>
			Total U.S. Dept. of the Interior	<u>\$ 510,438</u>	<u>\$ 254,006</u>	<u>\$ 127,116</u>	<u>\$ 85,346</u>	<u>\$ 466,468</u>	<u>\$ 43,970</u>

See accompanying notes to schedule of federal financial assistance.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Federal Financial Assistance, Continued
By Grantor
Year Ended September 30, 1995

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1995 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
U.S. Federal Direct Assistance Fund									
U.S. Environmental Protection Agency									
	66.418	3589 3592	C640001-01-3: National Admin. PRSP-3 Pohnpei RSP	\$ 13,500 736,500	\$ 13,579 355,927	\$ - -	\$ 2,040 8,613	\$ 15,619 364,540	\$ (2,119) 371,960
			Program Total	750,000	369,506	-	10,653	380,159	369,841
	66.418	3582 3581	C640003-02: Yap Sewer Connection Yap Sewer Connection/Admin.	531,134 15,934	470,546 15,467	- -	- -	470,546 15,467	60,588 467
			Program Total	547,068	486,013	-	-	486,013	61,055
	66.418	3580 3591	C640003-03: Yap Waste Water Treatment Yap Waste Water Treat./Admin	189,079 16,000	- 16,000	- -	- -	- 16,000	189,079 -
			Program Total	205,079	16,000	-	-	16,000	189,079
	66.418	3593 3590	C640003-04: Ulithi Sewer System Ulithi Sewer System/Admin	209,000 18,000	154,069 20,945	- -	- 63	154,069 21,008	54,931 (3,008)
			Program Total	227,000	175,014	-	63	175,077	51,923
	66.418	7582	C640003-05: Tomil On-Site Sewer System	39,650	-	-	-	-	39,650
			Balance forward	1,768,797	1,046,533	-	10,716	1,057,249	711,548

See accompanying notes to schedule of federal financial assistance.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Federal Financial Assistance, Continued
By Grantor
Year Ended September 30, 1995

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1995 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
U.S. Federal Direct Assistance Fund									
U.S. Environmental Protection Agency balance forwarded				\$ 1,768,797	\$ 1,046,533	\$ -	\$ 10,716	\$ 1,057,249	\$ 711,548
	66.418		C640004-01-0:						
		3584	Kosrae Waste Water/Admin.	64,500	55,890	-	17,202	73,092	(8,592)
		3585	Const. Waste Water Facility	4,423,977	3,596,710	413,516	-	4,010,226	413,751
			Program Total	4,488,477	3,652,600	413,516	17,202	4,083,318	405,159
	66.418		C640002-02:						
		7576	Chuuk Rural Sanitation Prog.	197,600	390,776	486	-	391,262	(193,662)
		7580	Chuuk RSP Admin.	17,400	-	-	-	-	17,400
			Program Total	215,000	390,776	486	-	391,262	(176,262)
	66.418		C640002-03:						
		7580	Unallotted	7,873	-	-	-	-	7,873
		3591	Chuuk House Sewer Connecti	187,127	9,504	15,792	-	25,296	161,831
			Chuuk HSC Admin.	5,000	-	-	-	-	5,000
			Program Total	200,000	9,504	15,792	-	25,296	174,704
	66.418		C640001-06:						
		7581	Pohnpei RSP Supplemental	95,000	89,236	-	41,519	130,755	(35,755)
			93 Climate Change Study						
		7351	CX822560-01-0	200,000	36,132	-	93,375	129,507	70,493
			National Government						
			Total U.S. EPA	\$ 6,967,274	\$ 5,224,781	\$ 429,794	\$ 162,812	\$ 5,817,387	\$ 1,149,887

See accompanying notes to schedule of federal financial assistance.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Federal Financial Assistance, Continued
By Grantor
Year Ended September 30, 1995

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1995 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
U.S. Federal Direct Assistance Fund									
U.S. Department of Health and Human Services									
	13.994		Maternal & Child Health '89 89BIFMMCHS:						
		7537	Yap	\$ 61,725	\$ 49,235	\$ -	\$ -	\$ 49,235	\$ 12,490
		7538	Yap	3,700	1,527	-	-	1,527	2,173
		7538	Kosrae	1,900	1,287	-	-	1,287	613
		7538	Pohnpei	5,381	1,760	-	-	1,760	3,621
		7538	Chuuk	7,700	4,759	-	-	4,759	2,941
		7539	Kosrae	27,055	4,171	-	-	4,171	22,884
		7541	Pohnpei	75,564	75,564	-	-	75,564	-
		7543	Chuuk	87,460	70,780	-	-	70,780	16,680
		7545	National Government	91,190	83,132	-	1,341	84,473	6,717
		7546	National Government	80,354	71,358	-	-	71,358	8,996
				<u>442,029</u>	<u>363,573</u>	<u>-</u>	<u>1,341</u>	<u>364,914</u>	<u>77,115</u>
	13.268		Childhood Immunization Program '90						
		7615	Unallotted	2,000	-	-	-	-	2,000
		7616	National Government	64,581	68,020	-	152	68,172	(3,591)
		7617	Chuuk	5,255	10,183	-	-	10,183	(4,928)
		7617	Kosrae	357	19	-	-	19	338
		7617	Pohnpei	3,168	3,298	-	-	3,298	(130)
			Program Total	<u>75,361</u>	<u>81,520</u>	<u>-</u>	<u>152</u>	<u>81,672</u>	<u>(6,311)</u>
	13.902		Treatment Program 1H87 TI00054-0100						
		7633	National Government	<u>136,513</u>	<u>129,613</u>	<u>-</u>	<u>(2,400)</u>	<u>127,213</u>	<u>9,300</u>
			Balance forward	<u>653,903</u>	<u>574,706</u>	<u>-</u>	<u>(907)</u>	<u>573,799</u>	<u>80,104</u>

See accompanying notes to schedule of federal financial assistance.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Federal Financial Assistance, Continued
By Grantor
Year Ended September 30, 1995

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1995 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
U.S. Federal Direct Assistance Fund									
U.S. DHHS balance forwarded				\$ 653,903	\$ 574,706	\$ -	\$ (907)	\$ 573,799	\$ 80,104
	93.268		H23/CCH904426-03 Immunization 92						
		7691	National Government	179,636	145,994	-	4,341	150,335	29,301
		7692	Pohnpei	9,471	9,470	-	-	9,470	1
		7692	Chuuk	19,319	20,463	-	-	20,463	(1,144)
		7692	Kosrae	141	141	-	-	141	-
		7692	Yap	716	1,340	-	-	1,340	(624)
			Program Total	<u>209,283</u>	<u>177,408</u>	<u>-</u>	<u>4,341</u>	<u>181,749</u>	<u>27,534</u>
	93.992		92-B1-FM-ADMS						
		7770	National Government	150,044	105,800	-	-	105,800	44,244
		7771	Chuuk	94,000	84,498	-	-	84,498	9,502
		7771	Kosrae	22,500	12,982	-	-	12,982	9,518
		7771	Yap	15,300	11,738	-	-	11,738	3,562
		7771	Yap	38,500	27,823	-	-	27,823	10,677
		7771	Pohnpei	80,656	80,646	-	-	80,646	10
			Program Total	<u>401,000</u>	<u>323,487</u>	<u>-</u>	<u>-</u>	<u>323,487</u>	<u>77,513</u>
	93.977		92 STD H25/CCH904363-03-1						
		7695	Unallotted	210	-	-	-	-	210
		7696	National Government	48,090	29,890	-	2,058	31,948	16,142
		7697	Pohnpei	10,691	7,396	-	-	7,396	3,295
			Program Total	<u>58,991</u>	<u>37,286</u>	<u>-</u>	<u>2,058</u>	<u>39,344</u>	<u>19,647</u>
			Balance forward	<u>1,323,177</u>	<u>1,112,887</u>	<u>-</u>	<u>5,492</u>	<u>1,118,379</u>	<u>204,798</u>

See accompanying notes to schedule of federal financial assistance.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Federal Financial Assistance, Continued
By Grantor
Year Ended September 30, 1995

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1995 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
U.S. Federal Direct Assistance Fund									
U.S. DHHS balance forwarded				\$ 1,323,177	\$ 1,112,887	\$ -	\$ 5,492	\$ 1,118,379	\$ 204,798
	93.994		92 MCH 92-B1-FM-MCHS						
		7751	Unallotted	42,259	-	-	-	-	42,259
		7752	National Government	47,425	43,325	-	-	43,325	4,100
		7753	National Government	143,168	86,755	-	-	86,755	56,413
		7754	Pohnpei	89,519	76,852	466	-	77,318	12,201
		7754	Chuuk	91,909	86,086	-	-	86,086	5,823
		7754	Yap	52,823	37,728	-	-	37,728	15,095
		7754	Kosrae	39,875	35,997	-	-	35,997	3,878
		7756	Yap	7,000	-	-	-	-	7,000
		7756	Kosrae	5,750	4,528	-	-	4,528	1,222
			Program Total	<u>519,728</u>	<u>371,271</u>	<u>466</u>	<u>-</u>	<u>371,737</u>	<u>147,991</u>
	93.268		93 Immunization H23/CCH904426-04						
		7792	National Government	157,507	143,326	-	12,366	155,692	1,815
		7793	Pohnpei	24,937	24,936	-	-	24,936	1
		7793	Chuuk	33,366	49,097	-	-	49,097	(15,731)
		7793	Yap	5,596	5,595	-	-	5,595	1
		7793	Kosrae	573	573	-	-	573	-
			Program Total	<u>221,979</u>	<u>223,527</u>	<u>-</u>	<u>12,366</u>	<u>235,893</u>	<u>(13,914)</u>
	93.283		93 Data Mgmt. Capacity H1G/CCH908215-01						
		7799	National Government	26,975	21,965	-	930	22,895	4,080
			Balance forward	2,091,859	1,729,650	466	18,788	1,748,904	342,955

See accompanying notes to schedule of federal financial assistance.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

**Schedule of Federal Financial Assistance, Continued
By Grantor
Year Ended September 30, 1995**

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1995 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
U.S. Federal Direct Assistance Fund									
U.S. DHHS balance forwarded				\$ 2,091,859	\$ 1,729,650	\$ 466	\$ 18,788	\$ 1,748,904	\$ 342,955
	93.994		93 MCH 93B1FMMCHS						
		7451	Unallotted	38,846	-	-	-	-	38,846
		7452	National Government	53,003	45,700	-	118	45,818	7,185
		7453	National Government	113,920	80,803	-	7,587	88,390	25,530
		7454	Pohnpei	98,914	100,051	-	-	100,051	(1,137)
		7454	Chuuk	99,981	85,154	13,461	-	98,615	1,366
		7454	Kosrae	40,312	33,773	-	-	33,773	6,539
		7454	Yap	55,646	48,738	4,045	-	52,783	2,863
		7455	Pohnpei	6,000	176	-	-	176	5,824
		7455	Chuuk	5,500	5,456	-	-	5,456	44
		7455	Kosrae	7,200	6,800	-	-	6,800	400
		7456	Kosrae	6,200	4,320	-	-	4,320	1,880
		7455	Yap	4,500	117	3,878	-	3,995	505
			Program Total	<u>530,022</u>	<u>411,088</u>	<u>21,384</u>	<u>7,705</u>	<u>440,177</u>	<u>89,845</u>
	93.217		94 Family Planning 09H-001777-8-0						
		7463	Pohnpei	37,229	30,259	-	-	30,259	6,970
		7463	Chuuk	38,197	31,611	-	-	31,611	6,586
		7463	Kosrae	18,925	16,918	1	-	16,919	2,006
		7463	Yap	25,159	16,700	-	-	16,700	8,459
		7360	National Government	20,014	-	-	11,625	11,625	8,389
			Program Total	<u>139,524</u>	<u>95,488</u>	<u>1</u>	<u>11,625</u>	<u>107,114</u>	<u>32,410</u>
			Balance forward	<u>2,761,405</u>	<u>2,236,226</u>	<u>21,851</u>	<u>38,118</u>	<u>2,296,195</u>	<u>465,210</u>

See accompanying notes to schedule of federal financial assistance.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Federal Financial Assistance, Continued
By Grantor
Year Ended September 30, 1995

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1995 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
U.S. Federal Direct Assistance Fund									
U.S. DHHS balance forwarded				\$ 2,761,405	\$ 2,236,226	\$ 21,851	\$ 38,118	\$ 2,296,195	\$ 465,210
	93.959		93 Subs. Abuse Prevention 93 B1 FM SAPT-02						
		7464	National Government	138,185	97,449	-	539	97,988	40,197
		7465	Pohnpei	65,000	61,346	768	-	62,114	2,886
		7473	Chuuk	121,000	113,086	5,116	-	118,202	2,798
		7473	Yap	30,800	14,531	890	-	15,421	15,379
		7473	Yap	36,400	28,204	5,452	-	33,656	2,744
		3684	Yap	-	-	26,364	-	26,364	(26,364)
		7473	Kosrae	18,000	16,923	-	-	16,923	1,077
			Program Total	<u>409,385</u>	<u>331,539</u>	<u>38,590</u>	<u>539</u>	<u>370,668</u>	<u>38,717</u>
	93.630		93 Dev. Disability G-9301-FMBS84						
		7466	Unallotted	68,613	-	-	-	-	68,613
		7467	National Government	152,137	119,789	-	9,130	128,919	23,218
			Program Total	<u>220,750</u>	<u>119,789</u>	<u>-</u>	<u>9,130</u>	<u>128,919</u>	<u>91,831</u>
	93.958		93 Comm. Mental Health 93 B1 FM CMHS-01						
		7469	National Government	72,056	48,610	-	11,815	60,425	11,631
	93.991		93 Preventive Health 93-B1-FM-PRVS						
			Unallotted	18,372	-	-	-	-	18,372
		7471	National Government	19,650	11,127	-	571	11,698	7,952
		7472	Pohnpei	17,918	17,174	-	-	17,174	744
		7472	Chuuk	19,292	15,180	-	-	15,180	4,112
		7472	Kosrae	10,000	9,111	1	-	9,112	888
		7472	Yap	12,572	12,516	-	-	12,516	56
			Program Total	<u>97,804</u>	<u>65,108</u>	<u>1</u>	<u>571</u>	<u>65,680</u>	<u>32,124</u>
			Balance forward	<u>3,561,400</u>	<u>2,801,272</u>	<u>60,442</u>	<u>60,173</u>	<u>2,921,887</u>	<u>639,513</u>

See accompanying notes to schedule of federal financial assistance.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Federal Financial Assistance, Continued
By Grantor
Year Ended September 30, 1995

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1995 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
U.S. Federal Direct Assistance Fund									
U.S. DHHS balance forwarded				\$ 3,561,400	\$ 2,801,272	\$ 60,442	\$ 60,173	\$ 2,921,887	\$ 639,513
	93.268		94 Immunization Program H23/CCH904426-05						
		7492	Unallotted	117,317	-	-	-	-	117,317
		7493	National Government	326,171	135,374	-	104,169	239,543	86,628
		7494	Pohnpei	41,982	20,241	8,602	-	28,843	13,139
		7494	Chuuk	55,830	41,871	(448)	-	41,423	14,407
		7494	Kosrae	12,077	7,505	-	-	7,505	4,572
		7494	Yap	13,077	3,927	1,819	-	5,746	7,331
			Program Total	566,454	208,918	9,973	104,169	323,060	243,394
	93.630		94 Development Disabilities G-9401-FMBS84						
		7374	National Government	126,610	-	-	37,375	37,375	89,235
			Program Total	126,610	-	-	37,375	37,375	89,235
	93.940		94 AIDS Prevention U62/CCU902703-08						
		7498	National Government	46,545	20,856	-	16,275	37,131	9,414
		7499	Pohnpei	9,833	8,456	648	-	9,104	729
		7499	Chuuk	7,441	2,669	-	-	2,669	4,772
		7499	Kosrae	10,481	7,800	3,844	-	11,644	(1,163)
			Program Total	74,300	39,781	4,492	16,275	60,548	13,752
	93.118		94 AIDS Surveillance U62/CCU906251-04						
		7496	National Government	10,861	3,638	-	1,932	5,570	5,291
			Program Total	10,861	3,638	-	1,932	5,570	5,291
			Balance forward	4,339,625	3,053,609	74,907	219,924	3,348,440	991,185

See accompanying notes to schedule of federal financial assistance.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Federal Financial Assistance, Continued
By Grantor
Year Ended September 30, 1995

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1995 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
U.S. Federal Direct Assistance Fund									
U.S. DHHS balance forwarded				\$ 4,339,625	\$ 3,053,609	\$ 74,907	\$ 219,924	\$ 3,348,440	\$ 991,185
	93.224		94 CHC CSH901774-09-0						
		7358	Unallotted	2,653	-	-	-	-	2,653
		7359	Pohnpei	139,709	87,876	22,690	-	110,566	29,143
			Program Total	142,362	87,876	22,690	-	110,566	31,796
	93.958		94 Comm. Mental Health 94 BI FM CMHS-01						
		7367	National Government	80,062	-	-	65,426	65,426	14,636
			Program Total	80,062	-	-	65,426	65,426	14,636
	93.217		95 Family Planning 09H-001777-09-1						
		7365	Pohnpei	41,209	7,596	25,977	-	33,573	7,636
		7365	Chuuk	48,993	2,443	37,157	-	39,600	9,393
		7365	Kosrae	19,959	-	17,063	-	17,063	2,896
		7365	Yap	21,434	2,729	11,881	-	14,610	6,824
			Program Total	131,595	12,768	92,078	-	104,846	26,749
	93.119		95 MHIS 5 HRI SM50914-03						
		7370	Unallotted	39,843	-	-	-	-	39,843
		7371	National Government	99,240	1,933	-	34,384	36,317	62,923
		7372	Pohnpei	10,200	-	2,973	-	2,973	7,227
		7372	Kosrae	3,090	-	-	-	-	3,090
		7372	Yap	2,775	-	-	-	-	2,775
			Program Total	155,148	1,933	2,973	34,384	39,290	115,858
			Balance forward	4,848,792	3,156,186	192,648	319,734	3,668,568	1,180,224

See accompanying notes to schedule of federal financial assistance.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Federal Financial Assistance, Continued
By Grantor
Year Ended September 30, 1995

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1995 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
U.S. Federal Direct Assistance Fund									
U.S. DHHS balance forwarded				\$ 4,848,792	\$ 3,156,186	\$ 192,648	\$ 319,734	\$ 3,668,568	\$ 1,180,224
	93.994		94 MCH 94BIFMMCHS						
		7487	National Government	54,582	5,469	-	36,460	41,929	12,653
		7488	National Government	163,746	-	-	92,385	92,385	71,361
		7489	Pohnpei	103,665	-	83,038	-	83,038	20,627
		7489	Chuuk	107,322	12,000	84,459	-	96,459	10,863
		7489	Kosrae	52,093	-	43,600	-	43,600	8,493
		7489	Yap	64,412	-	57,986	-	57,986	6,426
			Program Total	545,820	17,469	269,083	128,845	415,397	130,423
	93.163		93 PBI/Biomedical Services CSH006478-02-0						
		7484	National Government	70,000	-	-	45,419	45,419	24,581
	93.163		93 PBI/Comm. Base Health CSH064710-01-0						
		7485	Pohnpei	40,000	13,920	1,180	-	15,100	24,900
	93.991		94 PH & PH 94-BI-FM-PRVS						
		7352	Unallotted	7,671	-	-	-	-	7,671
		7488	National Government	25,350	-	-	19,728	19,728	5,622
		7489	Pohnpei	21,917	-	9,242	-	9,242	12,675
		7489	Chuuk	23,591	-	1,800	-	1,800	21,791
		7489	Kosrae	11,790	-	7,116	-	7,116	4,674
		7489	Yap	13,371	-	10,132	-	10,132	3,239
			Program Total	103,690	-	28,290	19,728	48,018	55,672
			Balance forward	5,608,302	3,187,575	491,201	513,726	4,192,502	1,415,800

See accompanying notes to schedule of federal financial assistance.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Federal Financial Assistance, Continued
By Grantor
Year Ended September 30, 1995

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1995 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
U.S. Federal Direct Assistance Fund									
U.S. DHHS balance forwarded				\$ 5,608,302	\$ 3,187,575	\$ 491,201	\$ 513,726	\$ 4,192,502	\$ 1,415,800
	93.977		94 STD H25/CCH904363-04						
		7356	National Government	30,649	16,342	-	6,027	22,369	8,280
		7357	Pohnpei	7,325	4,878	1,139	-	6,017	1,308
			Program Total	37,974	21,220	1,139	6,027	28,386	9,588
	93.116		94 Tuberculosis Control U52/CCU907874-03						
		7361	Unallotted	363	-	-	-	-	363
		7362	National Government	97,743	51,038	-	26,883	77,921	19,822
		7363	Pohnpei	17,520	4,029	7,130	-	11,159	6,361
		7363	Chuuk	21,427	12,809	1,918	-	14,727	6,700
		7363	Kosrae	8,100	6,220	1,369	-	7,589	511
		7363	Yap	15,470	1,230	2,465	-	3,695	11,775
			Program Total	160,623	75,326	12,882	26,883	115,091	45,532
	93.988		94 State-Base Diabetes U32/CCU910641-01						
		7369	National Government	36,690	2,124	-	28,212	30,336	6,354
		7384	Pohnpei	8,400	-	5,789	-	5,789	2,611
		7384	Chuuk	8,400	-	18,974	-	18,974	(10,574)
		7384	Kosrae	8,400	-	8,319	-	8,319	81
		7384	Yap	8,400	-	611	-	611	7,789
			Program Total	70,290	2,124	33,693	28,212	64,029	6,261
			Balance forward	5,877,189	3,286,245	538,915	574,848	4,400,008	1,477,181

See accompanying notes to schedule of federal financial assistance.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Federal Financial Assistance, Continued
By Grantor
Year Ended September 30, 1995

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1995 Fiscal Year Expenditures		Total Program Expenditures	Excess Authorizations (Deficit) Over Program Expenditures
						Subrecipient	National Government		
U.S. Federal Direct Assistance Fund									
U.S. DHHS balance forwarded				\$ 5,877,189	\$ 3,286,245	\$ 538,915	\$ 574,848	\$ 4,400,008	\$ 1,477,181
	93.110		94 State Sys. Develop. Initiative 1 MCI-64T046-01-0						
		7479	Unallotted	60	-	-	-	-	60
		7480	National Government	13,000	2,072	-	-	2,072	10,928
		7481	Pohnpei	21,350	16,306	-	-	16,306	5,044
		7481	Chuuk	24,040	18,532	2,409	-	20,941	3,099
		7481	Kosrae	21,358	11,894	-	-	11,894	9,464
		7481	Yap	20,000	400	-	-	400	19,600
			Program Total	99,808	49,204	2,409	-	51,613	48,195
	93.959		94 Substance Abuse Prevention & Treatment 94 BI FM SAPT						
		7377	National Government	86,056	-	-	80,677	80,677	5,379
		7378	Pohnpei	124,950	-	118,634	-	118,634	6,316
		7378	Chuuk	122,150	-	104,135	-	104,135	18,015
		7378	Kosrae	18,000	-	7,417	-	7,417	10,583
		7378	Yap	25,000	-	18,961	-	18,961	6,039
		7378	Yap	31,900	-	-	-	-	31,900
		7385	Chuuk	19,300	-	17,758	-	17,758	1,542
			Program Total	427,356	-	266,905	80,677	347,582	79,774
	93.163		94 PBI/Nurse Practice CSH006478-04-0						
		7381	National Government	50,339	-	-	15,371	15,371	34,968
	93.163		94 PBI/Biomedical Service CSH006478-03-0						
		7382	National Government	178,541	-	-	131,477	131,477	47,064
			Balance forward	6,633,233	3,335,449	808,229	802,373	4,946,051	1,687,182

See accompanying notes to schedule of federal financial assistance.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Federal Financial Assistance, Continued
By Grantor
Year Ended September 30, 1995

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1995 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
U.S. Federal Direct Assistance Fund									
U.S. DHHS balance forwarded				\$ 6,633,233	\$ 3,335,449	\$ 808,229	\$ 802,373	\$ 4,946,051	\$ 1,687,182
			94 PBI/Comm. Base Health Education CSH006710-02-0						
		7383	National Government	40,000	-	-	-	-	40,000
	93.268		95 Immunization H23/CCH904426-06						
		7393	National Government	315,751	-	-	121,840	121,840	193,911
		7394	Pohnpei	43,563	-	26,918	-	26,918	16,645
		7394	Chuuk	43,659	-	55,386	-	55,386	(11,727)
		7394	Kosrae	13,397	-	536	-	536	12,861
		7394	Yap	18,267	-	7,294	-	7,294	10,973
			Program Total	434,637	-	90,134	121,840	211,974	222,663
	93.116		95 Tuberculosis Control U52/CCU907874-04						
		7446	Unallotted	22,672	-	-	-	-	22,672
		7447	National Government	50,189	-	-	17,479	17,479	32,710
		7448	Pohnpei	20,194	-	10,509	-	10,509	9,685
		7448	Chuuk	25,883	-	15,291	-	15,291	10,592
		7448	Kosrae	13,809	-	3,315	-	3,315	10,494
		7448	Yap	17,876	-	5,381	-	5,381	12,495
			Program Total	150,623	-	34,496	17,479	51,975	98,648
	93.958		95 CMHS 95 B1 FM CMHS						
		7449	Unallotted	76,586	-	-	-	-	76,586
			Balance forward	7,335,079	3,335,449	932,859	941,692	5,210,000	2,125,079

See accompanying notes to schedule of federal financial assistance.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Federal Financial Assistance, Continued
By Grantor
Year Ended September 30, 1995

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1995 Fiscal Year Expenditures		Total Program Expenditures	Excess Authorizations Over Program Expenditures
						Subrecipient	National Government		
U.S. Federal Direct Assistance Fund									
U.S. DHHS balance forwarded				\$ 7,335,079	\$ 3,335,449	\$ 932,859	\$ 941,692	\$ 5,210,000	\$ 2,125,079
	93.988		95 Diabetes U32/CU910641-02						
		3650	Unallotted	20,831	-	-	-	-	20,831
		3651	National Government	17,827	-	-	2,969	2,969	14,858
		3652	Pohnpei	8,400	-	-	-	-	8,400
		3652	Chuuk	8,400	-	-	-	-	8,400
		3652	Kosrae	8,400	-	-	-	-	8,400
		3652	Yap	8,400	-	1,787	-	1,787	6,613
			Program Total	72,258	-	1,787	2,969	4,756	67,502
	93.110		95 SSDI 5 MCJ-647046-02						
		7387	National Government	34,250	-	-	17,000	17,000	17,250
		7388	Pohnpei	10,560	-	2,900	-	2,900	7,660
		7388	Chuuk	21,989	-	9,382	-	9,382	12,607
		7388	Kosrae	21,601	-	21,292	-	21,292	309
		7388	Yap	11,600	-	8,744	-	8,744	2,856
			Program Total	100,000	-	42,318	17,000	59,318	40,682
	93.977		95 STD H25/CCH904363-05						
		7390	National Government	31,673	-	-	15,399	15,399	16,274
		7391	Pohnpei	6,300	-	5,083	-	5,083	1,217
			Program Total	37,973	-	5,083	15,399	20,482	17,491
	93.224		95 CHC CSH901774-10-0						
		7390	Pohnpei	142,362	-	110,135	-	110,135	32,227
			Balance forward	7,687,672	3,335,449	1,092,182	977,060	5,404,691	2,282,981

See accompanying notes to schedule of federal financial assistance.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Federal Financial Assistance, Continued
By Grantor
Year Ended September 30, 1995

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1995 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
U.S. Federal Direct Assistance Fund									
U.S. DHHS balance forwarded				\$ 7,687,672	\$ 3,335,449	\$ 1,092,182	\$ 977,060	\$ 5,404,691	\$ 2,282,981
	93.940		95 AIDS Prevention U62/CCU902703-09						
		7439	Unallotted	23,033	-	-	-	-	23,033
		7440	National Government	5,224	-	-	4,718	4,718	506
		7441	Pohnpei	14,071	-	8,562	-	8,562	5,509
		7441	Chuuk	10,737	-	10,581	-	10,581	156
		7441	Kosrae	14,235	-	4,693	-	4,693	9,542
		7441	Yap	7,000	-	2,578	-	2,578	4,422
			Program Total	74,300	-	26,414	4,718	31,132	43,168
	93.118		95 AIDS Surveillance U62/CCU906251-05						
		7396	National Government	7,333	-	-	2,632	2,632	4,701
	93.994		95 MCH 95B1FMMCHS						
		7442	Unallotted	74,072	-	-	-	-	74,072
		7443	National Government	52,409	-	-	1,026	1,026	51,383
		7444	National Government	72,910	-	-	30,648	30,648	42,262
		7445	Pohnpei	97,777	-	-	-	-	97,777
		7445	Chuuk	109,314	-	14,074	-	14,074	95,240
		7445	Kosrae	55,917	-	-	-	-	55,917
		7445	Yap	64,484	-	-	-	-	64,484
		7490	Pohnpei	11,943	-	-	-	-	11,943
		7490	Kosrae	4,821	-	-	-	-	4,821
			Program Total	543,647	-	14,074	31,674	45,748	497,899
			Balance forward	8,312,952	3,335,449	1,132,670	1,016,084	5,484,203	2,828,749

See accompanying notes to schedule of federal financial assistance.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Federal Financial Assistance, Continued
By Grantor
Year Ended September 30, 1995

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1995 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
U.S. Federal Direct Assistance Fund									
U.S. DHHS balance forwarded				\$ 8,312,952	\$ 3,335,449	\$ 1,132,670	\$ 1,016,084	\$ 5,484,203	\$ 2,828,749
	93.217		96 Family Planning 09H-001777-10-0						
		7437	Unallotted	15,000	-	-	-	-	15,000
		7438	Pohnpei	42,096	-	8,598	-	8,598	33,498
		7438	Chuuk	50,577	-	8,916	-	8,916	41,661
		7438	Kosrae	24,510	-	-	-	-	24,510
		7438	Yap	24,190	-	1,783	-	1,783	22,407
			Program Total	<u>156,373</u>	<u>-</u>	<u>19,297</u>	<u>-</u>	<u>19,297</u>	<u>137,076</u>
			Total U.S. Dept. of Health and Human Services	<u>\$ 8,469,325</u>	<u>\$ 3,335,449</u>	<u>\$ 1,151,967</u>	<u>\$ 1,016,084</u>	<u>\$ 5,503,500</u>	<u>\$ 2,965,825</u>

See accompanying notes to schedule of federal financial assistance.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Federal Financial Assistance, Continued
By Grantor
Year Ended September 30, 1995

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	Fiscal Year 1995 Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
U.S. Federal Direct Assistance Fund									
Federal Emergency Management Agency (FEMA)									
	83.516		FEMA-934-DR-FSM Typhoon Axel PA						
		3842	National Government/Admi	\$ 13,313	\$ 6,247	\$ -	\$ 6,214	\$ 12,461	\$ 852
		3837	Pohnpei	591,627	-	11,131	-	11,131	580,496
		3837	Kosrae	36,184	-	-	-	-	36,184
			Program Total	641,124	6,247	11,131	6,214	23,592	617,532
	83.516		FEMA -886-DR-FSM Typhoon Owen IFG						
		3826	Chuuk	6,406,904	6,188,383	-	-	6,188,383	218,521
	83.516		FEMA -886-DR-FSM Typhoon Owen Admin.						
		3831	National	33,472	19,880	-	1,451	21,331	12,141
	83.516		FEMA -886-DR-FSM Typhoon Owen PA						
		3824	National Government	40,771	34,083	-	-	34,083	6,688
		3830	National Government	33,472	-	-	-	-	33,472
		3820	Chuuk	1,659,395	2,028,763	59,220	-	2,087,983	(428,588)
		3821	Chuuk	3,000	19,110	-	-	19,110	(16,110)
		3821	Yap	822,353	301,829	-	-	301,829	520,524
			Program Total	2,558,991	2,383,785	59,220	-	2,443,005	115,986
			Balance forward	9,640,491	8,598,295	70,351	7,665	8,676,311	964,180

See accompanying notes to schedule of federal financial assistance.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Federal Financial Assistance, Continued
By Grantor
Year Ended September 30, 1995

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	Fiscal Year 1995 Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
U.S. Federal Direct Assistance Fund									
FEMA balance forwarded				\$ 9,640,491	\$ 8,598,295	\$ 70,351	\$ 7,665	\$ 8,676,311	\$ 964,180
	83.516		FEMA-892-FSM Typhoon Russ PA						
		3823	Pohnpei	324,200	547,787	2,627	-	550,414	(226,214)
		3829	National	8,213	-	-	-	-	8,213
			Program Total	332,413	547,787	2,627	-	550,414	(218,001)
	83.516		FEMA-892-DR-FSM Typhoon Russ IFG						
		3828	Pohnpei	129,401	123,481	-	-	123,481	5,920
	83.516		FEMA-926-DR-FSM Typhoon Russ Admin.						
		3832	National Government	8,213	2,424	-	-	2,424	5,789
		3834	Pohnpei	238,260	15,732	-	-	15,732	222,528
			Program Total	246,473	18,156	-	-	18,156	228,317
	83.516		FEMA-926-DR-FSM Typhoon Yuri PA						
		3841	National Government	3,484	1,660	-	763	2,423	1,061
		3843	National Government	15,814	671	-	910	1,581	14,233
		3834	Pohnpei	647,938	270,841	96,672	-	367,513	280,425
		3840	Chuuk	25,478	-	-	-	-	25,478
			Program Total	692,714	273,172	96,672	1,673	371,517	321,197
	83.516		FEMA-926-FSM Typhoon Yuri IFG						
		3830	Pohnpei	375,000	454,879	-	-	454,879	(79,879)
			Balance forward	11,416,492	10,015,770	169,650	9,338	10,194,758	1,221,734

See accompanying notes to schedule of federal financial assistance.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Federal Financial Assistance, Continued
By Grantor
Year Ended September 30, 1995

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	Fiscal Year 1995 Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
U.S. Federal Direct Assistance Fund									
FEMA balance forwarded				\$ 11,416,492	\$ 10,015,770	\$ 169,650	\$ 9,338	\$ 10,194,758	\$ 1,221,734
	83.505	3839	EMF-92-K-0399 National Government	50,000	37,270	-	916	38,186	11,814
	83.505	3845	93 Disaster Preparedness EMF-93-K-0405 National Government	50,000	30,391	-	-	30,391	19,609
	83.516	N/A	Yap Typhoon Owen	761,314	698,359	-	-	698,359	62,955
	83.505	3866	94 Disaster Preparedness EMF-94-K-0435 National Government	25,000	5,830	-	11,864	17,694	7,306
	83.519		Hazard Mitigation FEMA-886-FSM						
		3846	Unallotted	4,944	-	-	-	-	4,944
		3847	National Government	12,179	-	-	2,017	2,017	10,162
		3854	Chuuk	80,000	-	70,474	-	70,474	9,526
		3855	Yap	21,003	6,221	10,876	-	17,097	3,906
		3856	Yap	313,716	31,862	61,591	-	93,453	220,263
		3857	Yap	112,385	64,620	44,964	-	109,584	2,801
		3836	Yap	79,147	-	-	-	-	79,147
			Program Total	623,374	102,703	187,905	2,017	292,625	330,749
	83.519		Hazard Mitigation FEMA-892-FSM						
		3848	National Government	394	-	-	-	-	394
		3852	Pohnpei	12,398	1,798	-	-	1,798	10,600
			Program Total	12,792	1,798	-	-	1,798	10,994
			Balance forward	12,938,972	10,892,121	357,555	24,135	11,273,811	1,665,161

See accompanying notes to schedule of federal financial assistance.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Federal Financial Assistance, Continued
By Grantor
Year Ended September 30, 1995

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	Fiscal Year 1995 Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
U.S. Federal Direct Assistance Fund									
FEMA balance forwarded				\$ 12,938,972	\$ 10,892,121	\$ 357,555	\$ 24,135	\$ 11,273,811	\$ 1,665,161
	83.519		Hazard Mitigation FEMA-926-FSM						
		3849	National Government	7,224	-	-	1,302	1,302	5,922
		3851	Pohnpei	9,308	5,608	-	-	5,608	3,700
		3858	Pohnpei	23,202	23,202	-	-	23,202	-
		3859	Pohnpei	207,700	46,057	100,459	-	146,516	61,184
			Program Total	247,434	74,867	100,459	1,302	176,628	70,806
	83.519		Hazard Mitigation FEMA-934-FSM						
		3850	National Government	1,846	-	-	-	-	1,846
		3860	Kosrae	3,329	-	-	-	-	3,329
		3861	Kosrae	58,216	-	-	-	-	58,216
			Program Total	63,391	-	-	-	-	63,391
	83.519		Hazard Management Cost FEMA-886-934						
		3862	Unallotted	1,600	-	-	-	-	1,600
		3864	Chuuk	36,000	4,980	-	-	4,980	31,020
		3864	Yap	32,000	9,624	-	-	9,624	22,376
		3864	Pohnpei	10,400	-	-	-	-	10,400
			Program Total	80,000	14,604	-	-	14,604	65,396
	83.505		95 Disaster Preparedness-IG EMF-95-K-0565						
		3868	National Government	49,000	-	-	24,486	24,486	24,514
			Total Federal Emergency Management Agency	\$ 13,378,797	\$ 10,981,592	\$ 458,014	\$ 49,923	\$ 11,489,529	\$ 1,889,268

See accompanying notes to schedule of federal financial assistance.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Federal Financial Assistance, Continued
By Grantor
Year Ended September 30, 1995

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	Fiscal Year 1995 Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
U.S. Federal Direct Assistance Fund									
U.S. Department of Transportation - Federal Aviation Administration	20.106	N/A	Chuuk International Airport	\$ 721,000	\$ 683,416	\$ 4,637	\$ -	\$ 688,053	\$ 32,947
			Total U.S. Federal Aviation Administration	\$ 721,000	\$ 683,416	\$ 4,637	\$ -	\$ 688,053	\$ 32,947
National Oceanic and Atmospheric Admin.	11.460	N/A	National Government	\$ 2,004,481	\$ 1,212,264	\$ -	\$ 663,104	\$ 1,875,368	\$ 129,113
			Total National Oceanic and Atmospheric Administration	\$ 2,004,481	\$ 1,212,264	\$ -	\$ 663,104	\$ 1,875,368	\$ 129,113
			Total U.S. Federal Direct Assistance	\$ 55,625,613	\$ 33,044,586	\$ 6,644,335	\$ 2,938,569	\$ 42,627,490	\$ 12,998,123

See accompanying notes to schedule of federal financial assistance.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Non U.S. Direct Assistance Grants
Statement of Expenditures By Grantor
Year Ended September 30, 1995

Grantor	Org. No.	Grantor Title	1995 Fiscal Year Expenditures National Government
Other Direct Assistance Fund:			
Australian Government Grants	7412	Data Mgmt Capacity Building	\$ 848
	7417	SPC Women's Conference	3,552
	7420	Innem Water S/System	23,460
	7436	Micronesian Women Caucus	3,923
	7808	Micronesia Patient Admin.	<u>11,308</u>
			<u>43,091</u>
ILO Assistance	7422	Small Enterprise & Ent. Development	<u>7,225</u>
Japan Foreign Assistance	3935	Hansen's Disease	<u>1,000</u>
New Zealand Foreign Assistant	7430	Instruction and Training of PC	<u>13,234</u>
United Nations	7401	Vitamin A Project	740
	7404	Family Food Production	21,617
	7424	Population and Housing Census	97,416
	7821	EPI/CDD Training	9,176
	7834	TCP/Nutrition Work	<u>6,710</u>
			<u>135,659</u>
South Pacific Commission Grants	7425	FSM Tuna Data Analysis	4,700
	7428	Capacity Building for Sustain. Dev.	<u>7,500</u>
			<u>12,200</u>
World Health Organization	3905	Primary Health/Support	1,335
	3915	Family Plan Administration	1,016
	3976	FY89 Leprosy	7,911
	7413	Tuberculosis Control Prog.	2,560
	7419	Non-Communicable Disease Workshop	22
	7429	Vital Statistics Workshop	4,729
	7432	Disease Vector Control	9,606
	7433	EPI/CDD Training/Workshop	6,929
	7434	Food Safety Training	3,172
	7803	AIDS Prevention Control	3,463
	7838	FY92 Family Health Plan	<u>37,054</u>
			<u>77,797</u>
		Balance forward	<u>290,206</u>

See accompanying notes to schedule of federal financial assistance.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Non U.S. Direct Assistance Grants
Statement of Expenditures By Grantor
Year Ended September 30, 1995

Grantor	Org. No.	Grantor Title	1995 Fiscal Year Expenditures National Government
Other Direct Assistance Fund, Balance Forwarded			\$ 290,206
Forum Fisheries Agency	7824	FSM Port Sampling	42,126
Forum Secretariat-South Pacific	7408	Energy Sector Training	<u>2,307</u>
Total Non-U.S. Grants			\$ <u>334,639</u>
Total U.S. Federal Direct Assistance and Non-U.S. Grants Expenditures			\$ <u>3,273,208</u>
Reconciliation to general-purpose financial statements			
Balance per the above			\$ 3,273,208
Less amounts which relate to foreign grants			<u>(334,639)</u>
Net federal share			\$ <u>2,938,569</u>
Amount per general-purpose financial statements			\$ 3,187,862
Add amount included in financials which relate to OTIA (page 116)			<u>85,346</u>
			\$ <u>3,273,208</u>

See accompanying notes to schedule of federal financial assistance.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Federal Financial Assistance, Continued
By Grantor
Year Ended September 30, 1995

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1995 Fiscal Year Expenditures		Total Program Expenditures	Excess Authorizations (Deficit) Over Program Expenditures
						Subrecipient	National Government		
<u>OTIA TECHNICAL ASSISTANCE:</u>									
	15.875								
FSM-24		3487	Automated Land Record System	\$ 43,866	\$ 50,840	\$ -	\$ -	\$ 50,840	\$ (6,974)
FSM-25		3488	Financial Advisor	133,000	126,987	-	-	126,987	6,013
FSM-38		3505	Economic Newsletter	200,020	158,571	-	-	158,571	41,449
		N/A	PU&C Hwy/Equipment Spare	-	-	523	-	523	(523)
		N/A	PU&C Facility Maintenance	-	-	1,800	-	1,800	(1,800)
		3506	Single Audit	340,000	16,231	-	-	16,231	323,769
FSM-35		3511	National Health Care Plan	22,900	16,827	-	-	16,827	6,073
		3512	Single Audit 88	375,000	366,699	-	-	366,699	8,301
FSM-31		3513	Financial Management System	252,655	237,495	-	-	237,495	15,160
FSM-44		7507	Anti-Drug Training	28,170	10,615	-	900	11,515	16,655
FSM-45		7508	Comprehensive Needs	379,450	378,322	-	-	378,322	1,128
FSM-46		7509	Procurement Management Training	13,600	12,054	-	-	12,054	1,546
		7510	Single Audit '89	350,000	348,915	-	-	348,915	1,085
FSM-48		7512	Cash Management Study	45,000	35,000	-	-	35,000	10,000
FSM-50		7514	Improvement of Radiology	14,200	14,200	-	-	14,200	-
FSM-47		7515	Custom Advisor	96,000	84,165	-	-	84,165	11,835
		7516	Single Audit 90	350,000	328,347	-	-	328,347	21,653
FSM-51		7517	Intercensal Survey	4,000	4,000	-	-	4,000	-
FSM-53		7518	Material Man. Works	6,000	4,979	-	-	4,979	1,021
FSM-55		7852	Kosrae Sec. Dev. Plan	50,000	25,000	-	-	25,000	25,000
FSM-54		7853	Vital Statistics	24,576	22,820	-	-	22,820	1,756
FSM-56		7854	Tourism Educ. Video	32,000	26,351	-	-	26,351	5,649
FSM-57		7855	Short-Term Health	40,000	31,000	-	-	31,000	9,000
FSM-58		7856	Pohnpei Utilities Corporation	110,000	77,500	21,883	-	99,383	10,617
		7857	FY-91 Single Audit	355,000	353,105	-	-	353,105	1,895
OMIP-FSM-91		7859	FSM Capital Comp.	61,360	31,174	-	13,634	44,808	16,552
FSM-59		7863	IMPS	5,200	4,569	-	-	4,569	631
OMIP-Pohnpei-91-1		7864	Initial. of PUC	430,250	422,767	-	-	422,767	7,483
PIR-91-1-FSM		7866	Detector Dog Prog.	45,000	31,600	-	2,197	33,797	11,203
PIR-91-2-FSM		7867	On-Island Anti-Substance Abuse	25,000	15,742	-	-	15,742	9,258
			Balance forward	3,832,247	3,235,875	24,206	16,731	3,276,812	555,435

See accompanying notes to schedule of federal financial assistance.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Federal Financial Assistance, Continued
By Grantor
Year Ended September 30, 1995

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1995 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
OTIA Technical Assistance balance forwarded				\$ 3,832,247	\$ 3,235,875	\$ 24,206	\$ 16,731	\$ 3,276,812	\$ 555,435
PIR-91-3-FSM		7868	PIRAAP Conference	15,000	6,922	-	6,609	13,531	1,469
PIR-91-5-FSM		7869	PIRAAP Ranger Train.	4,000	2,892	-	-	2,892	1,108
PIR-91-8-FSM		7870	ONDCP Conference	3,000	1,180	-	-	1,180	1,820
PIR-91-9-FSM		7871	FBI Regional Training	5,000	4,727	-	-	4,727	273
OMIP-KOS-91-1		7872	Kosrae School Maintenance	75,000	71,134	-	-	71,134	3,866
OMIP-KOS-91-8		7873	Kosrae Vocational Education	25,000	10,474	-	-	10,474	14,526
OMIP-KOS-91-1		7874	Public Works reorganization	65,000	90,862	-	-	90,862	(25,862)
		7882	FY-92 Single Audit	365,000	358,641	-	-	358,641	6,359
		3482	Computer Training	-	110	-	-	110	(110)
		N/A	Budget Advisor	-	21,012	-	-	21,012	(21,012)
FSM-25		3488	Financial Advisor	40,000	-	-	-	-	40,000
FSM-30		3493	Marketing Study	35,000	16,334	-	(4,668)	11,666	23,334
FSM-49		7513	Hospital Lab mgm't imp	25,800	20,017	-	-	20,017	5,783
FSM-60		7885	93 Census Workshop	3,600	2,864	-	-	2,864	736
FSM-61		7886	Economic Newsletter	84,250	84,250	-	-	84,250	-
FSM-64		7896	Tourism Master Plan	85,596	55,037	-	10,310	65,347	20,249
FSM-24		7888	Land Survey Record	30,000	21,460	-	-	21,460	8,540
FSM-25-III		3488	Computer Advisor	53,000	28,265	27,331	-	55,596	(2,596)
FSM-63		7890	Envir. Mgmt Spec.	30,500	30,829	-	-	30,829	(329)
FSM-47-I		7515	Custom Advisor	46,000	9,690	-	-	9,690	36,310
FSM-62		7887	Supply & Pharmacy	9,440	7,534	-	-	7,534	1,906
FSM-66		7304	Firearms Training	33,000	19,889	-	1,440	21,329	11,671
PIR-91-18-FSM		7899	FBI Reg. Train	3,000	988	-	-	988	2,012
PIR-92-20-FSM		7881	DUI Breathalyzer	25,200	4,827	-	-	4,827	20,373
PIR-91-13-FSM		7897	Secure Faxnet System	12,000	11,500	-	-	11,500	500
PIR-91-17-FSM		7898	Anti-Drug Youth	60,000	5,221	-	15,757	20,978	39,022
PIR-91-11-FSM		7884	Comm. Base Trainer	79,000	55,763	-	8,989	64,752	14,248
PIR-91-19-FSM		7883	Cook Support Proj.	12,000	3,106	-	115	3,221	8,779
OMIP-CHUUK-91-1		7894	Dept. Ed. O&M	180,137	5,168	6,095	-	11,263	168,874
OMIP-CHUUK-91-1		7893	Road Disp. Repair	259,863	-	54,190	-	54,190	205,673
OMIP-KOS-91-1		7892	Power System O&M	23,200	33,705	-	-	33,705	(10,505)
OMIP-KOS-91-1		7874	Reorgan. PUC	26,000	-	-	-	-	26,000
OMIP-KOS-91-1		7889	Kosrae Util. Auth.	101,500	79,559	-	-	79,559	21,941
FSM-67		7305	Yap Historic Preserv	13,000	10,630	-	-	10,630	2,370
Balance forward				5,660,333	4,310,465	111,822	55,283	4,477,570	1,182,763

See accompanying notes to schedule of federal financial assistance.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Federal Financial Assistance, Continued
By Grantor
Year Ended September 30, 1995

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1995 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
OTIA Technical Assistance balance forwarded				\$ 5,660,333	\$ 4,310,465	\$ 111,822	\$ 55,283	\$ 4,477,570	\$ 1,182,763
FSM-68		7307	Statistics Workshop	6,800	4,443	-	-	4,443	2,357
FSM-69		7329	Micro. Invest Qrtly	84,250	21,250	-	63,000	84,250	-
FSM-70		7318	US/FSM Econ. Cons.	20,000	19,826	-	-	19,826	174
FSM-72		7322	Pharmac. Workshop	6,000	3,469	-	798	4,267	1,733
FSM-74		7328	Med. Epidem. Train	13,232	-	-	9,405	9,405	3,827
		7300	FY-93 Single Audit	404,000	397,381	-	1,376	398,757	5,243
		7319	FSM National Census	500,000	260,159	-	164,804	424,963	75,037
PIR/91-11-FSM		7884	Comm. State Base MH	26,500	-	-	-	-	26,500
PIR/93-24-FSM		7309	On-Is. Anti-Sub Conf.	25,000	18,291	-	2,840	21,131	3,869
PIR/93-25-FSM		7310	PIRAAP Rev. Meet.	25,000	10,586	-	6,472	17,058	7,942
PIR/93-26-FSM		7311	DOI/US Army Training	20,000	-	-	-	-	20,000
PIR/93-27-FSM		7312	FBI Pac. Training	11,000	8,575	-	1,160	9,735	1,265
PIR/93-28-FSM		7313	Anti-Sub. Abuse PSA	10,000	1,630	-	1,088	2,718	7,282
PIR/93-30-FSM		7314	Altern. Youth Actv.	60,000	-	-	400	400	59,600
PIR/93-34-FSM		7315	Kos. Anti-Sub. Abuse	150,000	-	-	-	-	150,000
PIR/93-35-FSM		7327	DARE Training	30,000	16,588	-	11,466	28,054	1,946
OMIP-POHN-93-2		7306	Water, Sewer Develop	810,000	426,266	-	-	426,266	383,734
OMIP-POHN-93-3		7317	Elect. Utility Dev.	273,468	97,000	124,543	-	221,543	51,925
OMIP-POHN-91-5		7323	Hosp. Maint. Imprv	140,420	-	66,616	-	66,616	73,804
OMIP-CHUUK-91-1		7895	Water & Sewer O&M	50,000	24,020	24,317	-	48,337	1,663
OMIP-CHUUK-91-1		7316	Public Util. Corp	140,000	10,616	12,683	-	23,299	116,701
OMIP-KOS-91-1		7321	Elec. & Power Sys.	108,000	-	-	-	-	108,000
OMIP-KOS-91-2		7891	Maint. Repr Hosp.	20,000	-	-	-	-	20,000
OMIP-KOS-93-1		7320	School Maint. Prog	125,000	-	-	-	-	125,000
		N/A	Multiagency Antifraud	-	48,495	73,310	-	121,805	(121,805)
		3500	PUC Power Upgrade	125,000	-	-	-	-	125,000
FSM-73		7333	Health Care Worker	125,000	-	-	3,729	3,729	121,271
FSM-75		7332	Eliminate VAD Chuuk	125,000	-	-	15,776	15,776	109,224
FSM-76		7335	Statistics Workshop	125,000	-	-	12,890	12,890	112,110
		7334	94 Single Audit	619,000	-	-	506,497	506,497	112,503
PIR-36-FSM		7336	Unallotted	125,000	-	-	-	-	125,000
		7337	Dare Training	125,000	-	-	-	-	125,000
		7338	Criminal Prosecution	125,000	-	-	-	-	125,000
Balance forward				10,213,003	5,679,060	413,291	856,984	6,949,335	3,263,668

See accompanying notes to schedule of federal financial assistance.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Federal Financial Assistance, Continued
By Grantor
Year Ended September 30, 1995

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1995 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
OTIA Technical Assistance balance forwarded				\$ 10,213,003	\$ 5,679,060	\$ 413,291	\$ 856,984	\$ 6,949,335	\$ 3,263,668
		7339	Regional Law Enforcement	125,000	-	-	24,094	24,094	100,906
		7340	Regional Law Enforcement Equip.	125,000	-	-	-	-	125,000
		7342	Pohnpei PADY	125,000	-	-	18,270	18,270	106,730
		7345	FSM Detective Dog	125,000	-	-	11,900	11,900	113,100
		7346	FSM Anti-Drug PSA	125,000	-	-	-	-	125,000
		7347	On-island Conference	125,000	-	-	16,731	16,731	108,269
OMIP-POHN-PUC-95-2		3621	PUC 2nd & 3rd Year	125,000	-	-	-	-	125,000
OMIP-POHN-PUC-95-1		3622	Finanical Comprehensive Analysis	125,000	-	-	-	-	125,000
OMIP-POHN-95-2		3626	Finanical Management 1st Year	125,000	-	17,821	-	17,821	107,179
OMIP-POHN-95-3		3627	95 Pohnpei OMIP Program	125,000	-	157	-	157	124,843
OMIP-KOS-94-1		7331	Upgrade C & E/Jail	125,000	-	-	-	-	125,000
		3504	Computer Aided Design	125,000	-	-	-	-	125,000
		3514	Technial Manual C & E	125,000	-	-	-	-	125,000
		7330	2nd Year DPW	125,000	-	-	-	-	125,000
OMIP-KOS-95-1		3623	Strengthening KUA 2nd Year	125,000	-	-	-	-	125,000
OMIP-KOS-95-3		3624	Solid Waste Management	125,000	-	-	-	-	125,000
OMIP-KOS-95-4		3625	Road Maintenance Management	125,000	-	-	-	-	125,000
Total OTIA Technical Assistance Grants				<u>\$ 12,338,003</u>	<u>\$ 5,679,060</u>	<u>\$ 431,269</u>	<u>\$ 927,979</u>	<u>\$ 7,038,308</u>	<u>\$ 5,299,695</u>
Amount per general-purpose financial statements					\$ 1,013,325				
Less amounts whihc are classified in U.S. Direct Assistance Fund (See page 112)					<u>(85,346)</u>				
					<u>\$ 927,979</u>				

See accompanying notes to schedule of federal financial assistance.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Federal Financial Assistance, Continued
By Grantor
Year Ended September 30, 1995

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1995 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
<u>Subrecipient</u>									
<u>OTIA Special O&M</u>									
	15.875		Yap O&M - 1,3	\$ 1,550,000	\$ 610,957	\$ -	\$ -	\$ 610,957	\$ 939,043
			Kosrae O&M - 1,2,3	1,500,000	284,189	-	-	284,189	1,215,811
			Pohnpei O&M 1,2,3,4,5,6,7,8	2,185,000	1,010,684	-	-	1,010,684	1,174,316
			Chuuk O&M - 1,2,3	<u>2,070,000</u>	<u>592,939</u>	<u>-</u>	<u>-</u>	<u>592,939</u>	<u>1,477,061</u>
			Total O&M	<u>\$ 7,305,000</u>	<u>\$ 2,498,769</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,498,769</u>	<u>\$ 4,806,231</u>
<u>CFSM and OTIA/TTPI</u>									
<u>Capital Project Funds:</u>									
		6303	FSM Capitol Construction	\$ 13,320,000	\$ 13,317,773	\$ -	\$ -	\$ 13,317,773	\$ 2,227
		6304	Pohnpei Airport Terminal Design and Constructions	438,544	152,917	-	-	152,917	285,627
		6305	Kolonia Water Sewer Improvement Project	2,007,000	1,678,671	-	-	1,678,671	328,329
		6306	Staff House Renovation	250,000	246,767	-	-	246,767	3,233
		6307	COM-Palikir Campus Proj.	3,979,040	1,264,752	-	1,416,751	2,681,503	1,297,537
		6308	Pohnpei Rural Sanitation	277,500	245,511	-	-	245,511	31,989
		6309	Pohnpei Circumferential Road	1,775,000	234,361	-	-	234,361	1,540,639
		6311	Kolonia Roadside Drainage	485,000	450,756	-	-	450,756	34,244
		6312	Supply Warehouse	38,087	-	-	-	-	38,087
		6313	COM-Palikir Compus Proj	-	1,441,693	-	1,914,610	3,356,303	(3,356,303)
		6314	Capital Complex & Road	40,760	20,888	-	790	21,678	19,082
		6315	CIP Administration-OPS	93,149	25,342	-	-	25,342	67,807
		6324	Kolonia House Sewer Connection	373,800	17,000	-	-	17,000	356,800
		6325	Kolonia Sanitary Facilities	189,000	189,001	-	-	189,001	(1)
		N/A	Capital Wells	<u>39,213</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,213</u>
			Total CFSM & OTIA/TTPI Capital Projects Funds	<u>\$ 23,306,093</u>	<u>\$ 19,285,432</u>	<u>\$ -</u>	<u>\$ 3,332,151</u>	<u>\$ 22,617,583</u>	<u>\$ 688,510</u>

See accompanying notes to schedule of federal financial assistance.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Federal Financial Assistance, Continued
By Grantor
Year Ended September 30, 1995

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1995 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
<u>Compact of Free Association Funding:</u>									
U.S. Office of Territorial and International Affairs (OTIA) 15.875									
			<u>Special Development Assistance Section 212(b)</u>						
		2153	95 Special Development Assistance	\$ 526,676	\$ -	\$ -	\$ -	\$ -	\$ 526,676
			<u>Communications - Annual Section 215(a)(3)</u>						
		2232	95 Communications	846,000	-	-	846,000	846,000	-
			<u>Communications - One Time, Section 215(b)(2)</u>						
		2232	Telephone System	875,000	-	-	71,775	71,775	803,225
		2286	<u>Marine Surveillance, Section 216(a)(1)</u>	566,065	1,091,684	-	410,947	1,502,631	(936,566)
			<u>Health and Medical, Section 216(a)(2)</u>						
		2501	Local Capabilities	34,000	15,680	-	26,201	41,881	(7,881)
		2502	Health Team Visit	36,000	15,230	-	45,459	60,689	(24,689)
			Total Health and Medical	70,000	30,910	-	71,660	102,570	(32,570)
		2287	<u>Marine Surveillance, Section 216 (b)</u>	288,472	195,570	-	-	195,570	92,902
			Balance forward	3,172,213	1,318,164	-	1,400,382	2,718,546	453,667

See accompanying notes to schedule of federal financial assistance.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Federal Financial Assistance, Continued
By Grantor
Year Ended September 30, 1995

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1995 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
Compact Funding balance forwarded				\$ 3,172,213	\$ 1,318,164	\$ -	\$ 1,400,382	\$ 2,718,546	\$ 453,667
<u>Special Block Grant, Section 221(b)</u>									
	2002		Nutrition Serv.	7,900	7,807	-	20,128	27,935	(20,035)
	2004		Tuberculosis Program	22,000	-	-	14,794	14,794	7,206
	2005		Leptospirosis/O/Ch	10,000	5,598	-	659	6,257	3,743
	2005		Leptospirosis Control	20,200	-	-	-	-	20,200
	2012		Lep/Den/Cholera Program	20,000	2,985	-	-	2,985	17,015
	2017		Lep/Denguel/Cholera	90,000	32,986	-	-	32,986	57,014
	2018		Lep/Denguel/Cholera	10,000	-	-	-	-	10,000
	2019		Lep/Denguel/Cholera	20,000	784	-	2,876	3,660	16,340
	2051		Hansen Disease	5,000	-	-	3,991	3,991	1,009
	2052		Family Health Project	2,500	-	-	1,492	1,492	1,008
	2053		Mental Health Serv.	14,000	22,882	-	12,099	34,981	(20,981)
	2054		Maternal and Child Health	2,000	-	-	1,649	1,649	351
	2055		Health Planning	33,400	4,946	-	16,208	21,154	12,246
	2058		Vital Statistics	20,000	11,716	-	17,767	29,483	(9,483)
	2060		Childhood Immunization	26,300	-	-	17,759	17,759	8,541
	2101		National Curriculum	38,747	19,124	-	26,709	45,833	(7,086)
	2102		National Standard	20,000	23,139	-	16,836	39,975	(19,975)
	2106		Teacher Training Program	-	-	-	2,000	2,000	(2,000)
	2107		Vocational Education	-	-	-	676	676	(676)
	2108		FSM Australia Science	33,317	-	-	33,284	33,284	33
	2109		College Admin. Test	18,586	-	-	11,661	11,661	6,925
	2118		'91 Vocational Education Imp. Prog.	-	-	-	8,109	8,109	(8,109)
	2900		Nat. Womens Intr.	17,300	12,553	-	15,893	28,446	(11,146)
	2902		Chronic Disease	10,000	9,106	-	8,858	17,964	(7,964)
	2903		Health Education	3,000	479	-	-	479	2,521
	2904		C/Disease Control & Prevention	-	-	-	66,740	66,740	(66,740)
	2905		C/Disease Control & Prevention	-	-	-	21,921	21,921	(21,921)
	2907		C/Disease Control & Prevention	-	-	-	3,884	3,884	(3,884)
			Subtotal special block grant	444,250	154,105	-	325,993	480,098	(35,848)
			Balance forward	3,172,213	1,318,164	-	1,400,382	2,718,546	453,667

See accompanying notes to schedule of federal financial assistance.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Federal Financial Assistance, Continued
By Grantor
Year Ended September 30, 1995

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1995 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
Compact Funding balance forwarded				\$ 3,172,213	\$ 1,318,164	\$ -	\$ 1,400,382	\$ 2,718,546	\$ 453,667
Special block grant balance forwarded				444,250	154,105	-	325,993	480,098	(35,848)
	2908		Child Abuse & Neg.	8,900	21,981	-	6,925	28,906	(20,006)
	2909		S/Abuse Prevention & Treatment	14,300	21,876	-	7,196	29,072	(14,772)
	2910		Professional Support Services	18,800	-	-	5,785	5,785	13,015
	2911		FSM Food Protection, Inspection, & Cer	56,500	-	-	49,328	49,328	7,172
	2912		Outstanding Tuition	44,000	-	-	-	-	44,000
	2913		AIDS & Prevention Control	15,100	-	-	8,770	8,770	6,330
			Total Special Block Grant	601,850	197,962	-	403,997	601,959	(109)
			<u>Post Secondary Education</u>						
			<u>Section 216(a)(3):</u>						
	2579		87 Scholarship - Pohnpei	349,783	-	-	-	-	349,783
	2610		87 Scholarship - Chuuk	499,488	-	-	-	-	499,488
	2631		87 Scholarship - Kosrae	155,900	431,228	-	-	431,228	(275,328)
	2641		87 Scholarship - Yap	194,828	-	-	-	-	194,828
	2580		88 Scholarship - Pohnpei	431,228	-	-	-	-	431,228
	2611		88 Scholarship - Chuuk	615,852	-	-	-	-	615,852
	2650		88 Scholarship - Kosrae	192,181	-	-	-	-	192,181
	2641		88 Scholarship - Yap	240,179	-	-	-	-	240,179
	2549		88 COM Operations	900,000	-	-	-	-	900,000
	2681		89 Scholarship - Pohnpei	288,003	288,003	-	-	288,003	-
	2612		89 Scholarship - Chuuk	411,716	-	-	-	-	411,716
	2651		89 Scholarship - Kosrae	128,661	-	-	-	-	128,661
	2642		89 Scholarship - Yap	161,321	-	-	-	-	161,321
	N/A		89 COM Operations	900,000	-	-	-	-	900,000
	2581		90 Scholarship - Pohnpei	288,003	-	-	-	-	288,003
	2613		90 Scholarship - Chuuk	411,716	-	-	-	-	411,716
			Subtotal post secondary education	6,168,859	719,231	-	-	719,231	5,449,628
			Balance forward	3,774,063	1,516,126	-	1,804,379	3,320,505	453,558

See accompanying notes to schedule of federal financial assistance.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Federal Financial Assistance, Continued
By Grantor
Year Ended September 30, 1995

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1995 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
Compact Funding balance forwarded				\$ 3,774,063	\$ 1,516,126	\$ -	\$ 1,804,379	\$ 3,320,505	\$ 453,558
Post Secondary Education balance forwarded				6,168,859	719,231	-	-	719,231	5,449,628
	2652		90 Scholarship - Kosrae	128,661	-	-	-	-	128,661
	2643		90 Scholarship - Yap	161,321	-	-	-	-	161,321
	2674		90 COM Operations	800,000	-	-	-	-	800,000
	2675		91 Scholarship - National	100,000	615,812	-	-	615,812	(515,812)
	2582		91 Scholarship - Pohnpei	288,003	411,716	-	-	411,716	(123,713)
	2614		91 Scholarship - Chuuk	411,716	-	-	-	-	411,716
	2653		91 Scholarship - Kosrae	128,661	460,158	-	-	460,158	(331,497)
	2642		91 Scholarship - Yap	161,321	411,716	-	-	411,716	(250,395)
	2549		91 COM Operations	800,000	774,990	-	-	774,990	25,010
	2582		92 Scholarship - Pohnpei	288,003	161,321	-	-	161,321	126,682
	2613		92 Scholarship - Chuuk	411,716	161,320	-	-	161,320	250,396
	2653		92 Scholarship - Kosrae	128,661	355,623	-	-	355,623	(226,962)
	2644		92 Scholarship - Yap	161,320	153,467	-	-	153,467	7,853
	2549		92 COM Operations	800,000	125,285	-	-	125,285	674,715
	2675		93 Scholarship - National	75,000	53,241	-	-	53,241	21,759
	2582		93 Scholarship - Pohnpei	288,003	-	-	-	-	288,003
	2613		93 Scholarship - Chuuk	411,716	199,600	-	-	199,600	212,116
	2653		93 Scholarship - Kosrae	128,661	349,783	-	-	349,783	(221,122)
	2644		93 Scholarship - Yap	161,320	288,003	-	-	288,003	(126,683)
	2549		93 COM Operations	400,000	400,000	-	-	400,000	-
	2550		93 COM-FSM	711,837	710,826	-	-	710,826	1,011
	2675		94 Scholarship - National	50,000	288,003	-	-	288,003	(238,003)
	2582		94 Scholarship - Pohnpei	288,003	344,221	-	-	344,221	(56,218)
	2613		94 Scholarship - Chuuk	411,716	-	-	-	-	411,716
	2676		94 Scholarship - Kosrae	18,852	161,320	-	18,852	180,172	(161,320)
	2677		94 Scholarship - Kosrae	109,809	457,500	-	102,801	560,301	(450,492)
	2644		94 Scholarship - Yap	161,320	115,000	-	-	115,000	46,320
	2550		94 COM-FSM	457,500	42,251	-	-	42,251	415,249
			Subtotal post secondary education	14,611,979	7,760,387	-	121,653	7,882,040	6,729,939
			Balance forward	3,774,063	1,516,126	-	1,804,379	3,320,505	453,558

See accompanying notes to schedule of federal financial assistance.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Federal Financial Assistance, Continued
By Grantor
Year Ended September 30, 1995

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1995 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
Compact Funding balance forwarded				\$ 3,774,063	\$ 1,516,126	\$ -	\$ 1,804,379	\$ 3,320,505	\$ 453,558
Post Secondary Education balance forwarded				14,611,979	7,760,387	-	121,653	7,882,040	6,729,939
	2551		94 Continuing Education Center	115,000	292,500	-	-	292,500	(177,500)
	2552		94 Assistance to Students	50,000	223,885	-	2,599	226,484	(176,484)
	2553		94 COM-FSM Operation	292,500	-	-	800,000	800,000	(507,500)
	2675		95 Scholarship - National	100,000	-	-	49,000	49,000	51,000
	2582		95 Scholarship - Pohnpei	288,003	-	-	288,003	288,003	-
	2613		95 Scholarship - Chuuk	411,716	-	-	348,066	348,066	63,650
	2653		95 Scholarship - Kosrae	128,661	-	-	211,307	211,307	(82,646)
	2644		95 Scholarship - Yap	161,320	-	-	161,320	161,320	-
	2553		95 COM-FSM Operation	800,000	-	-	-	-	800,000
			Total Post Secondary Education	16,959,179	8,276,772	-	1,981,948	10,258,720	6,700,459
			<u>Compact Energy, Section 214</u>						
	2760		National Government	370,815	-	-	348,806	348,806	22,009
			Total Compact Energy	370,815	-	-	348,806	348,806	22,009
			<u>Compact Capital Account</u>						
			<u>Capital Project Funds:</u>						
	5870		Piggery Production Project	-	3,840	-	-	3,840	(3,840)
	6000		MTN Program	1,148,125	1,148,125	-	-	1,148,125	-
	6001		Kosrae PD Office	23,000	22,898	-	-	22,898	102
	6003		Pest & Disease Survey	45,000	43,907	-	-	43,907	1,093
	6004		Livestock Project	25,000	17,381	-	-	17,381	7,619
	6005		MLSC Office Building	60,000	55,930	-	-	55,930	4,070
	6006		Local Catch Stats.	45,000	44,950	-	-	44,950	50
	6007		Fish Poisoning	10,000	6,712	-	-	6,712	3,288
	6008		Investment Development	61,000	54,303	-	-	54,303	6,697
	6009		Consumer Price Index	10,000	21,978	-	43,349	65,327	(55,327)
			Compact Capital Account Subtotal	1,427,125	1,420,024	-	43,349	1,463,373	(36,248)
			Balance forward	21,104,057	9,792,898	-	4,135,133	13,928,031	7,176,026

See accompanying notes to schedule of federal financial assistance.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Federal Financial Assistance, Continued
By Grantor
Year Ended September 30, 1995

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1995 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
Compact Funding balance forwarded				\$ 21,104,057	\$ 9,792,898	\$ -	\$ 4,135,133	\$ 13,928,031	\$ 7,176,026
Subtotal Compact Capital Account balance forwarded				1,427,125	1,420,024	-	43,349	1,463,373	(36,248)
	6010		Supreme Court Building	100,000	82,910	-	-	82,910	17,090
	6014		Tuna Transshipment Fees	12,000	11,495	-	-	11,495	505
	6015		Commercial Fish Posters	14,000	11,066	-	-	11,066	2,934
	6016		Marine Poison Investigation	42,000	8,080	-	210	8,290	33,710
	6017		Project Planning & Development	354,540	128,028	-	-	128,028	226,512
	6021		Hemodialysis Project	50,000	48,224	-	-	48,224	1,776
	6022		Yap Outer Island High School	100,000	97,751	-	-	97,751	2,249
	6024		Livestock Dev. Broiler	140,000	137,769	-	-	137,769	2,231
	6025		Technical Assistance	350,000	341,566	-	-	341,566	8,434
	6026		Chuuk Broiler Project	140,000	105,910	-	10,565	116,475	23,525
	6027		Chuuk Survey	15,000	14,520	-	-	14,520	480
	6028		FSM Manpower Survey	50,000	43,085	-	-	43,085	6,915
	6029		Ulul Airstrip	40,000	39,444	-	-	39,444	556
	6032		Fish Aggregation Device	20,000	16,915	-	-	16,915	3,085
	6033		Chuuk Court House Construction	202,000	202,000	-	-	202,000	-
	6034		Kitti Road Development	-	8,333	-	-	8,333	(8,333)
	6047		CCM Repair & Renov.	-	270	-	-	270	(270)
	6048		Res. Assessment in Outer Bank	75,000	49,400	-	-	49,400	25,600
	6049		Yap PD Office Renov.	-	18,944	-	-	18,944	(18,944)
			National Social & Economic Survey	18,000	11,715	-	-	11,715	6,285
	6051		National Staff Upgrade	75,000	89,039	-	-	89,039	(14,039)
	6052		FSM Acquaculture Center	150,000	124,016	-	-	124,016	25,984
	6053		Development Loan Fund	2,200,000	2,200,000	-	-	2,200,000	-
	6054		A&E CCM Campus	1,100,000	954,301	-	59,020	1,013,321	86,679
	6055		Maritime Boundary	5,000	24,967	-	-	24,967	(19,967)
	6056		Copra Warehouse Pohnpei	71,500	71,196	-	-	71,196	304
	6057		Yap Broiler Project	-	-	-	69,849	69,849	(69,849)
			Compact Capital Account Subtotal	6,751,165	6,260,968	-	182,993	6,443,961	307,204
			Balance forward	21,104,057	9,792,898	-	4,135,133	13,928,031	7,176,026

See accompanying notes to schedule of federal financial assistance.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Federal Financial Assistance, Continued
By Grantor
Year Ended September 30, 1995

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1995 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
Compact Funding balance forwarded				\$ 21,104,057	\$ 9,792,898	\$ -	\$ 4,135,133	\$ 13,928,031	\$ 7,176,026
Subtotal Compact Capital Account balance forwarded				6,751,165	6,260,968	-	182,993	6,443,961	307,204
	6058		Pohnpei PD Office Construction	38,000	34,204	-	-	34,204	3,796
	6060		Business & Tourism Promotion	35,000	34,678	-	-	34,678	322
	N/A		Lehnesi River Hydro	45,000	-	-	-	-	45,000
	N/A		Chuuk Cold Storage	50,000	-	-	-	-	50,000
	6083		Development Loan Fund	2,000,000	2,000,000	-	-	2,000,000	-
	N/A		FSM Ambassador's Residence	175,000	-	-	-	-	175,000
	6090		MS Drydocking	-	547,953	-	59,898	607,851	(607,851)
	6091		National Board	80,000	35,039	-	29,210	64,249	15,751
	6288		Yap Hospital Maintenance	70,000	64,038	-	-	64,038	5,962
	6227		Fumigation of Citrus	20,000	7,604	-	-	7,604	12,396
	6228		Ext. Tafweyat Section Road	-	6,412	-	-	6,412	(6,412)
	6285		Micro Spirit Des. Equip.	45,000	45,000	-	-	45,000	-
	6901		Iohl Road	-	10,698	-	-	10,698	(10,698)
	6902		Nat'l Staff Upgrading	100,000	91,872	-	-	91,872	8,128
	6903		Nat'l Staff Upgrading	-	60,047	-	-	60,047	(60,047)
	6904		Purchase of shares/FSM Bank	3,000,000	3,000,000	-	-	3,000,000	-
	6905		Caroline Fisheries Corp. subsidy	1,700,000	1,700,000	-	-	1,700,000	-
	6907		Coastal Resources Atlas	-	170,000	-	-	170,000	(170,000)
	6908		Oneop Ice-plant	-	10,000	-	-	10,000	(10,000)
	6916		Water Treatment Assessment	-	345,493	-	-	345,493	(345,493)
	6917		Bus. Dev. Loan Fund	2,500,000	2,500,000	-	-	2,500,000	-
	6918		Iohl Road	-	41,900	-	-	41,900	(41,900)
	6920		Nat'l and State CIP	-	10,000	-	-	10,000	(10,000)
	6921		Chuuk Fresh Tuna	-	1,100,000	-	-	1,100,000	(1,100,000)
	6922		Kosrae Sea Venture Inc.	-	50,000	-	-	50,000	(50,000)
	6923		YFTI Equipment Purchase	-	1,300,000	-	-	1,300,000	(1,300,000)
	6924		Kosrae Sea Venture	-	425,000	-	425,000	850,000	(850,000)
			Compact Capital Account Subtotal	16,609,165	19,850,906	-	697,101	20,548,007	(3,938,842)
			Balance forward	21,104,057	9,792,898	-	4,135,133	13,928,031	7,176,026

See accompanying notes to schedule of federal financial assistance.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Federal Financial Assistance, Continued
By Grantor
Year Ended September 30, 1995

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1995 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
Compact Funding balance forwarded				\$ 21,104,057	\$ 9,792,898	\$ -	\$ 4,135,133	\$ 13,928,031	\$ 7,176,026
Subtotal Compact Capital Account balance forwarded				16,609,165	19,850,906	-	697,101	20,548,007	(3,938,842)
	6925		Tuna Cannery Feasibility	-	17,203	-	5,797	23,000	(23,000)
	6926		Business Development Loan Fund	-	3,000,000	-	-	3,000,000	(3,000,000)
	6927		FSM Staff Upgrade	-	60,966	-	53,272	114,238	(114,238)
	6928		Yap Fishing Corporation	-	286,449	-	-	286,449	(286,449)
	6929		Postal Services Headquarters	-	1,175	-	71,055	72,230	(72,230)
	6930		FY95 Development Loan Fund	-	-	-	3,000,000	3,000,000	(3,000,000)
	6931		Immigration Communication Network	53,500	-	-	53,411	53,411	89
	6932		Furniture/Equipment New Campus	1,810,248	-	-	782,598	782,598	1,027,650
	6933		National Staff Upgrading	39,452	-	-	14,965	14,965	24,487
	6934		Policy Adv. Team Tech. Assist.	-	-	-	5,412	5,412	(5,412)
	6937		Drydocking of YSS Palulap	-	-	-	74,671	74,671	(74,671)
	6956		Relocation of Schoolroom	30,000	25,000	-	-	25,000	5,000
			Total Compact Capital Account	18,542,365	23,241,699	-	4,758,282	27,999,981	(9,457,616)
			Compact Current Account						
			General Fund:						
			Title II, Article I, Section 211(a)	6,513,761	-	-	6,513,761	6,513,761	-
			Total Compact Funding	\$ 46,160,183	\$ 33,034,597	\$ -	\$ 15,407,176	\$ 48,441,773	\$ (2,281,590)

Note: The National Government's subrecipient of the 215(a)(2) and 215(b)(2) funds is the FSM Telecommunications Corporation (Telecom). These funds are received by the National Government and are then transferred out to Telecom.

Note: The \$3,000,000 transfer of Compact Capital Account funds (Org. # 6930) was made by the National Government to the FSM Development Bank, a component unit - proprietary fund, pursuant to a Congress of the FSM appropriation and an authorization of the Federated Development Authority.

See accompanying notes to schedule of federal financial assistance.

FEDERATED STATES OF MICRONESIA NATIONAL GOVERNMENT AND SUBRECIPIENTS

Schedule of Federal Financial Assistance, Continued
 Compact Funding Summary CFDA # 15.875
 Summary of Expenditures and Budgetary
 Position by Compact Section
 Year Ended September 30, 1995

Grant Title	Government	Base Grant	Section 217 Inflation Adjustment	Total Cumulative Apportionment	Prior Year Expenditures and Transfers	Fiscal Year 1995 Expenditures & Transfers		Total Program Expenditures and Transfers	Excess (Deficit) Apportionment Over Program Expenditures
						Subrecipients	National Government		
Section 211(a), Current Account									
	National Government	\$ 27,905,480	\$ 7,934,218	\$ 35,839,698	\$ 37,944,229	\$ -	\$ 6,513,761	\$ 44,457,990	\$ (8,618,292)
	Chuuk	88,600,800	28,996,796	117,597,596	133,783,772	16,410,984	-	150,194,756	(32,597,160)
	Pohnpei	56,802,600	17,307,890	74,110,490	84,487,562	10,521,198	-	95,008,760	(20,898,270)
	Yap	38,624,160	11,693,896	50,318,056	57,374,171	7,154,117	-	64,528,288	(14,210,232)
	Kosrae	22,005,480	6,705,103	28,710,583	33,105,926	-	-	33,105,926	(4,395,343)
	Subtotal	233,938,520	72,637,903	306,576,423	346,695,660	34,086,299	6,513,761	387,295,720	(80,719,297)
Section 211(a), Capital Account									
	National Government	22,344,520	7,377,032	29,721,552	33,664,530	-	4,758,282	38,422,812	(8,701,260)
	Chuuk	61,747,200	16,814,464	78,561,664	71,472,675	9,192,098	-	80,664,773	(2,103,109)
	Pohnpei	40,823,600	12,469,482	53,293,082	75,539,011	6,401,632	-	81,940,643	(28,647,561)
	Yap	23,766,240	7,195,496	30,961,736	28,879,844	4,336,240	-	33,216,084	(2,254,348)
	Kosrae	19,279,920	5,874,621	25,154,541	29,495,765	2,090,063	-	31,585,828	(6,431,287)
	Sub Total	167,961,480	49,731,095	217,692,575	239,051,825	22,020,033	4,758,282	265,830,140	(48,137,565)
	Subtotal Major Block Grant	401,900,000	122,368,998	524,268,998	585,747,485	56,106,332	11,272,043	653,125,860	(128,856,862)
Section 213 (b), Yap Coast Guard Station									
	Yap	160,000	-	160,000	160,000	-	-	160,000	-
Section 214, Energy Grant									
	National Government	1,200,600	388,194	1,588,794	1,548,238	-	348,806	1,897,044	(308,250)
	Chuuk	5,698,800	1,842,612	7,541,412	8,403,047	1,510,980	-	9,914,027	(2,372,615)
	Pohnpei	4,500,000	1,455,000	5,955,000	6,770,970	1,214,644	-	7,985,614	(2,030,614)
	Yap	3,900,600	1,261,194	5,161,794	6,054,715	719,069	-	6,773,784	(1,611,990)
	Kosrae	2,700,000	873,000	3,573,000	3,950,894	647,403	-	4,598,297	(1,025,297)
	Total Section 214	18,000,000	5,820,000	23,820,000	26,727,864	4,092,096	348,806	31,168,766	(7,348,766)
	Balance forward	420,060,000	128,188,998	548,248,998	612,635,349	60,198,428	11,620,849	684,454,626	(136,205,628)

See accompanying notes to schedule of federal financial assistance.

FEDERATED STATES OF MICRONESIA NATIONAL GOVERNMENT AND SUBRECIPIENTS

Schedule of Federal Financial Assistance, Continued
 Compact Funding Summary CFDA # 15.875
 Summary of Expenditures and Budgetary
 Position by Compact Section
 Year Ended September 30, 1995

Grant Title	Government	Base Grant	Section 217 Inflation Adjustment	Total Cumulative Apportionment	Prior Year Expenditures and Transfers	Fiscal Year 1995 Expenditures & Transfers		Total Program Expenditures and Transfers	Excess (Deficit) Apportionment Over Program Expenditures
						Subrecipients	National Government		
Compact Funding Summary balance forwarded		\$ 420,060,000	\$ 128,188,998	\$ 548,248,998	\$ 612,635,349	\$ 60,198,428	\$ 11,620,849	\$ 684,454,626	\$ (136,205,628)
Section 215 (a)(2), Communications-Annual	National Government	4,200,000	1,290,000	5,490,000	6,324,000	-	846,000	7,170,000	(1,680,000)
Section 215 (b)(2), Communication-One Time	National Government	6,000,000	1,320,000	7,320,000	7,036,875	-	71,775	7,108,650	211,350
Section 216 (a)(1), Marine Surveillance-Annual	National Government	3,633,000	-	3,633,000	3,832,438	-	410,947	4,243,385	(610,385)
Section 216 (b) Marine Surveillance-One Time	National Government	666,600	-	666,600	464,241	-	-	464,241	202,359
Section 216 (a)(2) Health and Medical Referral	National Government	881,860	-	881,860	506,163	-	71,660	577,823	304,037
	Chuuk	3,227,609	-	3,227,609	3,694,566	631,420	-	4,325,986	(1,098,377)
	Pohnpei	2,504,481	-	2,504,481	3,167,555	407,173	-	3,574,728	(1,070,247)
	Yap	1,419,796	-	1,419,796	1,380,456	518,415	-	1,898,871	(479,075)
	Kosrae	784,854	-	784,854	1,116,356	76,754	-	1,193,110	(408,256)
	Total section 216 (a)(2)	8,818,600	-	8,818,600	9,865,096	1,633,762	71,660	11,570,518	(2,751,918)
	Balance forward	443,378,200	130,798,998	574,177,198	640,157,999	61,832,190	13,021,231	715,011,420	(140,834,222)

See accompanying notes to schedule of federal financial assistance.

FEDERATED STATES OF MICRONESIA NATIONAL GOVERNMENT AND SUBRECIPIENTS

Schedule of Federal Financial Assistance, Continued
 Compact Funding Summary CFDA # 15.875
 Summary of Expenditures and Budgetary
 Position by Compact Section
 Year Ended September 30, 1995

Grant Title	Government	Base Grant	Section 217 Inflation Adjustment	Total Cumulative Apportionment	Prior Year Expenditures and Transfers	Fiscal Year 1995 Expenditures & Transfers		Total Program Expenditures and Transfers	Excess (Deficit) Apportionment Over Program Expenditures
						Subrecipients	National Government		
Compact Funding Summary balance forwarded		\$ 443,378,200	\$ 130,798,998	\$ 574,177,198	\$ 640,157,999	\$ 61,832,190	\$ 13,021,231	\$ 715,011,420	\$ (140,834,222)
Section 216 (A)(3), Post Secondary Education									
	National Government	13,227,900	-	13,227,900	14,673,149	-	1,981,948	16,655,097	(3,427,197)
	Chuuk	-	-	-	433,063	405,560	-	838,623	(838,623)
	Pohnpei	-	-	-	270,459	308,790	-	579,249	(579,249)
	Yap	-	-	-	163,820	297,560	-	461,380	(461,380)
	Kosrae	-	-	-	217,328	127,481	-	344,809	(344,809)
		<u>13,227,900</u>	<u>-</u>	<u>13,227,900</u>	<u>15,757,819</u>	<u>1,139,391</u>	<u>1,981,948</u>	<u>18,879,158</u>	<u>(5,651,258)</u>
Section 221(b), Special Block Grant									
	National Government	2,205,000	-	2,205,000	1,857,229	-	403,997	2,261,226	(56,226)
	Chuuk	19,110,000	-	19,110,000	21,467,262	2,245,969	-	23,713,231	(4,603,231)
	Pohnpei	13,230,000	-	13,230,000	14,523,822	1,740,444	-	16,264,266	(3,034,266)
	Yap	8,330,000	-	8,330,000	8,482,245	1,205,938	-	9,688,183	(1,358,183)
	Kosrae	6,125,000	-	6,125,000	7,158,558	931,050	-	8,089,608	(1,964,608)
		<u>49,000,000</u>	<u>-</u>	<u>49,000,000</u>	<u>53,489,116</u>	<u>6,123,401</u>	<u>403,997</u>	<u>60,016,514</u>	<u>(11,016,514)</u>
Section 111 (b)(1) Special Development Fund									
	National Government	20,000,000	-	20,000,000	20,828,989	-	-	20,828,989	(828,989)
Section 212, Special Development									
	Chuuk	750,000	382,500	1,132,500	1,431,826	348,275	-	1,780,101	(647,601)
	Pohnpei	750,000	382,500	1,132,500	1,926,980	327,979	-	2,254,959	(1,122,459)
	Yap	750,000	382,500	1,132,500	642,243	-	-	642,243	490,257
	Kosrae	750,000	382,500	1,132,500	1,339,164	84,426	-	1,423,590	(291,090)
		<u>3,000,000</u>	<u>1,530,000</u>	<u>4,530,000</u>	<u>5,340,213</u>	<u>760,680</u>	<u>-</u>	<u>6,100,893</u>	<u>(1,570,893)</u>
	Total Funding	<u>\$ 528,606,100</u>	<u>\$ 132,328,998</u>	<u>\$ 660,935,098</u>	<u>\$ 735,574,136</u>	<u>\$ 69,855,662</u>	<u>\$ 15,407,176</u>	<u>\$ 820,836,974</u>	<u>\$ (159,901,876)</u>

See accompanying notes to schedule of federal financial assistance.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Notes to Schedule of Federal Financial Assistance
Year Ended September 30, 1995

1. Scope of Review

The Federated States of Micronesia (FSM) is a governmental entity governed by its own Constitution. All significant operations of the FSM are included in the scope of the OMB Circular A-128 audit (the "Single Audit"). The U.S. Department of the Interior has been designated as the FSM's cognizant agency for Single Audit.

a. Programs Subject to Single Audit

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

2. Summary of Significant Accounting Policies

A. Basis of Accounting

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

B. Reporting Entity

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

C. Indirect Cost Allocation

The FSM National Government does not receive any indirect cost allocation and does not charge indirect costs against federal programs.

D. Subgrantees

Certain program funds are passed through the FSM National Government to subrecipients.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Notes to Schedule of Federal Financial Assistance
Year Ended September 30, 1995

2. Summary of Significant Accounting Policies, Continued

D. Subgrantees, Continued

The Schedule of Federal Financial Assistance does not contain separate schedules disclosing how all subgrantees outside of the National Government's control utilize these funds. However, the National Government's primary subrecipients are its four component states. The federal expenditures of these entities are incorporated in the accompanying Schedule of Federal Financial Assistance. The four states have certain subrecipients to whom funds are also passed through. The National Government's component units - proprietary funds and the State's subrecipients with attendant schedules of federal financial assistance as presented in the respective individual Single Audit reports, are as follows:

National Government Subgrantees:

Federated States of Micronesia Development Bank

The Bank receives funds in a subrecipient capacity through the FSM National Government. The loan portfolio established through Section 111 of the Compact of Free Association and the loan portfolio established through Section 211 of the Compact of Free Association were selected for detailed compliance testing in accordance with applicable OMB Circular A-128 requirements. The following sets forth these contributions, by Sections, which are administered by the Bank.

Section 211		
Compact Capital	Total funding received through December 31, 1995	\$ <u>18,200,000</u>
	Amount received during the year ended December 31, 1995 from Chuuk	\$ <u>300,000</u>
Section 111 IDF Funds	Total funding available through December 31, 1995	\$ 25,733,315
	Amount earned during year ended December 31, 1995	<u>780,613</u>
	Fund balance as of December 31, 1995	\$ <u>26,513,928</u>

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Notes to Schedule of Federal Financial Assistance
Year Ended September 30, 1995

2. Summary of Significant Accounting Policies, Continued

D. Subgrantees, Continued

National Government Subgrantees, Continued

FSM Telecommunications Corporation

	<u>Funds Received</u>	<u>Funds Expended</u>
Compact Section 215(a)(2) for operating assistance	\$ 846,000	\$ 846,000
Compact Section 215(b)(2) for equipment and services necessary for telecommunications	<u>61,486</u>	<u>61,486</u>
	<u>\$ 907,486</u>	<u>\$ 907,486</u>

The above programs bear CFDA #15.875 and the grantor agency is the U.S. Department of the Interior. The above funds are received initially by the National Government of the Federated States of Micronesia and are then passed to the FSM Telecommunications Corporation in a subrecipient capacity.

RUS Loan Funding (CFDA #10.850)

<u>Loan Proceeds Approved As of October 1, 1994</u>	<u>Received During FY 1995</u>	<u>Disbursed During FY 1995</u>
	<u>\$ 40,195,300</u>	<u>\$ 1,135,355</u>
		<u>\$ 1,289,523</u>

State Subgrantees

Chuuk Housing Authority

The Chuuk Housing Authority, a component unit-proprietary fund, receives federal funding and separately satisfies its OMB Circular A-128 audit requirements. The audit report of the Chuuk Housing Authority did report any questioned costs or material noncompliance during the year ended September 30, 1995. Chuuk Housing Authority's audit report included the following Schedule of Federal Financial Assistance:

<u>Grant Title</u>	<u>Grantor Agency</u>	<u>CFDA No.</u>	<u>1995 Expenditures</u>
Section 8 Housing Assistance Program	HUD	14.156	\$ <u>38,306</u>
Total U.S. Department of Housing and Urban Development			\$ <u>38,306</u>

This funding was received in a direct capacity.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Notes to Schedule of Federal Financial Assistance
Year Ended September 30, 1995

2. Summary of Significant Accounting Policies, Continued

D. Subgrantees, Continued

State Subgrantees, Continued

Chuuk Housing Authority, Continued

As of September 30, 1995, \$1,122,444 of loans made out of U.S. federal financial assistance, CFDA #14.219, were outstanding. The assistance was provided by the U.S. Department of Urban Development was made to the State of Chuuk and passed through to the Authority.

Additionally, as of September 30, 1995, the Authority administered a loan program consisting of funds provided by the U.S. Department of the Interior, CFDA #15.875, which funds were received by the State of Chuuk and were passed through to the Authority. As of September 30, 1995, \$663,354 of loans were outstanding under this program.

Kosrae Utilities Authority

The Kosrae Utilities Authority, a component unit - proprietary fund of the State of Kosrae, separately satisfies the requirements of OMB Circular A-128. The Kosrae Utilities Authority's Schedule of Federal Financial Assistance, as extracted from its audit reports, is as follows:

<u>Grantor Agency/Program</u>	<u>CFDA#</u>	<u>Fiscal Year 1995 Expenditures</u>
U.S. Department of the Interior: Compact of Free Association: Energy (214B)	15.875	\$ 407,000
Operations and Maintenance Improvement Programs (OMIP)	15.875	<u>186,949</u>
Total expenditures		\$ <u>593,949</u>

The programs are received from the State of Kosrae in a subrecipient capacity. The aforementioned audit did not specify the existence of any questioned costs pertinent to the above expenditures. Funds passed through to the Kosrae Utilities Authority are included within the Schedule of Federal Financial Assistance of Kosrae State.

Kosrae Community Action Program

The Kosrae Community Action Program, a component unit - governmental fund has not separately satisfied audit requirements of OMB Circular A-128 or A-133. Kosrae State is considered to have responsibility for any questioned costs that could result from Single Audits of this entity.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Notes to Schedule of Federal Financial Assistance
Year Ended September 30, 1995

2. Summary of Significant Accounting Policies, Continued

D. Subgrantees, Continued

State Subgrantees, Continued

Pohnpei Utilities Corporation

The Pohnpei Utilities Corporation, a component unit - proprietary fund, is the recipient of various pass-through funds from Pohnpei State. Questioned costs or matters of noncompliance are included in the accompanying Federal Findings and Questioned Costs - Monitoring Subrecipients. The following is the Pohnpei Utilities Corporation's Schedule of Federal Financial Assistance, as extracted from the abovementioned audit reports:

(refer to page 134)

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Notes to Schedule of Federal Financial Assistance
Year Ended September 30, 1995

POHNPEI UTILITIES CORPORATION

Schedule of Federal Financial Assistance

Grantor/Program Title	CFDA No.	Total Authorizations	Prior Years' Expenditures	Expenditures for the Year Ended Sept. 30, 1995	Total Program Expenditures
<u>U.S. Department of the Interior:</u>					
Office of Territorial and International Affairs:					
<u>Compact of Free Association:</u>					
Energy Program funds, Section 214(B)	15.875	\$ 2,620,000	\$ 2,167,904	\$ 500,000	\$ 2,667,904
Capital Account funds, Section 211(A)	15.875				
OMIP-First Year Electrical Match		322,250	296,120	472	296,592
OMIP-First Year Water and Sewer Match		1,428,250	1,003,919	187,992	1,191,911
Power Hook-Ups		492,500	492,500	-	492,500
Kolonia Sewer		33,119	33,119	-	33,119
OMIP-Second Year Water and Sewer Match		280,425	-	280,425	280,425
Second Year Water and Sewer Subsidy		110,200	-	110,200	110,200
		<u>2,666,744</u>	<u>1,825,658</u>	<u>579,089</u>	<u>2,404,747</u>
<u>Operations and Maintenance Improvement</u>					
<u>Programs (OMIP):</u>					
Initialization of the PUC	15.875	430,250	422,767	7,482	430,249
Pohnpei Water, Sewerage and Solid Waste Utilities Development, First-Year		810,000	549,627	24,033	573,660
Pohnpei Water, Sewerage and Solid Waste Utilities Development, Second-Year		665,000	-	177,790	177,790
Pohnpei Power Generation and Distribution Second-Year		273,468	218,351	55,117	273,468
Pohnpei Power Generation and Distribution Third-Year		370,000	-	119,965	119,965
OMIP Bench		71,000	-	44,521	44,521
		<u>2,619,718</u>	<u>1,190,745</u>	<u>428,908</u>	<u>1,619,653</u>
<u>Technical Assistance:</u>					
PUC FSM-58	15.875	110,000	110,000	-	110,000
ALCO Repairs		25,000	25,000	-	25,000
		<u>135,000</u>	<u>135,000</u>	<u>-</u>	<u>135,000</u>
Meter Calibration/Facility Inventory	15.875	100,000	100,000	-	100,000
Overhaul ALCO Generators-Pohnpei State	15.875	100,000	100,000	-	100,000
Audit Grant	15.875	32,000	12,000	20,000	32,000
		<u>232,000</u>	<u>212,000</u>	<u>20,000</u>	<u>232,000</u>
<u>Trust Territory of the Pacific Islands (TTPI):</u>					
<u>Deficiency Funding:</u>					
Pohnpei Power	15.875	328,271	328,271	-	328,271
Kolonia Sewer		659,328	53,459	372,785	426,244
		<u>987,599</u>	<u>381,730</u>	<u>372,785</u>	<u>754,515</u>
Kolonia Water Improvements	15.875	290,700	290,700	-	290,700
		<u>\$ 9,551,761</u>	<u>\$ 6,203,737</u>	<u>\$ 1,900,782</u>	<u>\$ 8,104,519</u>

Note: The above programs are passed through Pohnpei State to the Pohnpei Utilities Corporation

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Notes to Schedule of Federal Financial Assistance
Year Ended September 30, 1995

2. Summary of Significant Accounting Policies, Continued

D. Subgrantees, Continued

Pohnpei State Housing Authority

The Pohnpei State Housing Authority, a component unit - proprietary fund, is a subrecipient of various pass-through funds as explained hereunder. The following Schedule of Federal Financial Assistance is extracted from the Authority's audit reports. All material instances of noncompliance or questioned costs presented in those audit reports are contained in the accompanying Schedule of Findings and Questioned Costs.

<u>Grant Title</u>	<u>Grantor Agency</u>	<u>CFDA No.</u>	<u>Loans Outstanding as of Sept. 30, 1995</u>
Compact of Free Association: Capital Account Funds-Capital Projects, Section 211(A)	DOI-OTIA	15.875	\$ <u>3,837,965</u>
Total U.S. Department of the Interior			\$ <u>3,837,965</u>
Farmers Home Administration: Housing Preservation Grant	USDA	10.433	\$ <u>200,000</u>
Total U.S. Department of Agriculture			\$ <u>200,000</u>

Note: The Compact of Free Association funds are disbursed through the U.S. Department of the Interior (DOI), Office of Territorial and International Affairs (OTIA), to the FSM National Government which reallots such to the component States. Pohnpei State subsequently passed certain of these funds through to the Pohnpei State Housing Authority (PSHA). The Housing Preservation Grant (HPG) funds are received in a subgrantee capacity through the Pohnpei Farmers Home Administration Office.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Programs
Selected for audit in accordance with
OMB Circular A-128
Year Ended September 30, 1995

<u>Grantor</u>	<u>Description</u>	<u>CFDA No.</u>	<u>Amount of 1995 Expenditures</u>
U.S. Dept. of the Interior:	Compact of Free Association: Program account related:	15.875	
	211(a) Capital Account		\$ 4,758,282
	221(B) Block Grant		403,997
	Marine Surveillance annual		410,947
	Communications annual		846,000
	Communications onetime		71,775
	Post Secondary Education		1,981,948
	Energy Programs		348,806
	Health & Medical		<u>71,660</u>
	Total Compact of Free Association excluding Compact Section 211(a) Current Account		8,893,415
	U.S. DOI Capital Projects Fund COM-Palikir Campus Project	15.875	3,332,151
	U.S. DOI OTIA Programs Single Audit	15.875	506,497
U.S. Dept. of Education	Special Education Program	84.027	543,428
National Oceanic Atmospheric Administration	N.O.A.A. Program	11.460	<u>663,104</u>
	Total program expenditures selected excluding Compact Section 211(a) Current Account		\$ <u>13,938,595</u>
	Total U.S. Federal Program expenditures excluding Compact Section 211(a) Current Account		\$ <u>16,092,114</u>
	% of Total U.S. Federal expenditures covered by major programs excluding Compact Section 211(a) Current Account		<u>87%</u>

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Summary of U.S. Federal Program Expenditures
Year Ended September 30, 1995

<u>Grantor</u>	<u>Amount</u>
U.S. Department of Education	\$ 760,646
U.S. Department of Labor	192,363
U.S. Department of Agriculture	8,291
U.S. Environmental Protection Agency	162,812
U.S. Department of Health and Human Services	1,016,084
U.S. Federal Emergency Management Agency	49,923
National Oceanic Atmospheric Administration	663,104
U.S. Department of the Interior:	
Historical Preservation Grants	85,346
OTIA Technical Assistance	927,979
TTPI CIP	3,332,151
Compact of Free Association Funding excluding Section 211(a) Current Account	<u>8,893,415</u>
Total U.S. Federal Assistance excluding Section 211(a) Current Account	16,092,114
Compact of Free Association Section 211(a) Current Account	<u>6,513,761</u>
	<u>\$ 22,605,875</u>

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Findings and Questioned Costs
Year Ended September 30, 1995

Federal Findings - Previous Years' Findings - FSM National Government

1. Criteria: Findings from prior audit reports should be resolved in a timely manner.

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

Page No.

Description

FISCAL YEAR 1989

62

Resolution of Pre-Compact Liabilities

Cause: The cause of the above condition is unknown.

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

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

Auditee Response and Corrective Action Plan: It is the position of the National Government that resolution of the medical liabilities is the responsibility of the U.S. Government. The independent auditors completed audit adjustments during fiscal year 1988 and 1989 in the States' books which removed the liabilities from the States' Financial Statements. The liabilities are footnoted as "contingent."

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1995

Federal Findings - Compact CIP

<u>Program</u>	<u>Reason for Questioned Cost</u>	<u>Questioned Costs</u>
2. Compact of Free Association/ Capital Project Fund/CFDA #15.875	<u>Criteria:</u> The Compact Capital Account should be expended in accordance with the Compact treaty.	

Condition: Compact CIP funds were used to pay for telephone charges:

<u>ORG. NO.</u>	<u>CHECK NO.</u>	
6054	111977	\$ 498
6054	116480	404
6091	112450	<u>1,728</u>
		<u>2,630</u>

(The above is drawn from a sample of 10 items aggregating \$73,266 out of total program expenditures aggregating \$3,906,963.)

Cause: The cause of the above condition is unknown.

Effect: The effect of the above condition is questioned costs.

Recommendation: We recommend that the FSM National Government resolve this issue with the grantor agency.

Auditee Response: We concur with this finding.

Corrective Action Plan: We will ensure that such does not happen starting in fiscal year 1996.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1995

Local Findings - Previous Years' Findings - FSM National Government

1. Criteria: Findings from prior audit reports should be resolved in a timely manner.

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

<u>Page No.</u>	<u>Description</u>
<u>FISCAL YEAR 1994</u>	
190	Employment Ceiling
191	Overtime Ceiling
192	Drydocking expenditures

Cause: The cause of the above condition is unknown.

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

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

Auditee Response and Corrective Action Plan:

Employment Ceiling - OPS exceeded the ceiling because there were several limited term positions under maintenance division and special projects such as the Census and CIP project monitoring. These were limited terms and temporary contracts that were needed to carry out the scope of the projects. The positions expired upon completion of projects.

For R&D and PS they exceeded the ceiling but marginal. Again there were limited term positions hired for specific jobs. They were supposed to be terminated when the jobs are completed.

Overtime Ceiling - The Office of Budget-Administration agrees with this finding and will ensure that this will not happen again. However, Finance should also be responsible for authorizing disbursements of all the overtime requests in excess of the authorized ceilings.

Drydocking Expenditures - According to the Compact Fiscal Procedures Agreement, Compact Capital funds can be used for the major repair of infrastructure and special maintenance programs. We feel that the dry docking of MV Caroline Islands is a major repair, therefore, the costs are qualified for funding under the Capital Account.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1995

Local Findings - Employment Ceiling - FSM National Government

2. Criteria: The FSM National Government should comply with employment ceilings stated in the comprehensive budget act for the fiscal year ended September 30, 1995.

Condition: The Office of Planning & Statistics and National Postal Services exceeded approved employment ceilings as set by law. Office of Planning and Statistics exceeded the approved ceiling by 18 employees and Postal Services by 23 employees.

Cause: The cause of the above condition is unknown.

Effect: Noncompliance with local law and regulation results from this condition.

Recommendation: We recommend that the FSM National Government comply with employment ceiling requirements set by applicable budget acts.

Auditee Response and Corrective Action Plan: For Office of Planning & Statistics, the disparity created was from the Maintenance Divisions where the Budget Act recognized and appropriated \$189,000 under Personnel category for 8 permanent positions/staff and 18 temporary positions/staff for janitorial and ground keeping duties. The Act, however, did not count the 18 so called temporary positions toward the department's ceiling.

For Postal Services, the Budget Act likewise recognized and appropriated under personnel category an amount of \$474,267 of which \$48,237 was for part-time staff. The part-time staff/positions were not counted toward the department's ceiling either. These staff worked for the outer islands and at satellite stations for less than 40 hours per month as postal clerks.

In summary both departments/offices received funds under personnel for services justified as either temporary or part time in nature. The Act appropriated funds for those need but did not consider the positions under the given ceiling therefore, in actuality payroll registry will have more employees than what the Act itself stipulated as ceilings.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1995

Local Findings - Use of Compact Special Revenue Funds - FSM National Government

3. Criteria: The FSM National Government should comply with the intent of the Compact of Free Association treaty.

Condition: Payments to the Pohnpei Utilities Corporation for utility bills were charged to Compact Energy Fund.

Cause: The cause of the condition is unknown.

Effect: Potential noncompliance with the intent of the Compact treaty appears to result from this condition.

Recommendation: We recommend that the FSM National Government resolve this matter with the cognizant agency.

Auditee Response:

1. The Compact (section 214) does not restrict the use of the Energy funds. Instead, it has been our understanding that the Energy funds can be used for any energy-related item or project as reflected in the Terms and Conditions relating to the use of the Compact grants. Since the payment of utility bills is an energy-related item, we maintain that it qualifies under the use of the Energy funds.
2. You also recommended that the National Government resolve this finding through this cognizant agency and the U.S. Department of the Interior (DOI). We do not view this as an issue now with the U.S. Government. Our understanding is that the Compact provides a great degree of flexibility on the use of funds, unless otherwise restricted. Energy funds can be used for both Capital and Current account purposes. Payment of power bills is an operating expense which falls under Current account.

Corrective Action Plan: See Auditee Response.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1995

Local Findings - Use of Compact Capital Funds - FSM National Government

4. Criteria: The FSM National Government should comply with the intent of the Compact of Free Association.

Condition: Expenditures were incurred in the amount of \$58,898 (Org. 6090) for dry docking MV Caroline Islands. These expenditures appear to be of a general maintenance nature.

Cause: The cause of the condition is unknown.

Effect: Potential noncompliance with the intent of the Compact could result from this condition.

Recommendation: It is recommended that the FSM National Government resolve this matter with the cognizant agency.

Auditee Response: According to the Compact Fiscal Procedures Agreement, Compact Capital funds can be used for the major repair of infrastructure and special maintenance programs. We feel that the dry docking of MV Caroline Islands is a major repair, therefore, the costs are qualified for funding under the Capital Account.

Corrective Action Plan: See Auditee Response.

Auditor Response: The Compact states that ordinary repairs and maintenance are an ineligible use of Compact Capital Account funding. We have not been provided with documentation demonstrating that this expenditure represents other than ordinary repairs and maintenance.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1995

Local Findings - Public Law No. 8-96 - FSM National Government

5. Criteria: Pursuant to Public Law No. 8-96, Section 15, no obligations should be incurred in excess of the sum appropriated.

Condition: The following orgs exceeded budgetary limits.

	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>
External Affairs-Tokyo	\$ 1,031,230	\$ 1,042,313	\$ (11,083)
Preventive Health	85,900	85,926	(26)
Aviation	75,250	76,080	(830)
Recruitment/Repatriation	140,000	143,503	(3,503)
Member's Travel Fund	183,413	187,495	(4,082)
Pohnpei Farmer's Home Administration	44,000	52,243	(8,243)
Counterpart Banking	46,480	49,086	(2,606)
FSM Olympics	21,288	21,824	(536)
Travel Non-governmental Officials	<u>-</u>	<u>957</u>	<u>(957)</u>
	<u>\$ 2,627,561</u>	<u>\$ 2,659,427</u>	<u>\$ (31,866)</u>

Cause: The cause of the condition is unknown.

Effect: Noncompliance with local laws could result from this condition.

Recommendation: It is recommended that the FSM National Government comply with local laws.

Auditee Response: We concur with the above finding.

Corrective Action Plan: We will ensure that such does not happen in the future.

**CHUUK STATE GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs
Year Ended September 30, 1995

Federal Findings

Federal Findings and Questioned Costs - Monitoring Subrecipients - Subrecipient - Chuuk

1. U.S. Dept. of Labor/Job Training Partnership Act/CFDA #17.250 Criteria: Per OMB Circular A-87, Attachment A, Section A, paragraph 2(b), the grantee assumes the responsibility for ensuring that federally assisted program funds have been expended and accounted for consistently with underlying agreements and program objectives.

Condition: In fiscal year 1995, the following travel expenditures were incurred for training by JTPA. We are unable to determine if these expenditures meet JTPA program objectives. Additionally, adequate supporting documentation could not be provided for the listed transactions:

<u>ORG. NO.</u>	<u>APV NO.</u>	
3431	50627	\$ 4,500
3440	50506	3,573
3441	50125	3,000
3441	50626	4,500
3446	51231	<u>3,050</u>
		<u>18,623</u>

(The above is drawn from a sample of 25 items aggregating \$84,982 out of total program expenditures aggregating \$521,858, \$137,740 of which relates to payroll expenses).

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

Effect: The effect of the above condition is the possibility of disallowed costs.

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

Auditee Response and Corrective Action Plan: Management concurs with this finding and will attempt to resolve this matter with the grantor agency.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1995

Federal Findings and Questioned Costs - Monitoring Subrecipients - Subrecipient - Chuuk

<u>Program</u>	<u>Questioned Costs</u>
2. U.S. Dept. of Labor/Job Training Partnership Act/CFDA # 17.250	<p><u>Criteria:</u> Per OMB Circular A-87, Attachment A, Section A, paragraph 2(b), the grantee assumes the responsibility for ensuring that federally assisted program funds have been expended and accounted for consistently with underlying agreements and program objectives.</p>

Condition: We noted that the following training contract did not result in the participant ultimately gaining employment, therefore we are not able to determine how this cost meets program objectives:

<u>ORG. NO.</u>	<u>APV NO.</u>	<u>Costs</u>
3442	952854	\$ <u>1,300</u>

(Refer sample size and universe on page 145)

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

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

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

Auditee Response and Corrective Action Plan: Management concurs with this finding and will attempt to resolve this matter with the grantor agency.

Total U.S. Department of Labor Questioned Costs	\$ <u>19,923</u>
---	------------------

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1995

Federal Findings and Questioned Costs - Monitoring Subrecipients - Subrecipient - Chuuk

<u>Program</u>	<u>Questioned Costs</u>																								
<p>3. U.S. Dept. of Education/ Special Education/CFDA #84.027</p> <p><u>Criteria:</u> Per OMB Circular A-87, Attachment A, Section A, paragraph 2(b), the grantee assumes the responsibility for ensuring that federally assisted program funds have been expended and accounted for consistently with underlying agreements and program objectives.</p> <p><u>Condition:</u> Adequate supporting documentation could not be obtained to determine if the following travel and training related expenditures meet program objectives:</p> <table border="0" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;"><u>ORG. NO.</u></th> <th style="text-align: left;"><u>APV NO.</u></th> <th style="text-align: right;"></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">7729</td> <td style="text-align: center;">50754</td> <td style="text-align: right;">\$ 1,804</td> </tr> <tr> <td style="text-align: center;">7729</td> <td style="text-align: center;">51499</td> <td style="text-align: right;">2,226</td> </tr> <tr> <td style="text-align: center;">7743</td> <td style="text-align: center;">50201</td> <td style="text-align: right;">2,040</td> </tr> <tr> <td style="text-align: center;">7743</td> <td style="text-align: center;">50464</td> <td style="text-align: right;">2,426</td> </tr> <tr> <td style="text-align: center;">7743</td> <td style="text-align: center;">50529</td> <td style="text-align: right;">4,777</td> </tr> <tr> <td style="text-align: center;">7743</td> <td style="text-align: center;">50685</td> <td style="text-align: right;"><u>2,822</u></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">\$ <u>16,095</u></td> </tr> </tbody> </table>	<u>ORG. NO.</u>	<u>APV NO.</u>		7729	50754	\$ 1,804	7729	51499	2,226	7743	50201	2,040	7743	50464	2,426	7743	50529	4,777	7743	50685	<u>2,822</u>			\$ <u>16,095</u>	
<u>ORG. NO.</u>	<u>APV NO.</u>																								
7729	50754	\$ 1,804																							
7729	51499	2,226																							
7743	50201	2,040																							
7743	50464	2,426																							
7743	50529	4,777																							
7743	50685	<u>2,822</u>																							
		\$ <u>16,095</u>																							

(The above is drawn from a sample of 25 items aggregating \$192,173 out of total program expenditures aggregating \$843,382, \$172,782 of which relates to payroll expenses).

Cause: The cause of this condition is unknown.

Effect: The effect of the above condition is the possibility of disallowed costs.

Recommendation: We recommend that complete supporting documentation be obtained. We also recommend that travel advance requests not be allowed until complete documentation is obtained.

Auditee Response and Corrective Action Plan: Management concurs with this finding and will attempt to resolve this matter with the grantor agency.

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1995

Federal Findings and Questioned Costs - Monitoring Subrecipients - Subrecipient - Chuuk

Program

Questioned
Costs

4. U.S. Dept. of Education/
Special Education/CFDA
#84.027 Criteria: Per OMB Circular A-87, Attachment A, Section A, paragraph 2(b), the grantee assumes the responsibility for ensuring that federally assisted program funds have been expended and accounted for consistently with underlying agreements and program objectives.

Condition: Adequate supporting documentation could not be obtained to determine if the following expenditure for teacher training service contracts with the University of Guam meets program objectives.

ORG. NO.

APV NO.

7732

951862

\$ 8,125

(Refer sample size and universe on page 147)

Cause: The cause of this condition is unknown.

Effect: The effect of the above condition is the possibility of disallowed costs.

Recommendation: We recommend that complete supporting documentation be obtained. We also recommend that payment requests not be allowed until complete documentation is obtained.

Auditee Response and Corrective Action Plan: Management concurs with this finding and will attempt to resolve this matter with the grantor agency.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1995

Federal Findings and Questioned Costs - Monitoring Subrecipients - Subrecipient - Chuuk

<u>Program</u>	<u>Questioned Costs</u>												
<p>5. U.S. Dept. of Education/ Special Education/CFDA #84.027</p> <p><u>Criteria:</u> Per OMB Circular A-87, Attachment A, Section A, paragraph 2(b), the grantee assumes the responsibility for ensuring that federally assisted program funds have been expended and accounted for consistently with underlying agreements and program objectives.</p> <p><u>Condition:</u> Adequate supporting documentation could not be obtained to determine if the following expenditures to purchase gasoline in bulk meets program objectives:</p> <table style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;"><u>ORG. NO.</u></th> <th style="text-align: center;"><u>APV NO.</u></th> <th style="text-align: right;"></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">7743</td> <td style="text-align: center;">955706</td> <td style="text-align: right;">\$ 9,988</td> </tr> <tr> <td style="text-align: center;">7743</td> <td style="text-align: center;">953487</td> <td style="text-align: right;"><u>5,000</u></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>14,988</u></td> </tr> </tbody> </table> <p>(Refer sample size and universe on page 147)</p> <p><u>Cause:</u> The cause of this condition is unknown.</p> <p><u>Effect:</u> The effect of the above condition is the possibility of disallowed costs.</p> <p><u>Recommendation:</u> We recommend that complete supporting documentation be obtained. We also recommend that payment requests not be allowed until complete documentation is obtained.</p> <p><u>Auditee Response and Corrective Action Plan:</u> Management concurs with this finding and will attempt to resolve this matter with the grantor agency.</p>	<u>ORG. NO.</u>	<u>APV NO.</u>		7743	955706	\$ 9,988	7743	953487	<u>5,000</u>			<u>14,988</u>	<p>Total U.S. Department of Education Questioned Costs \$ <u><u>39,208</u></u></p>
<u>ORG. NO.</u>	<u>APV NO.</u>												
7743	955706	\$ 9,988											
7743	953487	<u>5,000</u>											
		<u>14,988</u>											

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1995

Federal Findings and Questioned Costs - Monitoring Subrecipients - Subrecipient - Chuuk

6. Previous Years' Findings

Criteria: Findings from prior audit reports should be resolved.

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

<u>Finding No.</u>	<u>Page No.</u>	<u>Description</u>
<u>FISCAL YEAR 1994</u>		
<u>Federal Findings</u>		
8	97	Eligibility Documentation
<u>FISCAL YEAR 1993</u>		
<u>Federal Findings</u>		
1	89	Reimbursement in excess of expenditures (CFDA # 84.003)
2	90	Reimbursement in excess of expenditures (CFDA # 10.560)
<u>FISCAL YEAR 1992</u>		
<u>Federal Findings</u>		
2	88	Subrecipient Audits - JTPA
<u>FISCAL YEAR 1991</u>		
<u>Federal Findings</u>		
5	95	Training Programs for JTPA
8	103	Job Placement Requirement - JTPA
9	104	Course and Instructor Evaluations - JTPA
10	105	Drug-Free Workplace
11	107	Matching - Chapter I

Cause: The cause of this condition is unknown.

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

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

Auditee Response and Corrective Action Plan: Management concurs with this finding and will attempt to resolve this matter with the grantor agency.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1995

Federal Findings and Questioned Costs - Monitoring Subrecipients - Subrecipient - Chuuk

Program

7. U.S. Dept. of Education/
Special Education/CFDA
84.027

Criteria: All Individualized Education Programs (IEP's) should contain projected dates for initiation of services under the program and the anticipated duration of these services.

Condition: Of twenty five files reviewed, only four files contained the above information.

Cause: The cause of this condition is unknown.

Effect: Possible noncompliance with program requirements could be the result of this finding.

Recommendation: We recommend that all IEP's is updated to include all the information required under the Special Education Program.

Auditee Response and Corrective Action Plan: Management concurs with this finding and will attempt to resolve this matter with the grantor agency.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1995

Federal Findings and Questioned Costs - Monitoring Subrecipients - Subrecipient - Kosrae

Prior Years' Unresolved Findings

1. Criteria: Findings from prior audit reports should be resolved in a timely manner.

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

<u>Page No.</u>	<u>Finding No.</u>	<u>Description</u>
FISCAL YEAR 1988		
26	5	Federal property standards
FISCAL YEAR 1990		
81	5	Wastewater Facility - Use charge system
FISCAL YEAR 1991		
80	2	Drug-Free Work Place
FISCAL YEAR 1994		
87	7	Administrative Requirements

Cause: The cause of the above condition is unknown.

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

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

Auditee Response and Corrective Action Plan:

Federal Property Standards: We will work with the FSM National Government to create a system to ensure that assets are accounted for in compliance with the applicable federal property standards and regulations.

Water Charge System: The State has plans to create a board which shall monitor and have management control over wastewater facilities. This board will have the authority to develop user rates for wastewater usage.

Drug-Free Work Place: We will make it a requirement during fiscal year 1995 that each employee to be engaged in the performance of the grant be given a copy of the ruling statement.

Administrative Requirements: The Director of Department of Administration will ensure that the above federal compliance requirements are implemented in fiscal year 1997.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1995

Federal Findings and Questioned Costs - Monitoring Subrecipients - Subrecipient - Kosrae

Disbursements

<u>Program</u>	<u>Reason for Questioned Cost</u>	<u>Questioned Costs</u>
2. U.S. Environmental Protection Agency/ Kosrae Waste Water (CFDA# 66.418)	<p><u>Criteria:</u> Program expenditures should be made in a manner which bears a relationship to the program funding those expenditures.</p> <p><u>Condition:</u> Round trip travel costs for the EPA wastewater facilities architect and his spouse to attend a family member's funeral were charged to the program.</p> <p style="text-align: center;"><u>TA No.</u> <u>APV No.</u></p> <p style="text-align: center;">A03615 91088</p> <p><u>Cause:</u> The cause of this condition is unknown.</p> <p><u>Effect:</u> Questioned costs result from this condition.</p> <p><u>Recommendation:</u> We recommend that all expenditures be clearly related to the program.</p> <p><u>Auditee Response and Corrective Action Plan:</u> We agree to the above finding. We will ensure that such does not appear in the future.</p>	\$ <u>2,983</u>
	Total Questioned Costs	\$ <u>2,983</u>

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1995

Federal Findings and Questioned Costs - Monitoring Subrecipients - Subrecipient - Yap

Drug-Free Workplace Act

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
1.	All	<p>Per the Office of Management and Budget Compliance Supplement, grantees are required to provide employees a drug-free workplace. In order to satisfy the above requirement, the following procedures must be performed:</p> <p>a) Publishing a policy statement notifying employees that the unlawful manufacture, distribution, dispensing, possession or use of a controlled substance is prohibited in the grantee's workplace and specifying the actions that will be taken against employees for violation of such prohibition;</p> <p>b) Establishing an ongoing drug-free awareness program to inform employees about:</p> <ul style="list-style-type: none">• The dangers of drug abuse in the workplace;• The grantee's policy of maintaining a drug-free workplace;• Any available drug counseling, rehabilitation, and employee assistance programs, and,• The penalties that may be imposed upon employees for drug abuse violations occurring in the workplace; <p>c) Making it a requirement that each employee to be engaged in the performance of the grant be given a copy of the statement required by paragraph (a);</p> <p>d) Notifying the employee in the statement required by paragraph (a) that, as a condition of employment under the grant, the employee will:</p> <ul style="list-style-type: none">• Abide by the terms of the statement; and• Notify the employer in writing of any criminal drug statute conviction for a violation occurring in the workplace no later than five calendar days after such conviction; <p>e) Notifying the agency in writing within ten calendar days after receiving notice under subparagraph (d) (2) from an employee or otherwise receiving actual notice of such conviction;</p>	

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1995

Federal Findings and Questioned Costs - Monitoring Subrecipients - Subrecipient - Yap

Federal Finding No. 1 - Drug-Free Workplace Act, Continued

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria, Continued:</u>	<u>Questioned Costs</u>
		<p>f) Taking one of the following actions, within 30 calendar days of receiving notice under subparagraph (d) (2), with respect to any employee who is so convicted:</p> <ul style="list-style-type: none">• Taking appropriate personnel action against such an employee, up to and including termination; or• Requiring such employees to participate satisfactorily in a drug abuse assistance or rehabilitation program approved for such purposes by a Federal, State, or local health, law enforcement, or other appropriate agency.	
		<p><u>Condition:</u> Per our inquiries, we noted the State of Yap has not complied with the above required procedures.</p>	
		<p><u>Cause:</u> Yap State has been waiting for the FSM National Government to take a lead on this finding as it also relates to the FSM in general.</p>	
		<p><u>Effect:</u> The effect is noncompliance with the Drug-Free Workplace Act.</p>	
		<p><u>Recommendation:</u> We recommend that in addition to issuing a policy statement in compliance with the Drug-Free Workplace Act, procedures be implemented to document that employees engaged in the performance of federal grants are aware of the policy statement.</p>	
		<p><u>Prior Year Status:</u> Noncompliance with the Drug-Free Workplace Act was reported as a finding in the Single Audits of the Yap State Government for fiscal years 1992, 1993 and 1994.</p>	
		<p><u>Auditee Response and Corrective Action Plan:</u> The Financial Consultant has been assigned by the Governor to draft policy. All agencies that use U.S. Federal Grants are aware of requirements in OMB Circular A-102 although statements on drug free workplace have not been published locally.</p>	

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1995

Federal Findings and Questioned Costs - Monitoring Subrecipients - Subrecipient - Yap

Allowable Costs/Cost Principles - JTPA

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
2.	17.250	<p>Supporting documentation for expenditures under federal programs should be complete and accurate.</p> <p><u>Condition:</u> We noted situations where a project had been extended, but the paperwork for the extension had not been filed; a timesheet filed for support was not signed as being properly authorized; and the files we reviewed had no documentation of progress reports and follow-up reports being performed.</p> <p><u>Cause:</u> The cause appears to be a lack of complete and accurate filing and adequacy of supporting documentation.</p> <p><u>Effect:</u> The effect is possible future questioned costs related to the lack of documentation.</p> <p><u>Recommendation:</u> We recommend that files supporting expenditures under federal programs be complete and accurate.</p> <p><u>Prior Year Status:</u> Incomplete and inaccurate supporting documents for JTPA program expenditures was reported as a finding in the Single Audits of the Yap State Government for fiscal years 1992, 1993 and 1994.</p> <p><u>Auditee Response and Corrective Action Plan:</u> We realize that we should have coordination between the JTPA Office and Finance Office to make sure that supporting documents are present and properly filed. We will make our review of all problems and make sure that we take previous years problems into consideration.</p>	

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1995

Federal Findings and Questioned Costs - Monitoring Subrecipients - Subrecipient - Yap

Administrative Requirements - Equipment Management

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
3.	All	<p>The Common Rule for Uniform Administrative Requirements for Federal Grants, Section 33 (d) (2) requires that a physical inventory of property acquired with federal funds be performed at least every two years and that the inventory be reconciled to property records.</p> <p><u>Condition:</u> A physical inventory of property has not been performed in over two years.</p> <p><u>Cause:</u> The cause of this condition is unknown.</p> <p><u>Effect:</u> The effect is noncompliance with the Administrative Requirements over federal grants.</p> <p><u>Recommendation:</u> We recommend that a physical inventory of property be taken and the results reconciled to the property records at least once every two years.</p> <p><u>Prior Year Status:</u> Noncompliance with the administrative requirements - equipment management was reported as a finding in the Single Audit of the Yap State Government for fiscal year 1994.</p> <p><u>Auditee Response and Corrective Action Plan:</u> Physical inventory of all properties bought under all U.S. Federal programs in the states is difficult to accomplish. We have discussed with RPPM that we need to engage the assistance of all departments and agencies, particularly those which use Federal Grants, in this effort. We will try to have, at least, a partial list by the end of this year.</p>	

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1995

Federal Findings and Questioned Costs - Monitoring Subrecipients - Subrecipient - Yap

Administrative Requirements - Equipment Management, Continued

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
4.	All	<p>An updated property ledger by funding source should be maintained for all of Yap State Government.</p> <p><u>Condition:</u> The Division of Real and Personal Property Management (RPPM) maintains property cards. However, these records have not been updated in the accounting system.</p> <p><u>Cause:</u> The off-site terminal used by RPPM no longer works and no manual ledgers appear to have been prepared.</p> <p><u>Effect:</u> The effect is noncompliance with the Administrative Requirements over federal grants due to not being able to test the accuracy of fixed asset inventory ledgers.</p> <p><u>Recommendation:</u> We recommend that property ledgers be maintained on a timely basis by funding source in the General Fixed Assets Account Group.</p> <p><u>Prior Year Status:</u> Noncompliance with the administrative requirements - equipment management was reported as a finding in the Single Audit of the Yap State Government for fiscal year 1994.</p> <p><u>Auditee Response and Corrective Action Plan:</u> Since the breakdown of the cable that linked Finance with RPPM, there has not been any updated records. However, with the new system, the records will be updated. Additionally, a week ago, hardware was given to RPPM to update its records and submit printed records to Finance.</p>	

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1995

Federal Findings and Questioned Costs - Monitoring Subrecipients - Subrecipient - Yap

Administrative Requirements - Procurement

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
5.	All	<p>The Common Rule for Uniform Administrative Requirements for Federal Grants, Section 36 (b) (12) requires grantees and subgrantees to have written protest procedures to handle and resolve disputes relating to their procurements.</p> <p><u>Condition:</u> We noted no written procedures regarding protests over procurement procedures.</p> <p><u>Cause:</u> The cause of this condition is unknown.</p> <p><u>Effect:</u> The effect is noncompliance with the Administrative Requirements over federal grants.</p> <p><u>Recommendation:</u> We recommend that a written policy be adopted and added to the regulations regarding procedures to handle and resolve disputes relating to procurement procedures.</p> <p><u>Prior Year Status:</u> Noncompliance with the administrative requirements - procurement was reported as a finding in the Single Audit of the Yap State Government for fiscal year 1994.</p> <p><u>Auditee Response and Corrective Action Plan:</u> A week ago, the Manual on Procurement Procedures was finished and is now being reviewed. We will have those procedures in place by October 1, 1996.</p>	

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1995

Federal Findings and Questioned Costs - Monitoring Subrecipients - Subrecipient - Yap

Administrative Requirements - Subawards to Debarred and Suspended Parties

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
6.	All	<p>The Common Rule for Uniform Administrative Requirements for Federal Grants, Section 35 requires that grantees and subgrantees not award or permit any award to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal Assistance programs.</p> <p><u>Condition:</u> We noted that Yap State did not have a copy of the Lists of Parties Excluded from Federal Procurement or Nonprocurement Programs, issued by the General Services Administration (GSA). Additionally, Yap State does not require that recipients of contracts, subcontracts, or subgrants certify that the organization and its principals are not suspended or debarred.</p> <p><u>Cause:</u> The cause of this condition is unknown.</p> <p><u>Effect:</u> The effect is noncompliance with the Administrative Requirements over federal grants.</p> <p><u>Recommendation:</u> We recommend that Yap State obtain copies of the GSA lists and require certification, for their contracts and subgrants greater than \$25,000, that the organization and its principals are not suspended or debarred.</p> <p><u>Prior Year Status:</u> Noncompliance with the administrative requirements - subawards to debarred and suspended parties was reported as a finding in the Single Audit of the Yap State Government for fiscal year 1994.</p> <p><u>Auditee Response and Corrective Action Plan:</u> We have written a letter to the Federal Supply Service bureau requesting such list be sent to us periodically. We will require, in the Procurement Manual, that the list be considered before orders are placed.</p>	

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1995

Federal Findings and Questioned Costs - Monitoring Subrecipients - Subrecipient - Yap

Allowable Costs/Cost Principles

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
7.	All	<p>Office of Management and Budget (OMB) Circular A-87 covering cost principles for State and Local Governments over federal grants should be incorporated into Yap State's policies and procedures over procurements.</p> <p><u>Condition:</u> The individual in the Division of Finance responsible for screening procurements for compliance with OMB Circular A-87 has a copy and is familiar with the criteria; however, some program coordinators do not appear to be aware of the criteria.</p> <p><u>Cause:</u> The cause of this condition is unknown.</p> <p><u>Effect:</u> We noted no material effect due to the review by the responsible individual in Finance. However, if that employee is gone, noncompliance may occur.</p> <p><u>Recommendation:</u> We recommend that OMB Circular A-87 requirements be incorporated into Yap State's policies and procedures for more complete control and documentation over these requirements.</p> <p><u>Prior Year Status:</u> Noncompliance with the allowable costs/cost principles was reported as a finding in the Single Audit of the Yap State Government for fiscal year 1994.</p> <p><u>Auditee Response and Corrective Action Plan:</u> We will incorporate this criteria in the procedure to be enforced by October 1, 1996.</p>	

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1995

Federal Findings and Questioned Costs - Monitoring Subrecipients - Subrecipient - Yap

Cash Management - FEMA

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
8.	83.516	<p>Compliance Supplement cash management requirements require recipients to minimize the time between receiving grant funds and the related disbursement.</p> <p><u>Condition:</u> Per the Program Coordinator for the Federal Emergency Management Agency (FEMA) Public Assistance Program - Typhoon Owen, the program was completed in December 1993. The Coordinator was under the impression all of the funds had been expended. Therefore, the remaining advanced funds of \$18,388 has been reclassified from Deferred Revenue to Due to Grantor as of September 30, 1995.</p> <p><u>Cause:</u> This appears to be due to lack of coordination between the program administrators and the Division of Finance in closing out the program.</p> <p><u>Effect:</u> The effect is noncompliance with cash management requirements and possible future questioned costs if the funds are improperly disbursed.</p> <p><u>Recommendation:</u> We recommend that the remaining advanced funds be investigated to determine whether they are to be properly applied to the program or to be returned to the grantor. If the funds are to be applied to the program, proper supportive documentation should be thoroughly reviewed and copies maintained by the Division of Finance.</p> <p><u>Prior Year Status:</u> Noncompliance with the cash management - FEMA was reported as a finding in the Single Audit of the Yap State Government for fiscal year 1994.</p> <p><u>Auditee Response and Corrective Action Plan:</u> It has been decided that the money should be utilized and documentation should be maintained in the Finance Office.</p>	

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1995

Federal Findings and Questioned Costs - Monitoring Subrecipients - Subrecipient - Yap

Yap State - Special Education

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
9.	84.027	<p>Every child receiving services from Special Education should have a completed and current Individualized Education Program (IEP) on file.</p> <p><u>Condition:</u> Two of the files reviewed did not have completed IEP's. (Derived from a sample of 16 files representing 9 out of 17 SLD children and 7 out of 14 homebased children.)</p> <p><u>Cause:</u> Yap officials appeared to be awaiting additional information which has yet to be received.</p> <p><u>Effect:</u> There is no direct effect on the financial statements as a result of this condition.</p> <p><u>Recommendation:</u> Documentation of services provided and goals achievable should be obtained prior to obtaining specialist assistance.</p> <p><u>Auditee Response and Corrective Action Plan:</u> The IEP for all the SLD children is now complete. The specialist we mentioned in the FY94 audit has come and gone and all the records have been set up.</p>	

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1995

Federal Findings and Questioned Costs - Monitoring Subrecipients - Subrecipient - Yap

Yap State - Disbursements

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
10.	84.994	All purchases made with Federal grant funds should reflect evidence of informal price quotations.	
		<u>Condition:</u> Per Org. #3977 - Vocational Education, a purchase occurred in the amount of \$592.85 (PV #170747). There was no evidence on file indicating the lowest price was obtained.	\$ 593
		<u>Cause:</u> The cause of this condition is unknown.	
		<u>Effect:</u> The effect for this condition is a questioned cost.	
		<u>Recommendation:</u> When completing a purchase order, a note should be written on the PO stating which vendors had been contacted, the date of contact, the person contacted and the quoted price. This process will provide evidence of obtaining the lowest bid and is easily retrievable.	
		<u>Auditee Response and Corrective Action Plan:</u> This has been discussed with the Director of Education and it is now clearly understood that informal bids and documentation of all actions taken will be kept on file.	

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1995

Federal Findings and Questioned Costs - Monitoring Subrecipients - Subrecipient - Yap

Yap State - Compact CIP Funds

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
11.	15.875	<p>A subrecipient of federal funds must substantiate the use of those funds in order to determine that funds are expended in accordance with grant terms and conditions.</p> <p><u>Condition:</u> Two payments of \$50,000 each (PV 169248 and 176728) were made to Saint Mary's School. However, there is no indication that the use of the funds has been monitored by the State and there is no indication that these funds have been audited per OMB Circular A-128 requirements.</p> <p><u>Cause:</u> The cause of this condition is unknown.</p> <p><u>Effect:</u> The result of this condition is that questioned costs of \$100,000 exist which can only be resolved through an audit of these funds.</p> <p><u>Recommendation:</u> The State should ensure that subrecipient use of funds is subject to State monitoring efforts and that A-128 award requirements are met.</p> <p><u>Auditee Response and Corrective Action Plan:</u> An expenditure report is being prepared while at the same time we have asked the Speaker of the Legislature to direct the State Auditor to audit the program.</p>	\$ 100,000

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1995

Federal Findings and Questioned Costs - Monitoring Subrecipients - Subrecipient - Yap

Special Education

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
-----------------	-----------------	------------------	-----------------------------

12.	84.027	Expenditures of federal funds, which deviate from required budgetary ceilings, should obtain approval from the applicable funding source prior to preceding with the contract/procedures.	
-----	--------	---	--

Condition: Yap State received special education funds in 1995 which have exceeded the requirements for the number of children processed into the program. Therefore, Yap State petitioned the FSM National Government, the grantor, for permission to use Special Education Funds to rehabilitate an unusable structure on the Yap High School premises (128' H 32' prefabricated building). Also, funds were requested to furnish the classrooms. The State obtained budgetary authority from the FSM National Government and proceeded with a contract for construction (\$142,000) and to furnish the classrooms. The contracts were let in conformity with local laws wherein the Governor declared an emergency procurement and therefore competitive procurement requirements were not utilized.

Cause: The State utilized its local procurement standards which authorized sole source procurement based on the emergency declaration.

Effect: There is no effect on the financial statements as a result of this condition. No costs have been questioned as the grantor agency has provided written guidelines indicating that State procurement practices should be utilized.

Recommendation: We recommend that emergency procurements be used in situations where external factors indicate the presence of emergency conditions and not in a situation where funding must be used prior to its expiration.

Auditee Response and Corrective Action Plan: The State will ensure that emergency procurements utilizing Special Education funds will be limited to bonafide emergency situations.

Total Questioned Costs	\$ <u>100,593</u>
------------------------	-------------------

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1995

Federal Findings and Questioned Costs - Monitoring Subrecipients - Subrecipient - Pohnpei

<u>Program</u>	<u>Reason for Questioned Costs</u>	<u>Questioned Costs</u>						
1. U.S. Dept. of Education/ Special Education/CFDA #84.027	<p><u>Criteria:</u> Recipients of U.S. federal assistance should follow applicable federal procurement standards.</p> <p><u>Condition:</u> There is no evidence of informal procurement procedures being utilized in the following transaction:</p> <table border="0" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;"><u>Org. #</u></th> <th style="text-align: left;"><u>Document #</u></th> <th style="text-align: left;"><u>APV #</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">3113</td> <td style="text-align: center;">P50244</td> <td style="text-align: center;">507938</td> </tr> </tbody> </table> <p><u>Cause:</u> The cause of this condition is unknown.</p> <p><u>Effect:</u> Questioned costs result from this condition.</p> <p><u>Recommendation:</u> The State should ensure that procurement purchases conform to the requirements of the Common Rule and other applicable federal regulations.</p> <p><u>Auditee Response:</u> We concur with the finding.</p> <p><u>Corrective Action Plan:</u> Finance will ensure careful review to prevent inappropriate charges in the future.</p>	<u>Org. #</u>	<u>Document #</u>	<u>APV #</u>	3113	P50244	507938	\$ <u>2,327</u>
<u>Org. #</u>	<u>Document #</u>	<u>APV #</u>						
3113	P50244	507938						

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1995

Federal Findings and Questioned Costs - Monitoring Subrecipients - Subrecipient - Pohnpei

<u>Program</u>	<u>Reason for Questioned Costs</u>	<u>Questioned Costs</u>								
2. U.S. Dept. of Education/ Special Education/CFDA #84.027	<p><u>Criteria:</u> Federal regulations require that disbursements involving federal funds be reasonable and necessary for program needs.</p> <p><u>Condition:</u> There was insufficient evidence relating this activity to the Special Education Program.</p> <table border="0" style="width: 100%;"> <thead> <tr> <th style="text-align: left;"><u>Doc. #</u></th> <th style="text-align: left;"><u>APV #</u></th> <th style="text-align: left;"><u>Description</u></th> <th style="text-align: right;"><u>Questioned Costs</u></th> </tr> </thead> <tbody> <tr> <td>L51722</td> <td>504459</td> <td>Picnic retreat</td> <td style="text-align: right;">\$ <u>270</u></td> </tr> </tbody> </table> <p><u>Cause:</u> The cause of this condition is unknown.</p> <p><u>Effect:</u> Questioned costs result from this condition.</p> <p><u>Recommendation:</u> The State should ensure that procurement purchases conform to the requirements of the Common Rule and other applicable federal regulations.</p> <p><u>Auditee Response:</u> We agree with the above finding.</p> <p><u>Corrective Action Plan:</u> We will ensure that procurement purchases conform to the requirements of the Common Rule and other applicable federal regulations starting in fiscal year 1996.</p>	<u>Doc. #</u>	<u>APV #</u>	<u>Description</u>	<u>Questioned Costs</u>	L51722	504459	Picnic retreat	\$ <u>270</u>	
<u>Doc. #</u>	<u>APV #</u>	<u>Description</u>	<u>Questioned Costs</u>							
L51722	504459	Picnic retreat	\$ <u>270</u>							

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1995

Federal Findings and Questioned Costs - Monitoring Subrecipients - Subrecipient - Pohnpei

<u>Program</u>	<u>Reason for Questioned Costs</u>	<u>Questioned Costs</u>																				
3. U.S. Dept. of Education/ Special Education/CFDA #84.027	<p><u>Criteria:</u> Recipients of U.S. federal assistance should follow federal procurement standards.</p> <p><u>Condition:</u> Affidavits stating that original receipts were lost were accepted in lieu of original receipts supporting travel costs (ground transportation):</p> <table border="0" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;"><u>Org. #</u></th> <th style="text-align: left;"><u>TA #</u></th> <th style="text-align: left;"><u>APV #</u></th> <th style="text-align: right;"></th> </tr> </thead> <tbody> <tr> <td>3113</td> <td>T50304</td> <td>505453</td> <td style="text-align: right;">\$ 180</td> </tr> <tr> <td>3110</td> <td>T30682</td> <td>509758</td> <td style="text-align: right;">200</td> </tr> <tr> <td>3110</td> <td>T40346</td> <td>505062</td> <td style="text-align: right;"><u>100</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>480</u></td> </tr> </tbody> </table>	<u>Org. #</u>	<u>TA #</u>	<u>APV #</u>		3113	T50304	505453	\$ 180	3110	T30682	509758	200	3110	T40346	505062	<u>100</u>				<u>480</u>	
<u>Org. #</u>	<u>TA #</u>	<u>APV #</u>																				
3113	T50304	505453	\$ 180																			
3110	T30682	509758	200																			
3110	T40346	505062	<u>100</u>																			
			<u>480</u>																			

Cause: The cause of this condition is unknown.

Effect: Questioned costs result from this condition.

Recommendation: The State should ensure that procurement purchases conform to the requirements of the Common Rule and other applicable federal regulations.

Auditee Response: We agree with the above finding.

Corrective Action Plan: A memorandum from the Acting Director of Treasury dated January 11, 1995 was sent to the departments and offices stating that Department of Treasury and Administration will no longer accept affidavits as acceptable documentary evidence to support travel vouchers.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1995

Federal Findings and Questioned Costs - Monitoring Subrecipients - Subrecipient - Pohnpei

<u>Program</u>	<u>Reason for Questioned Costs</u>	<u>Questioned Costs</u>						
4. U.S. Dept. of Education/ Educational Grant/ CFDA #84.256A	<p><u>Criteria:</u> Federal regulations require that procurement transactions involving federal funds be documented by evidence of informal bidding or price comparisons from a representative number of vendors.</p> <p><u>Condition:</u> The procurement transactions did not contain evidence of compliance with informal procurement requirements:</p> <table border="0" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;"><u>Org. #</u></th> <th style="text-align: left;"><u>Document #</u></th> <th style="text-align: left;"><u>APV #</u></th> </tr> </thead> <tbody> <tr> <td>3818</td> <td>L53253</td> <td>508206</td> </tr> </tbody> </table> <p>In addition, L53253 was specifically disapproved by the grantor agency.</p> <p><u>Cause:</u> The cause of this condition is unknown.</p> <p><u>Effect:</u> Questioned costs result from this condition.</p> <p><u>Recommendation:</u> The State should ensure that procurement purchases conform to the requirements of the Common Rule and other applicable federal regulations.</p> <p><u>Auditee Response:</u> We agree with the above finding.</p> <p><u>Corrective Action Plan:</u> We will ensure that procurement purchases conform to the requirements of the Common Rule and other applicable federal guidelines starting in fiscal year 1996.</p>	<u>Org. #</u>	<u>Document #</u>	<u>APV #</u>	3818	L53253	508206	\$ <u>18,800</u>
<u>Org. #</u>	<u>Document #</u>	<u>APV #</u>						
3818	L53253	508206						

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1995

Federal Findings and Questioned Costs - Monitoring Subrecipients - Subrecipient - Pohnpei

<u>Program</u>	<u>Reason for Questioned Costs</u>	<u>Questioned Costs</u>																
5. U.S. Dept. of Education/Educational Grant/CFDA #84.256A	<p><u>Criteria:</u> The U.S. Department of Education Program Officer recommended that the travel budget under the fiscal year 1995 Educational Grant be limited to the PREL annual conferences and the PREL PRESS seminar.</p> <p><u>Condition:</u> Off-island travel costs other than trips designated in the approved budget were charged to the grant under the following travel authorizations:</p> <table border="0" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;"><u>Org. #</u></th> <th style="text-align: left;"><u>TA #</u></th> <th style="text-align: left;"><u>APV #</u></th> <th></th> </tr> </thead> <tbody> <tr> <td>3818</td> <td>T50368</td> <td>505625</td> <td style="text-align: right;">\$ 1,157</td> </tr> <tr> <td>3818</td> <td>T50369</td> <td>505808</td> <td style="text-align: right;"><u>625</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>1,782</u></td> </tr> </tbody> </table>	<u>Org. #</u>	<u>TA #</u>	<u>APV #</u>		3818	T50368	505625	\$ 1,157	3818	T50369	505808	<u>625</u>				<u>1,782</u>	<p>\$ 1,157</p> <p><u>625</u></p> <p><u>1,782</u></p>
<u>Org. #</u>	<u>TA #</u>	<u>APV #</u>																
3818	T50368	505625	\$ 1,157															
3818	T50369	505808	<u>625</u>															
			<u>1,782</u>															

Cause: The cause of this condition is unknown.

Effect: Questioned costs result from this condition.

Recommendation: The State should ensure that procurement purchases conform to the requirements of the Common Rule and other applicable federal regulations.

Auditee Response: We agree with the above finding.

Corrective Action Plan: We will ensure that procurement purchases conform to the requirements of the Common Rule and other applicable federal guidelines starting in fiscal year 1996.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1995

Federal Findings and Questioned Costs - Monitoring Subrecipients - Subrecipient - Pohnpei

<u>Program</u>	<u>Reason for Questioned Costs</u>	<u>Questioned Costs</u>
6. U.S. Dept. of Education/Teacher Training Program/CFDA #84.124	<p><u>Criteria:</u> Federal expenditures incurred should be necessary and reasonable for program needs.</p> <p><u>Condition:</u> Travel costs for participants to an office secretarial training were charged to the Teacher Training program.</p>	
	<u>Document #</u>	
	T50503	\$ 1,230
	C50109	<u>1,610</u>
		<u>2,840</u>

Cause: The cause of this condition is unknown.

Effect: Questioned costs results from this condition.

Recommendation: The State should ensure that expenditures incurred are necessary and reasonable for program needs.

Auditee Response: We agree with the above finding.

Corrective Action Plan: We will ensure that all federal program expenditures are reviewed for conformance with the Common Rule and other applicable federal regulations starting in fiscal year 1996.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1995

Federal Findings and Questioned Costs - Monitoring Subrecipients - Subrecipient - Pohnpei

<u>Program</u>	<u>Reason for Questioned Costs</u>	<u>Questioned Costs</u>																																
7. U.S. Dept. of Labor/ JTPA Program/CFDA #17.250	<p><u>Criteria:</u> Individuals eligible to receive services under the JTPA Program must meet certain age requirements and be economically disadvantaged or have some other barriers to employment.</p> <p><u>Condition:</u> Six permanent full-time employees of other government agencies were recipients of services funded by the JTPA program. Use of JTPA funds in such manner appears inconsistent with Section 204 (c) of the JTPA program.</p> <table border="0" style="width: 100%; margin-top: 10px;"> <thead> <tr> <th style="text-align: left;"><u>Org #</u></th> <th style="text-align: left;"><u>Document #</u></th> <th style="text-align: left;"><u>APV #</u></th> <th style="text-align: right;"></th> </tr> </thead> <tbody> <tr> <td>3203</td> <td>T50445</td> <td>507134</td> <td style="text-align: right;">\$ 1,635</td> </tr> <tr> <td>3201</td> <td>T50219</td> <td>503952</td> <td style="text-align: right;">4,620</td> </tr> <tr> <td>3205</td> <td>T50502</td> <td>507838</td> <td style="text-align: right;">692</td> </tr> <tr> <td>3201</td> <td>T50220</td> <td>503953</td> <td style="text-align: right;">4,620</td> </tr> <tr> <td>3203</td> <td>T50336</td> <td>505762</td> <td style="text-align: right;">2,325</td> </tr> <tr> <td>3203</td> <td>T50365</td> <td>505934</td> <td style="text-align: right;"><u>2,160</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>16,052</u></td> </tr> </tbody> </table>	<u>Org #</u>	<u>Document #</u>	<u>APV #</u>		3203	T50445	507134	\$ 1,635	3201	T50219	503952	4,620	3205	T50502	507838	692	3201	T50220	503953	4,620	3203	T50336	505762	2,325	3203	T50365	505934	<u>2,160</u>				<u>16,052</u>	
<u>Org #</u>	<u>Document #</u>	<u>APV #</u>																																
3203	T50445	507134	\$ 1,635																															
3201	T50219	503952	4,620																															
3205	T50502	507838	692																															
3201	T50220	503953	4,620																															
3203	T50336	505762	2,325																															
3203	T50365	505934	<u>2,160</u>																															
			<u>16,052</u>																															

Cause: The cause of this condition is unknown.

Effect: Questioned costs result from this condition.

Recommendation: Program managers should ensure that individuals to be served meet eligibility requirements.

Auditee Response: We agree with the above finding.

Corrective Action Plan: We will ensure that participants are properly evaluated for the eligibility requirements of the JTPA program starting in fiscal year 1996.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1995

Federal Findings and Questioned Costs - Monitoring Subrecipients - Subrecipient - Pohnpei

<u>Program</u>	<u>Reason for Questioned Costs</u>	<u>Questioned Costs</u>								
8. U.S. Dept. of Labor/ JTPA Program/CFDA #17.250	<p><u>Criteria:</u> Program expenditure should be properly classified and charged to the program accounts.</p> <p><u>Condition:</u> The Coordinator's travel costs to a workshop were charged to the Youth Program account. It appears the costs would be more appropriately classified as an admin. cost:</p> <table border="0" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;"><u>Org #</u></th> <th style="text-align: left;"><u>Contract #</u></th> <th style="text-align: left;"><u>APV #</u></th> <th></th> </tr> </thead> <tbody> <tr> <td>3203</td> <td>T50382</td> <td>506192</td> <td style="text-align: right;">\$ <u>1,500</u></td> </tr> </tbody> </table> <p><u>Cause:</u> The cause of this condition is unknown.</p> <p><u>Effect:</u> Questioned costs result from this condition.</p> <p><u>Recommendation:</u> A distinction should be made between Administration and Program costs and expenditures should be charged accordingly.</p> <p><u>Auditee Response:</u> We agree with the above finding.</p> <p><u>Corrective Action Plan:</u> Finance Division will ensure that this does not happen again by rejecting the processing of TA's inappropriately charged. Program Managers will be required to provide budgetary reprogramming authority or request that Finance Division process a JV to charge appropriate accounts.</p>	<u>Org #</u>	<u>Contract #</u>	<u>APV #</u>		3203	T50382	506192	\$ <u>1,500</u>	
<u>Org #</u>	<u>Contract #</u>	<u>APV #</u>								
3203	T50382	506192	\$ <u>1,500</u>							

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1995

Federal Findings and Questioned Costs - Monitoring Subrecipients - Subrecipient - Pohnpei

<u>Program</u>	<u>Reason for Questioned Costs</u>	<u>Questioned Costs</u>																		
9. U.S. Dept. of Labor/ JTPA Program/CFDA #17.250	<p><u>Criteria:</u> Recipients of U.S. federal assistance must document the procurement methodology used for all disbursements.</p> <p><u>Condition:</u> The following disbursements for the JTPA program lacked evidence of the use of informal procurement procedures.</p> <table border="0" style="margin-left: 40px;"> <tr> <td style="text-align: center;"><u>APV #</u></td> <td></td> </tr> <tr> <td style="text-align: center;">505885</td> <td style="text-align: right;">\$ 2,500</td> </tr> <tr> <td style="text-align: center;">503036</td> <td style="text-align: right;">3,922</td> </tr> <tr> <td style="text-align: center;">501015</td> <td style="text-align: right;">4,349</td> </tr> <tr> <td style="text-align: center;">501533</td> <td style="text-align: right;">5,728</td> </tr> <tr> <td style="text-align: center;">502774</td> <td style="text-align: right;">4,920</td> </tr> <tr> <td style="text-align: center;">504427</td> <td style="text-align: right;">3,956</td> </tr> <tr> <td style="text-align: center;">505233</td> <td style="text-align: right;"><u>3,039</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>28,414</u></td> </tr> </table>	<u>APV #</u>		505885	\$ 2,500	503036	3,922	501015	4,349	501533	5,728	502774	4,920	504427	3,956	505233	<u>3,039</u>		<u>28,414</u>	
<u>APV #</u>																				
505885	\$ 2,500																			
503036	3,922																			
501015	4,349																			
501533	5,728																			
502774	4,920																			
504427	3,956																			
505233	<u>3,039</u>																			
	<u>28,414</u>																			

Cause: The cause of this condition is unknown.

Effect: Questioned costs result from this condition.

Recommendation: The State should ensure that merchandise acquired through prepayment is ultimately received. Additionally, procurement purchases should conform to the requirements of the Common Rule and other applicable federal regulations.

Auditee Response: We agree with the above finding.

Corrective Action Plan: We will ensure that procurement purchases conform to the requirements of the Common Rule and other applicable federal regulations.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1995

Federal Findings and Questioned Costs - Monitoring Subrecipients - Subrecipient - Pohnpei

<u>Program</u>	<u>Reason for Questioned Costs</u>	<u>Questioned Costs</u>
10. Trust Territory of the Pacific Islands - Kolonia Sewer/ CFDA #15.875	<p><u>Criteria:</u> Per OMB Circular A-87, Attachment A, Section A, paragraph 2(b), the grantee assumes the responsibility for ensuring that federally assisted program funds have been expended and accounted for consistently with underlying agreements and program objectives.</p> <p><u>Condition:</u> In fiscal year 1995, payroll expenditures were incurred for holidays and vacation. We are unable to determine if this may be charged to the federal program.</p> <p><u>Cause:</u> The cause of this condition is unknown.</p> <p><u>Effect:</u> The effect of the above condition is questioned costs.</p> <p><u>Recommendation:</u> We recommend that PUC institute a checking procedure that will eliminate the chance that project labor charges are made for time spent on vacation, sick days, or holidays.</p> <p><u>Auditee Response:</u> PUC concurs with this finding.</p> <p><u>Corrective Action Plan:</u> PUC will initiate a closer cross check of labor charges to ensure that no holidays, sick leave or vacation time is charged to the federal program or project account.</p>	\$ <u>72</u>

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1995

Federal Findings and Questioned Costs - Monitoring Subrecipients - Subrecipient -
Pohnpei State - Pohnpei Utilities Corporation (PUC)

<u>Program</u>	<u>Reason for Questioned Costs</u>	<u>Questioned Costs</u>
11. Trust Territory of the Pacific Islands - Kolonia Sewer/ CFDA #15.875	<p><u>Criteria:</u> Payroll expenditures charged to federal programs should be supported by authorized timesheets used to track hours to be charged to each program.</p> <p><u>Condition:</u> Payroll expenditures for the Corporation's mechanics charged to federal programs were based on an arbitrary allocation and not based on actual timesheets. Related charges for the year ended September 30, 1995 were as follows:</p> <p>TTPI-Kolonia Sewer</p> <p><u>Cause:</u> The cause of this condition is unknown.</p> <p><u>Effect:</u> The effect of the above condition is questioned costs.</p> <p><u>Recommendation:</u> We recommend that a method of tracking hours by the Corporation's mechanics be established if future allocations are anticipated.</p> <p><u>Auditee Response:</u> PUC concurs with this finding. PUC has discussed this finding with the auditor indicating our reasoned decision to include vehicle maintenance costs with project costs because project vehicles have been repaired by our Vehicle Maintenance Division.</p> <p><u>Corrective Action Plan:</u> PUC is implementing in fiscal year 1996 a better method of tracking labor charges associated with project work. This "job order" system should clarify the use of indirect labor and other costs onto the project expenditure list.</p>	\$ <u>12,413</u>

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1995

Federal Findings and Questioned Costs - Monitoring Subrecipients - Subrecipient - Pohnpei

<u>Program</u>	<u>Reason for Questioned Costs</u>	<u>Questioned Costs</u>
<p>12. Compact Capital Projects Fund-CFDA # 15.875-Compact of Free Association</p>	<p><u>Criteria:</u> Pohnpei State should ensure that it complies with the intent of the Compact treaty.</p> <p><u>Condition:</u> Litigation costs relating to the Caroline Fisheries Corporation's lawsuit in Western Australia's federal court has been charged to Compact Capital Improvement Project funds administrative cost. Litigation costs do not appear to be a valid CIP administrative cost.</p> <p style="text-align: center;"><u>APV #</u></p> <p style="text-align: center;">508692</p> <p><u>Cause:</u> The cause of this condition is unknown.</p> <p><u>Effect:</u> Questioned costs result from this condition.</p> <p><u>Recommendation:</u> We recommend that Pohnpei State consider charging this amount to the general fund.</p> <p><u>Auditee Response:</u> We disagree with this finding. We believe that litigation costs incurred was part of the CIP project.</p> <p><u>Corrective Action Plan:</u> We will refrain from incurring such in the future.</p>	<p>\$ <u>16,142</u></p>

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1995

Federal Findings and Questioned Costs - Monitoring Subrecipients - Subrecipient - Pohnpei State - Pohnpei State Housing Authority

<u>Program</u>	<u>Reason for Questioned Costs</u>	<u>Questioned Costs</u>
<p>13. Compact Capital Projects Fund-CFDA # 15.875-Compact of Free Association</p>	<p><u>Criteria:</u> Compact capital funds received in a subrecipient capacity should be expended in accordance with local laws and regulations.</p> <p><u>Condition:</u> We found a transfer of compact capital funds for \$35,266 from the Housing Loan Fund to the Warehouse Fund which was used for administrative expenses incurred in the current year.</p> <p><u>Cause:</u> Management approved the transfer of funds and its subsequent disbursements.</p> <p><u>Effect:</u> The effect of using housing loan funds for administrative expenses is potential noncompliance with the intent of the compact of Free Association.</p> <p><u>Recommendation:</u> We recommend that the management and the Board of Directors immediately resolve this matter with the Pohnpei State Legislature.</p> <p><u>Auditee Response:</u> We concur with this finding.</p> <p><u>Corrective Action Plan:</u> We will refrain from such in the future.</p>	<p>\$ <u>35,266</u></p>
Total questioned costs		\$ <u>136,358</u>

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1995

Federal Findings and Questioned Costs - Monitoring Subrecipients - Subrecipient - Pohnpei

Special Education Program - Individualized Education Programs (CFDA #84.027)

14. **Criteria:** An individualized education program (IEP) should be developed and implemented for each child receiving special education or related services.

Condition: We reviewed pupil files at the Kolonia development centers. In general, pupil IEPs met the minimum requirements. However, improvements are needed to ensure that all IEP forms are completely and thoroughly filled out.

Cause: The current IEP forms were recently introduced. Consequently, teachers have not had the opportunity to completely fill out all parts of IEP forms for continuing students.

Effect: No effect on the financial statements occurs as a result of this condition. However, a complete history associated with pupils is lacking.

Recommendation: Program managers should ensure that all pupil IEPs are completed and contain all required information.

Auditee Response: We agree with the above finding.

Corrective Action Plan: The Director of Education is responsible for ensuring that individualized education program (IEP) are developed and implemented for each child receiving special education services.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1995

Federal Findings and Questioned Costs - Monitoring Subrecipients - Subrecipient - Pohnpei

U.S. Department of Labor - JTPA Program (CFDA #17.250)

15. Criteria: Participant files should be appropriately maintained to ensure compliance with program requirements.

Condition: Of twenty-five selections, eight applications approved by JTPA lacked pertinent details, such as participants family income, eligibility determination, etc.

Cause: The cause of this condition is that JTPA authorized payments based on incomplete applications.

Effect: Noncompliance with program guidelines results.

Recommendation: Participant files should be established and maintained in accordance with program requirements.

Auditee Response: We agree with the above finding.

Corrective Action Plan: We will ensure that participant files are properly maintained in accordance with program requirements starting in fiscal year 1996.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1995

Federal Findings and Questioned Costs - Monitoring Subrecipients - Subrecipient - Pohnpei

Pohnpei Utilities Corporation - A Subrecipient - Bidding Procedures - (15.875)

16. Criteria: Per OMB Circular A-87, Attachment A, Section A, paragraph 2(b), the grantee assumes the responsibility for ensuring that federally assisted program funds have been expended and accounted for consistently with underlying agreements and program objectives.

Condition: We could not determine that informal procurement regulations were used in obtaining the following items:

<u>Program</u>	<u>Check No.</u>	<u>Amount</u>
TTPI-Kolonia Sewer	6122	\$ 5,200
TTPI-Kolonia Sewer	7138	<u>5,900</u>
		\$ <u>11,100</u>

Cause: The cause of this condition is unknown.

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

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

Auditee Response: PUC concurs with this finding.

Corrective Action Plan: PUC has reviewed its procedures with respect to purchasing of vehicles or equipment that are used. Because of the small budget for vehicles, PUC had instituted a program of purchasing used vehicles from a local dealer. In the instance cited, the vehicle served the operational purpose and was the cheapest vehicle on the market. All other vehicles to specifications were new vehicles. PUC has now reviewed its purchase policy, particularly with respect to purchasing of used vehicles with U.S. Federal Program Funds. We now understand that U.S. regulations prohibit purchase of a used vehicle with U.S. Federal funds. PUC will not do so in the future and will follow standard bidding procedures required for the use of Federal Program funds and PUC financial management regulations.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1995

Federal Findings and Questioned Costs - Monitoring Subrecipients - Subrecipient - Pohnpei

Drug-Free Workplace Act

17. Criteria: Per the Office of Management and Budget General Compliance Supplement, grantees are required to provide employees a drug-free workplace. In order to satisfy the above requirement, the following procedures must be performed:
- a) Publishing a policy statement notifying employees that the unlawful manufacture, distribution, dispensing, possession or use of a controlled substance is prohibited in the grantee's workplace and specifying the actions that will be taken against employees for violation of such prohibition;
 - b) Establishing an ongoing drug-free awareness program to inform employees about:
 - The dangers of drug abuse in the workplace;
 - The grantee's policy of maintaining a drug-free workplace;
 - Any available drug counseling, rehabilitation, and employee assistance programs, and,
 - The penalties that may be imposed upon employees for drug abuse violations occurring in the workplace;
 - c) Making it a requirement that each employee to be engaged in the performance of the grant be given a copy of the statement required by paragraph (a);
 - d) Notifying the employee in the statement required by paragraph (a) that, as a condition of employment under the grant, the employee will:
 - Abide by the terms of the statement; and
 - Notify the employer in writing of any criminal drug statute conviction for a violation occurring in the workplace no later than five calendar days after such conviction;
 - e) Notifying the agency in writing within ten calendar days after receiving notice under subparagraph (d) (2) from an employee or otherwise receiving actual notice of such conviction;
 - f) Taking one of the following actions, within 30 calendar days of receiving notice under subparagraph (d) (2), with respect to any employee who is so convicted:
 - Taking appropriate personnel action against such an employee, up to and including termination; or
 - Requiring such employees to participate satisfactorily in a drug abuse assistance or rehabilitation program approved for such purposes by a Federal, State, or local health, law enforcement, or other appropriate agency.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1995

Federal Findings and Questioned Costs - Monitoring Subrecipients - Subrecipient - Pohnpei

Drug-Free Workplace Act, Continued

17. Condition: Per our inquiries, we noted the State of Pohnpei is not in compliance with the Drug-Free Workplace Act. However, the rest of the Drug-Free Workplace requirements were implemented in fiscal year 1996.

Cause: The cause of the above condition is that a policy statement on a Drug-Free Workplace has not been issued.

Effect: The effect of the above condition is that the State of Pohnpei may not be eligible to receive federal grant-in-aid monies.

Recommendation: We recommend a policy statement on a Drug-Free Workplace be issued by the Office of the Governor.

Prior Year Status: Not complying with the Drug-Free Workplace general requirements was reported as a finding in the Single Audit of Pohnpei State for fiscal years 1992 through 1994.

Auditee Response: We agree with the above finding.

Corrective Action Plan: A policy statement was issued by the Governor's office on January 5, 1996, establishing policies to ensure compliance with the Drug Free Workplace Act.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1995

Federal Findings and Questioned Costs - Monitoring Subrecipients - Subrecipient - Pohnpei

Matching Documentation - JTPA (CFDA #17.250)

18. Criteria: JTPA Cooperative agreements (Section 123(b)) should document the 50/50 match between federal funds and the related State agency.

Condition: There are cooperative agreements with the Department of Education, however no federal matching policy is documented.

Cause: The cause of this condition is unknown.

Effect: The effect is noncompliance with the grant's specific requirements.

Recommendation: We recommend that it be determined whether these cooperative agreements fall under section 123(b), and if so, that the 50/50 match is made and clearly documented.

Prior Year Status: Not complying with the program specific requirements was reported as a finding in the Single Audit of Pohnpei State for fiscal years 1992 through 1994.

Auditee Response: See corrective action plan.

Corrective Action Plan: State Finance will communicate with the local JTPA office to ensure proper resolution of the above finding.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1995

Federal Findings and Questioned Costs - Monitoring Subrecipients - Subrecipient - Pohnpei

Equipment Control - JTPA (CFDA #17.250)

19. Criteria: Equipment purchased with JTPA funds remain the property of JTPA.

Condition: Equipment purchased with JTPA funds for project C20112 remain with the grantee even though the project is complete.

Cause: The cause of this condition is unknown.

Effect: The effect of this condition is poor asset management and a potential loss related to the equipment.

Recommendation: We recommend that the equipment either be returned to JTPA or purchased by the grantee.

Prior Year Status: Not complying with the federal grant administrative guidelines was reported as a finding in the Single Audit of Pohnpei State for fiscal years 1992 through 1994.

Auditee Response: See corrective action plan.

Corrective Action Plan: State Finance will communicate with the local JTPA office to ensure proper resolution of the above finding.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1995

Federal Findings and Questioned Costs - Monitoring Subrecipients - Subrecipient - Pohnpei

Pohnpei State Housing Authority (a subrecipient) USDA, Farmers Home Administration - CFDA #10.433

20. Criteria: Part B, No. 9 of the HPG Agreement states that the grantee shall provide satisfactory evidence to Farmers Home Administration that all officers of the grantee organization authorized to receive and/or disburse Federal funds are covered by fidelity bonds.

Condition: Officers and employees engaged in the disbursement of the Housing Preservation Grant are not covered by a fidelity bond.

Cause: The Authority is not aware that there is a fidelity bond requirement, and there appears to be no insurance agency on the island that accepts fidelity bond coverage.

Effect: The effect is noncompliance with HPG Agreement requiring fidelity bond coverage for all officers authorized to receive and/or disburse the grant.

Recommendation: We recommend that the Authority discuss this matter with the Farmers Home Administration and secure a documented exception for this provision due to non-availability of fidelity bond coverage in Micronesia.

Prior Year Status: Not complying with Part B, No. 9 of the HPG Agreement was reported as a finding in the Single Audit of Pohnpei State for fiscal year 1994.

Auditee Response and Corrective Action Plan: The absence of a Fidelity Bond company here on the island made it difficult for the agency to fulfill this requirement. We have agreed to work with the local RECDS office to either do away with this requirement or to replace it with a more appropriate alternative.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1995

Federal Findings and Questioned Costs - Monitoring Subrecipients - Subrecipient - Pohnpei

Pohnpei State Housing Authority (a subrecipient) USDA, Farmers Home Administration - CFDA #10.433

21. Criteria: Part B, No. 9 of the HPG Agreement stated that the grantee submit a quarterly "Financial Status Report".

Condition: The Financial Status Report is not prepared quarterly and only one report was prepared covering the period September 30, 1993 to December 31, 1994.

Cause: The Authority is not aware of the details and frequency of the financial reports that need to be provided to Farmers Home Administration.

Effect: The effect is noncompliance with the reporting requirements per HPG Agreement.

Recommendation: We recommend that the Authority comply with the submission of the required performance and financial reports stated in the aforementioned criteria.

Prior Year Status: Not complying with Part B, No. 9 of the HPG Agreement was reported as a finding in the Single Audit of Pohnpei State for fiscal year 1994.

Auditee Response and Corrective Action Plan: According to our records there were eight quarterly performance reports submitted to the local RECDS office of the required signatories and eventual submission to the responsible offices. Because of the procedures involved, we had to prepare reports and submit to the local RECDS office for their signatures before submission. As such, final copies of the reports were to be returned to us via RECDS local office. We have had difficulties in obtaining copies of the same. We are however, in the process of clearing with the local RECDS office and securing the copies of the reports submitted.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Resolutions of Prior Years' Questioned Costs
Year Ended September 30, 1995

The following is a summary of unresolved federal questioned costs for the National Government's subrecipients.

State of Chuuk

Unresolved 1984 questioned costs	\$ 221,836
Unresolved 1985 questioned costs	193,164
Unresolved 1986 questioned costs	685,713
Unresolved 1987 questioned costs	833,896
Unresolved 1988 questioned costs	4,350,427
Unresolved 1989 questioned costs	779,850
Unresolved 1990 questioned costs	1,337,063
Unresolved 1991 questioned costs	167,352
Unresolved 1992 questioned costs	39,367
Unresolved 1994 questioned costs	208,439
Unresolved 1995 questioned costs	<u>59,131</u>

Total Chuuk State unresolved questioned costs 8,876,238

State of Kosrae

FY85 unresolved questioned costs	12,838
FY88 unresolved questioned costs	215,383
FY94 unresolved questioned costs	8,246
FY95 unresolved questioned costs	<u>2,983</u>

Total State of Kosrae unresolved questioned costs 239,450

State of Pohnpei

FY85 unresolved questioned costs	227,940
FY86 unresolved questioned costs	171,686
FY88 unresolved questioned costs	393,372
FY89 unresolved questioned costs	271,650
FY90 unresolved questioned costs	73,342
FY91 unresolved questioned costs	62,193
FY92 unresolved questioned costs	118,431
FY93 unresolved questioned costs	21,909
FY94 unresolved questioned costs	55,100
FY95 unresolved questioned costs	<u>136,358</u>

Total State of Pohnpei unresolved questioned costs 1,531,981

State of Yap

FY84 unresolved questioned costs	28,904
FY85 unresolved questioned costs	16,364
FY86 unresolved questioned costs	168,555
FY92 unresolved questioned costs	216
FY93 unresolved questioned costs	2,241
FY95 unresolved questioned costs	<u>100,593</u>

Total State of Yap unresolved questioned costs 316,873

Total unresolved subrecipient questioned costs \$ 10,964,542

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

**INDEPENDENT AUDITORS' REPORT
ON THE INTERNAL CONTROL STRUCTURE**

YEAR ENDED SEPTEMBER 30, 1995



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

Honorable Bailey Olter
President
Federated States of Micronesia:

We have audited the general-purpose financial statements of the Federated States of Micronesia (FSM) National Government as of and for the year ended September 30, 1995, and have issued our report thereon dated February 7, 1996. Our report on the audit of the general-purpose financial statements was modified due to; 1) our inability to determine the propriety of fixed assets of the Component Units - Higher Education Fund; and 2) our inability to determine the propriety of an investment of the Component Units-Proprietary Funds.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement.

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

In planning and performing our audit of the general-purpose financial statements of the FSM National Government for the year ended September 30, 1995, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted a certain matter, which is presented in the accompanying Schedule of Internal Control Findings (page 193) in Finding 1, involving the internal control structure and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the FSM National Government's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general-purpose financial statements.

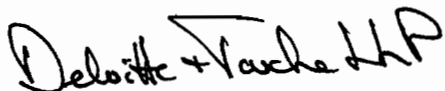
A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general-purpose financial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

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe the reportable condition described above is not a material weakness.

We also noted other matters involving the internal control structure and its operation that we have reported to the management of the FSM National Government in the accompanying Schedule of Internal Control Findings in Findings 2 - 5.

We also noted matters involving the internal control structure and its operation used to administer federal financial assistance programs which we reported to the management of the FSM National Government in a report dated February 7, 1996.

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

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

February 7, 1996

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Internal Control Findings
Year Ended September 30, 1995

Due to other Governments

Finding No. 1

Criteria: The FSM National Government should reconcile amounts due to the State Governments for federal and CFSM projects.

Condition: Material unreconciled differences exist between records maintained by the FSM National Government and the States.

Cause: The FSM National Government has not reconciled these balances.

Effect: The effect of this condition could lead to a material misstatement of the general-purpose financial statements.

Recommendation: We recommend that the FSM National Government reconcile its accounts payable to the State Governments.

Auditee Response: We concur with this finding.

Corrective Action Plan: This finding has been subsequently resolved during fiscal year 1996.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Internal Control Findings, Continued
Year Ended September 30, 1995

Cash

Finding No. 2

Criteria: The FSM National Government should ensure that all cash accounts are properly reconciled.

Condition: The following cash accounts showed variances between the bank balance and the general ledger balance.

<u>Account</u>	<u>Variance</u>
Payroll Checking	\$ 2,378
Embassy's Operations-A/C 274	123,752
Embassy Imprest - A/C 102	<u>90,442</u>
	\$ <u>216,572</u>

Cause: The cause of this condition is unknown.

Effect: The effect of this condition is a potential misstatement of the general-purpose financial statements.

Recommendation: We recommend that all cash accounts be properly reconciled.

Auditee Response: We concur with this finding.

Corrective Action Plan: We are working on the resolution of this finding.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Internal Control Findings, Continued
Year Ended September 30, 1995

Cash - Trust Account

Finding No. 3

Criteria: Management should ensure that all cash in bank reconciling items are properly cleared on a periodic basis.

Condition: The following bank accounts showed unidentified disbursements.

Chuuk Trust Account	\$ 13,517
Kosrae Trust Account	\$ 2,110

Cause: The cause of this condition is unknown.

Effect: The effect of the above condition is a potential misstatement of the general-purpose financial statements.

Recommendation: We recommend that the Chief Accountant ensure that unidentified reconciling items are properly investigated and corrected.

Auditee Response: We concur with this finding.

Corrective Action Plan: This finding has been subsequently resolved.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Internal Control Findings, Continued
Year Ended September 30, 1995

FSM Public Auditor's Audit Findings

Finding No. 4

Criteria: The FSM National Government should ensure that findings and recommendations reported in the FSM Public Auditor's audit reports are adequately resolved.

Condition: Findings per the following audit reports issued by the FSM Public Auditor remain unresolved.

<u>Report No.</u>	<u>Description</u>
109-95	Taxes, Seminar Fees and other Local Revenues
113-96	NGHEIP
114-96	Maritime Wing
115-96	Micronesian Maritime Authority

Cause: The cause of the above condition is unknown.

Effect: Potential noncompliance with local laws and regulations could result from this condition.

Recommendation: We recommend that the above findings be resolved.

Auditee Response: We concur with this finding.

Corrective Action Plan: The FSM National Government offices and agencies responsible for the daily activities of the above programs are working to resolve the findings cited in each report during fiscal year 1996.

**FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT**

Schedule of Internal Control Findings, Continued
Year Ended September 30, 1995

Cash in Bank

Finding No. 5

Criteria: Pursuant to the Financial Management Act, all bank accounts must be authorized by the Secretary of Finance.

Condition: Our review of FSM National Government's financial records for the year ended September 30, 1995 revealed a bank account which is not included on the authorized list of FSM National Government's bank accounts.

Cause: The cause of the above condition is unknown.

Effect: A potential misstatement of the general-purpose financial statements could result from this condition.

Recommendation: We recommend that the FSM National Government comply with the Financial Management Act.

Auditee Response: We concur with this finding.

Corrective Action Plan: Such bank account was subsequently authorized by the Secretary of Finance.