

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

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

YEAR ENDED SEPTEMBER 30, 1997

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

YEAR ENDED SEPTEMBER 30, 1997

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FEDERATED STATES OF MICRONESIA**

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**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

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

YEAR ENDED SEPTEMBER 30, 1997

**INDEPENDENT AUDITORS' REPORT**

Honorable Jacob Nena
President
Federated States of Micronesia:

We have audited the accompanying general purpose financial statements of the Federated States of Micronesia (FSM) National Government, as of September 30, 1997, and for the year then ended, as set forth in Section II of the foregoing table of contents. These general purpose financial statements are the responsibility of the management of the FSM National Government. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

Except as discussed in the following paragraphs, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 provide a reasonable basis for our opinion.

The College of Micronesia-FSM, which comprises the Component Unit - Higher Education Fund, did not provide documentary evidence to substantiate its Plant Fund, and we were not able to satisfy ourselves with respect to these balances by means of other auditing procedures. The College does not record depreciation on its assets which is not in conformance with generally accepted accounting principles. The College did not provide vendor invoices to support \$129,640 of expenditures nor were we able satisfy ourselves as to the fairness of these expenditures by alternative auditing procedures or whether additional expenditures are not supported in the same manner. The College's student subsidiary ledger was \$447,010 less than the general ledger balance and we were unable to satisfy ourselves as to the correctness of the student receivable balance by means of other auditing procedures.

The general purpose financial statements referred to above do not include financial statements of the National Fisheries Corporation, a Component Unit - Proprietary Fund, which should be included in order to conform with generally accepted accounting principles.

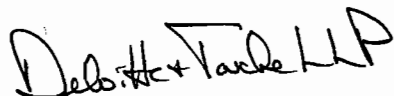
In our opinion, except for the effects on the general purpose financial statements of such adjustments, if any, as might have been determined to be necessary had we been able to assure ourselves as to the propriety of, and disclosures related to fixed assets, expenditures and student receivables of the Component Unit - Higher Education Fund and had the financial statements of the National Fisheries Corporation - a Component Unit - Proprietary Fund been included as discussed in the third and fourth paragraphs above, such 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, 1997, 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.

During the year ended September 30, 1997, the FSM National Government changed its method of accounting for certain investments. (See note 2)

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.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 1998, on our consideration of the FSM National Government's (primary Government only) internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

February 8, 1998

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

**Combined Balance Sheet - All Fund Types, Account Groups and Discretely Presented Component Units
September 30, 1997
(With Comparative Totals as of September 30, 1996)**

	Governmental Fund Types			Proprietary	Fiduciary Fund Type		Account Groups		Totals	Component Units			Totals
	General	Special Revenue	Capital Projects	Fund Type	Expendable		General	General	Primary	Higher			Reporting
				Internal Service	Trust	Fixed Assets	Long-Term Debt	Government (Memorandum Only)	Education	Governmental	Proprietary	Entity (Memorandum Only)	
												1997	1996
ASSETS													
Cash and equivalents (notes 2 and 9)	\$ 206,255	\$ 5,526,083	\$ 12,036	\$ -	\$ 687,935	\$ -	\$ -	\$ 6,432,309	\$ 1,242,257	\$ 4,015,257	\$ 7,598,648	\$ 19,288,471	\$ 15,110,836
Time certificates and other term deposits (note 2)	4,414,996	-	-	-	551,881	-	-	4,966,877	1,192,311	-	-	6,159,188	6,258,238
Investments (notes 2 and 9)	27,896,818	21,682,054	4,264,322	-	1,176,974	-	-	55,020,168	-	23,795,459	21,378,288	100,193,915	87,178,085
Equity investments (note 2)	1,500,000	-	3,212,263	-	-	-	-	4,712,263	-	-	-	4,712,263	4,433,776
Receivables from TTPI/OTIA	-	1,067,957	727,637	-	-	-	-	1,795,594	-	-	-	1,795,594	2,006,322
Receivables from other governments and agencies, net	667,894	3,547,401	-	-	-	-	-	4,215,295	1,740,163	-	-	5,955,458	4,932,281
General receivables, net	124,443	185,781	-	-	1,248	-	-	311,472	1,496,230	16,720	1,229,870	3,054,292	10,054,766
Advances	2,735,767	27,273	1,413	-	-	-	-	2,764,453	-	13,723	17,066	2,795,242	2,344,791
Loans receivable, net (note 8)	3,600,000	5,354,261	3,750,000	-	-	-	-	12,704,261	-	-	13,864,380	26,568,641	17,593,561
Due from other funds (note 6)	91,075,976	4,938,438	-	45,741	562,288	-	-	96,622,443	2,303,673	-	-	98,926,116	73,752,725
Interest and other receivables	37,989	109,086	8,508	-	-	-	-	155,583	140,034	160,634	484,690	940,941	1,479,838
Deferred charges	-	-	-	-	-	-	-	-	-	-	-	-	50,236
Inventory	-	-	-	120,446	-	-	-	120,446	75,184	-	419,973	615,603	1,284,591
Restricted assets (note 11)	-	-	-	-	-	-	-	-	-	-	28,378,373	28,378,373	27,996,425
Amount to be provided for retirement of long-term debt	-	-	-	-	-	-	16,256,736	16,256,736	-	-	-	16,256,736	5,873,289
Prepaid expenses	-	-	-	-	301,054	-	-	301,054	20,025	12,279	459,098	792,456	1,135,203
Fixed assets, net (notes 9 and 10)	-	-	-	-	-	33,917,800	-	33,917,800	10,914,357	57,448	42,081,617	86,971,222	101,800,071
Total assets	\$ 132,260,138	\$ 42,438,334	\$ 11,976,179	\$ 166,187	\$ 3,281,380	\$ 33,917,800	\$ 16,256,736	\$ 240,296,754	\$ 19,124,234	\$ 28,071,520	\$ 115,912,003	\$ 403,404,511	\$ 363,285,034

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, 1997
(With Comparative Totals as of September 30, 1996)**

	Governmental Fund Types			Proprietary	Fiduciary Fund Type	Account Groups		Totals	Component Units			Totals	
	General	Special Revenue	Capital Projects	Fund Type	Expendable	General	General	Primary	Higher Education	Governmental	Proprietary	Reporting	
				Internal Service	Trust	Fixed Assets	Long-Term Debt	Government (Memorandum Only)				Entity (Memorandum Only)	
												1997	1996
LIABILITIES AND FUND EQUITY													
Liabilities:													
Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,993
Accounts payable	1,882,838	826,909	209,643	5,879	4,414	-	-	2,929,683	115,091	88,007	249,796	3,382,577	8,970,436
Accrued payroll and others	260,033	8,990	248	-	987	-	-	270,258	382,133	20,834	213,940	887,165	1,542,246
Tax refunds payable	249,363	-	-	-	-	-	-	249,363	-	-	-	249,363	252,232
Due to other funds (note 6)	70,072,451	22,020,987	4,476,597	-	52,408	-	-	96,622,443	2,303,673	-	-	98,926,116	73,755,873
Due to FSM State governments	1,608,890	2,787,755	9,455	-	-	-	-	4,406,100	-	-	-	4,406,100	4,356,953
Deferred revenues	-	894,985	75,358	-	-	-	-	970,343	1,541,574	-	43,346	2,555,263	2,169,100
Vacation leave accrual	-	-	-	-	-	-	868,620	868,620	-	-	-	868,620	999,434
Advances from DOI, TTPI, OTIA and other (note 10)	-	917,590	-	-	-	-	-	917,590	202,264	-	-	1,119,854	267,760
Notes payable (note 7)	-	-	-	-	-	-	15,388,116	15,388,116	-	-	30,912,933	46,301,049	50,857,981
Other liabilities	347,951	-	-	-	480,120	-	-	828,071	160,033	-	2,312,237	3,300,341	4,147,734
Total liabilities	74,421,526	27,457,216	4,771,301	5,879	537,929	-	16,256,736	123,450,587	4,704,768	108,841	33,732,252	161,996,448	147,321,742
Retained earnings reserved for minority interest	-	-	-	-	-	-	-	-	-	-	-	-	4,618,565
Fund equity:													
Investment in general fixed assets	-	-	-	-	-	33,917,800	-	33,917,800	10,914,357	-	-	44,832,157	39,613,834
Contributed capital	-	-	-	30,892	-	-	-	30,892	-	-	35,048,564	35,079,456	44,117,800
Retained earnings unreserved	-	-	-	129,416	-	-	-	129,416	-	-	47,131,187	47,260,603	32,122,381
Fund balances:													
Reserved for:													
Benefits	-	-	-	-	-	-	-	-	-	27,905,231	-	27,905,231	24,187,192
Loans	3,600,000	-	3,750,000	-	-	-	-	7,350,000	-	-	-	7,350,000	6,850,000
Related assets	4,874,187	-	3,212,263	-	-	-	-	8,086,450	-	57,448	-	8,143,898	8,452,571
Encumbrances	6,434,665	2,385,103	707,833	-	65,135	-	-	9,592,736	-	-	-	9,592,736	8,363,243
Continuing appropriations (note 4)	25,693,616	3,003,665	3,469,675	-	-	-	-	32,166,956	-	-	-	32,166,956	33,889,675
Unreserved	17,236,144	9,592,350	(3,934,893)	-	2,678,316	-	-	25,571,917	3,505,109	-	-	29,077,026	13,748,031
Total fund equity	57,838,612	14,981,118	7,204,878	160,308	2,743,451	33,917,800	-	116,846,167	14,419,466	27,962,679	82,179,751	241,408,063	211,344,727
Commitments and contingencies (note 3)													
Total liabilities and fund equity	\$ 132,260,138	\$ 42,438,334	\$ 11,976,179	\$ 166,187	\$ 3,281,380	\$ 33,917,800	\$ 16,256,736	\$ 240,296,754	\$ 19,124,234	\$ 28,071,520	\$ 115,912,003	\$ 403,404,511	\$ 363,285,034

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, 1997
(With comparative totals for the year ended September 30, 1996)**

	Governmental Fund Types				Fiduciary	Totals	Component Units		Totals	
	General	Special Revenue	Capital Projects	Expendable Trust	Primary	Higher Education	Governmental	Reporting Entity (Memorandum Only)	1997	1996
					Government (Memorandum Only)					
Revenues:										
Federal contributions	\$ -	\$ 4,040,182	\$ 36,667	\$ -	\$ 4,076,849	\$ 4,163,755	\$ -	\$ 8,240,604	\$ 9,884,766	
Compact grants	5,248,800	4,049,830	2,251,200	-	11,549,830	-	-	11,549,830	13,468,828	
Other	33,880,330	604,425	-	2,030,284	36,515,039	6,201,223	10,897,077	53,613,339	52,536,014	
Total revenues	39,129,130	8,694,437	2,287,867	2,030,284	52,141,718	10,364,978	10,897,077	73,403,773	75,889,608	
Expenditures:										
Executive branch	12,009,177	8,781,705	892,060	1,802,244	23,485,186	-	-	23,485,186	26,945,221	
Judicial branch	952,269	-	-	-	952,269	-	-	952,269	887,460	
Legislative branch	3,258,079	-	-	-	3,258,079	-	-	3,258,079	2,831,806	
Office of the Public Auditor	402,896	-	-	-	402,896	-	-	402,896	416,812	
Other National Government programs	5,796,633	-	-	-	5,796,633	-	-	5,796,633	3,135,761	
Boards and commissions	1,035,102	-	-	-	1,035,102	-	-	1,035,102	1,079,614	
Other legislative appropriations	15,698,050	-	-	-	15,698,050	-	-	15,698,050	12,015,316	
Other	-	-	-	-	-	8,772,125	7,179,038	15,951,163	16,885,710	
Total expenditures	39,152,206	8,781,705	892,060	1,802,244	50,628,215	8,772,125	7,179,038	66,579,378	64,197,700	
Excess of revenues over expenditures	(23,076)	(87,268)	1,395,807	228,040	1,513,503	1,592,853	3,718,039	6,824,395	11,691,908	
Other financing sources (uses):										
Operating transfers in (out), (note 5)	(2,241,432)	(227,492)	-	-	(2,468,924)	-	-	(2,468,924)	(4,467,043)	
Proceeds from loan	-	10,514,261	-	-	10,514,261	-	-	10,514,261	-	
Earnings on equity investment	-	-	278,486	-	278,486	-	-	278,486	-	
Other	-	-	-	-	-	-	-	-	(1,002,953)	
Total other financing (uses) sources, net	(2,241,432)	10,286,769	278,486	-	8,323,823	-	-	8,323,823	(5,469,996)	
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses before the cumulative effect of a change in accounting principle	(2,264,508)	10,199,501	1,674,293	228,040	9,837,326	1,592,853	3,718,039	15,148,218	6,221,912	
Add: cumulative effect of a change in accounting principle	3,645,125	-	-	-	3,645,125	-	-	3,645,125	-	
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	1,380,617	10,199,501	1,674,293	228,040	13,482,451	1,592,853	3,718,039	18,793,343	6,221,912	
Fund balances at beginning of year (note 12)	56,457,995	4,781,617	5,530,585	2,515,411	69,285,608	1,960,366	24,187,192	95,433,166	89,211,254	
Prior period adjustment	-	-	-	-	-	(48,110)	-	(48,110)	89,211,254	
Contributed capital at beginning of year	-	-	-	-	-	11,611,181	57,546	11,668,727	1,114,602	
Current year additions/deletion	-	-	-	-	-	(696,824)	(98)	(696,922)	10,554,125	
Contributed capital at end of year	-	-	-	-	-	10,914,357	57,448	10,971,805	11,668,727	
Fund balances at end of year	\$ 57,838,612	\$ 14,981,118	\$ 7,204,878	\$ 2,743,451	\$ 82,768,059	\$ 14,419,466	\$ 27,962,679	\$ 125,150,204	\$ 196,313,147	

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, 1997

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Compact	\$ 5,143,824	\$ 5,248,800	\$ 104,976
Local taxes	9,400,000	7,701,997	(1,698,003)
Fishing rights fees	19,500,000	14,181,243	(5,318,757)
Fishing violation fines	500,000	190,942	(309,058)
Postal revenues	500,000	618,678	118,678
Investment earnings	2,500,000	10,307,173	7,807,173
Business fees, fines, penalties, and interest on delinquent taxes	500,000	541,832	41,832
Other	200,000	338,465	138,465
	38,243,824	39,129,130	885,306
Expenditures:			
Executive branch	12,959,861	11,937,225	1,022,636
Judicial branch	1,021,246	960,789	60,457
Legislative branch	3,313,400	3,238,776	74,624
Office of the Public Auditor	450,965	410,550	40,415
Other National Government programs	6,739,607	5,723,705	1,015,902
Boards and commissions	1,121,970	990,611	131,359
Other legislative appropriations	37,798,621	16,113,081	21,685,540
	63,405,670	39,374,737	24,030,933
Excess (deficiency) of revenues over (under) expenditures	(25,161,846)	(245,607)	24,916,239
Other financing sources (uses):			
Operating transfers in (out), net	(1,896,492)	(2,222,210)	(325,718)
	(1,896,492)	(2,222,210)	(325,718)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses before the cumulative effect of a change in accounting principle	(27,058,338)	(2,467,817)	24,590,521
Add: cumulative effect of a change in accounting principle (note 2)	-	3,645,125	3,645,125
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(27,058,338)	1,177,308	28,235,646
Unreserved fund balance at beginning of year	12,284,330	12,284,330	-
Other changes in unreserved fund balance:			
Net encumbrances adjustment	-	(1,228,585)	(1,228,585)
Increase in reserve for related assets	-	587,062	587,062
Increase in reserve for continuing appropriations	-	4,416,029	4,416,029
Unreserved fund balance at end of year	\$ (14,774,008)	\$ 17,236,144	\$ 32,010,152

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, 1997
(With comparative totals for the year ended September 30, 1996)

	Proprietary Fund Type	Totals Primary Government (Memorandum Only)	Component Units	Totals Reporting Entity (Memorandum Only)	
	Internal Service		Proprietary	1997	1996
Operating revenues:					
Charges for goods and services	\$ 37,765	\$ 37,765	\$ 10,692,281	\$ 10,730,046	\$ 24,647,343
Other	-	-	194,936	194,936	135,975
Total operating revenues	37,765	37,765	10,887,217	10,924,982	24,783,318
Operating expenses:					
Personnel services	-	-	2,965,847	2,965,847	4,083,275
Circuit lease	-	-	791,356	791,356	-
Bad debts	-	-	1,717,217	1,717,217	-
Utilities	-	-	446,260	446,260	-
Communications	-	-	313,972	313,972	-
Repairs and maintenance	-	-	235,002	235,002	-
Travel	-	-	201,492	201,492	-
Supplies and materials	39,880	39,880	96,790	136,670	175,113
Contractual services	-	-	241,251	241,251	-
Depreciation	-	-	2,414,262	2,414,262	4,444,881
Cost of sales	-	-	39,966	39,966	12,971,847
Other	-	-	756,335	756,335	7,606,670
Total operating expenses	39,880	39,880	10,219,750	10,259,630	29,281,786
Operating income (loss)	(2,115)	(2,115)	667,467	665,352	(4,498,468)
Nonoperating revenues (expenses):					
Transfers in from General Fund and other sources	-	-	923,727	923,727	1,467,043
Interest income (expense), net	-	-	(1,052,637)	(1,052,637)	(1,057,655)
Other income	-	-	2,068	2,068	197,265
Investment income	-	-	937,794	937,794	-
Miscellaneous	-	-	424	424	91,748
Total nonoperating revenues (expense), net	-	-	811,376	811,376	698,401
Net income (loss)	(2,115)	(2,115)	1,478,843	1,476,728	(3,800,067)
Add depreciation on fixed assets acquired by grants that reduces contributed capital	-	-	-	-	564,266
Increase (decrease) in retained earnings	(2,115)	(2,115)	1,478,843	1,476,728	(3,235,801)
Retained earnings at beginning of year	33,007	33,007	45,892,339	45,925,346	36,385,207
Reclassification to contributed capital	-	-	(239,995)	(239,995)	-
(Decrease) in reserve for minority interest	-	-	-	-	(1,027,025)
Retained earnings at end of year	30,892	30,892	47,131,187	47,162,079	32,122,381
Contributed capital at beginning of year	129,416	129,416	33,994,101	34,123,517	41,620,751
Current year additions	-	-	814,468	814,468	3,001,260
Reclassification from retained earnings	-	-	239,995	239,995	-
Less depreciation on contributed fixed assets	-	-	-	-	(504,211)
Contributed capital at end of year	129,416	129,416	35,048,564	35,177,980	44,117,800
Total fund equity	\$ 160,308	\$ 160,308	\$ 82,179,751	\$ 82,340,059	\$ 76,240,181

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, 1997
(With comparative totals for the year ended September 30, 1996)

	Proprietary Fund Type <u>Internal Service</u>	Totals Primary Government (Memorandum Only)	Component Units <u>Proprietary</u>	Totals Reporting Entity (Memorandum Only) <u>1997</u> <u>1996</u>	
Increase (decrease) in cash and equivalents:					
Cash flows from operating activities:					
Operating income (loss)	\$ (2,115)	\$ (2,115)	\$ 667,467	\$ 665,352	\$ (4,498,468)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	-	-	2,414,261	2,414,261	4,444,881
Bad debts	-	-	900,000	900,000	548,001
Others	-	-	(360,857)	(360,857)	559,642
	<u>(2,115)</u>	<u>(2,115)</u>	<u>3,620,871</u>	<u>3,618,756</u>	<u>1,054,056</u>
Changes in assets and liabilities:					
Cash advance	-	-	(1,142)	(1,142)	(3,703)
Travel advances	-	-	-	-	(41,715)
Interest receivable	-	-	49,126	49,126	(57,377)
Accounts receivable trade	-	-	175,458	175,458	(1,015,620)
Accounts receivable other	-	-	-	-	(148,357)
Materials and supplies inventory	26,749	26,749	-	26,749	56,339
Inventory trade	-	-	(90,788)	(90,788)	242,044
Prepaid expenses	-	-	(297,621)	(297,621)	(109,002)
Deferred charges	-	-	50,236	50,236	-
Loans receivable	-	-	(4,062,289)	(4,062,289)	699,919
Accounts payable	(129)	(129)	40,814	40,685	2,674,505
Contract retentions payable	-	-	-	-	(153,382)
Due from other funds	-	-	(825)	(825)	2,697
Accrued payroll	-	-	(1,926)	(1,926)	3,141
Accrued leave payable	-	-	29,648	29,648	7,459
Deferred revenue	-	-	(7,890)	(7,890)	8,401
Accrued expenses, other	(24,505)	(24,505)	186,055	161,550	517,760
Interfund payables	-	-	(166,479)	(166,479)	614,167
	<u>2,115</u>	<u>2,115</u>	<u>(4,097,623)</u>	<u>(4,095,508)</u>	<u>3,297,276</u>
Net cash provided by (used for) operating activities	<u>-</u>	<u>-</u>	<u>(476,752)</u>	<u>(476,752)</u>	<u>4,351,332</u>
Cash flows for noncapital financing activities:					
CFSM appropriations received	-	-	988,195	988,195	1,584,580
Loan participations sold	-	-	(24,553)	(24,553)	(198,465)
Repayment of borrowed funds	-	-	(430,130)	(430,130)	(376,754)
Contributed capital received and other funding	-	-	750,000	750,000	3,819,489
	<u>-</u>	<u>-</u>	<u>1,283,512</u>	<u>1,283,512</u>	<u>4,828,850</u>
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>	<u>1,283,512</u>	<u>1,283,512</u>	<u>4,828,850</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, 1997
(With comparative totals for the year ended September 30, 1996)

	Proprietary Fund Type	Totals Primary Government	Component Units	Totals Reporting Entity	
	Internal Service	(Memorandum Only)	Proprietary	1997	1996
Cash flows from capital and related financing activities:					
Note repayments	\$ -	\$ -	\$ (572,165)	\$ (572,165)	\$ (8,450,250)
Acquisition of fixed assets	-	-	(648,379)	(648,379)	(1,052,797)
Disposals of fixed assets	-	-	44,033	44,033	61,315
Interest expense	-	-	(1,486,663)	(1,486,663)	(2,567,841)
Proceeds from other income-sale of fixed assets	-	-	424	424	4,004
Restricted cash	-	-	(1,005)	(1,005)	6,809
	<u>-</u>	<u>-</u>	<u>(1,005)</u>	<u>(1,005)</u>	<u>6,809</u>
Net cash used for capital and related financing activities	-	-	(2,663,755)	(2,663,755)	(11,998,760)
Cash flows from investing activities:					
Increase in investment	-	-	(1,316,203)	(1,316,203)	(5,093,895)
Escrow fund	-	-	-	-	7,348,978
Additions to time deposits	-	-	800,000	800,000	(800,000)
Interest income received	-	-	460,707	460,707	1,039,779
	<u>-</u>	<u>-</u>	<u>460,707</u>	<u>460,707</u>	<u>1,039,779</u>
Net cash provided by (used for) investing activities	-	-	(55,496)	(55,496)	2,494,862
Net decrease in cash and equivalents	-	-	(1,912,491)	(1,912,491)	(323,716)
Cash and equivalents at beginning of year	-	-	9,511,139	9,511,139	10,335,397
Cash and equivalents at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,598,648</u>	<u>\$ 7,598,648</u>	<u>\$ 10,011,681</u>

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, 1997
(With comparative totals for the year ended September 30, 1996)

	<u>1997</u>	<u>1996</u>
Balance at beginning of year	\$ 28,002,653	\$ 28,050,786
Current year additions	6,229,209	570,490
Current year deletions	<u>(314,062)</u>	<u>(618,623)</u>
Balance at end of year	<u>\$ 33,917,800</u>	<u>\$ 28,002,653</u>

See accompanying notes to financial statements.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 1997

(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, 1997 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, 1997

(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, 1997

(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. The Corporation has not provided audited financial statements for the year ended September 30, 1997 and is therefore, not included in the accompanying presentation. The Corporation was, however, included in the 1996 presentation.

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, 1997

(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. Expenditures are recorded when the related fund liability is incurred, except for certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 1997

(1) Summary of Significant Accounting Policies, Continued

C. Basis of Presentation, Continued

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.

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 1997, 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 canceled. If an encumbrance is subsequently canceled, the funds revert to the applicable unreserved fund balance unless otherwise required by law.

Budgetary expenditures, which are on a basis other than generally accepted accounting principles, represent current charges against appropriations; current charges consist of all current year liquidated and unliquidated encumbrances. Budgetary expenditures are therefore determined by subtracting both current year liquidations of prior year encumbrances and unliquidated prior year encumbrances from the combined total of current year. When reviewed in relation to respective budgets, budgetary expenditures provide the principal means of evaluating current year operating performance and management stewardship. Amounts included on the Statement of Revenues, Expenditures and Changes in 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, 1997

(1) Summary of Significant Accounting Policies, Continued

E. Receivables, Continued

At September 30, 1997, 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 \$1,500,000 in 1997.

The General Fund includes a loan receivable from the National Fisheries Corporation (a Component Unit - Proprietary Fund) in the amount of \$3,600,000. 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, 1997, \$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, 1997

(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

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.

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, 1997, are as follows:

World Bank Group securities	\$ 1,149,850
Imprest cash fund	147,381
Petty cash fund	4,061
Revolving Funds - FSM States	685,806
Other receivables	1,387,089
Equity investment - UMDA	<u>1,500,000</u>
Total	\$ <u>4,874,187</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, 1997

(1) Summary of Significant Accounting Policies, Continued

L. Investments

Effective October 1, 1996, the State elected to implement the standards of GASB 31. GASB 31 provides the governmental activities shall, with certain exceptions, report investments at fair value in the balance sheet. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties. Investments in the equity of companies are carried at cost if less than twenty percent of the companies' total equity, on consolidated basis if greater than fifty percent. (See note 2).

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.

N. Management Estimates

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

(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.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 1997

(2) Cash and Equivalents and Investments, Continued

I. Compact Funds, Continued

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

- A. Investment managers may invest in stocks, bonds and cash equivalents. Minimum standards of quality for investments at the time of purchase shall be:
1. Stocks - A "B" rating by a national rating service. Non-rated stocks such as banks or insurance companies must be equal in quality or higher.
 2. Bonds - Confined to issues rated "A" or higher by a national rating service, except in the case of U.S. Treasury or Agency Securities which are not rated.
 3. Cash 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, 1997, fishing rights fees of \$12,318,326, including reinvested earnings, are held with Hawaiian Trust Company, Ltd. \$117,538 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 \$118,617 with Hawaiian Trust Company, Ltd. and \$1,058,357 with Merrill Lynch is invested in U.S. Treasury Notes maturing on November 15, 2005.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 1997

(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.

The FSM National Government opted to implement Government Accounting Standard (GAS) 31 as of October 1, 1996. GAS 31 requires that governmental entities who have external investment pools report such investments at fair value in the balance sheet. As a result of the implementation of GAS 31, a cumulative effect of a change in accounting principle was recognized in the amount of \$3,465,125.

As of September 30, 1997, the details of the FSM National Government's Governmental and Fiduciary fund type cash and equivalents and investments are as follows:

<u>Compact Funds:</u>	<u>Market Value</u>
<u>Cash and equivalents</u>	
Commercial paper, Treasury notes, HTCo. Automated Cash Management (ACM) [Market value approximates cost]	
General Fund	\$ 6,157
Special Revenue Fund	5,526,083
CIP Fund	<u>12,036</u>
	5,544,276
<u>Investments</u>	
Pooled investment securities	<u>31,900,288</u>
Total Compact Funds	<u>37,444,564</u>
<u>Other Funds:</u>	
<u>Cash and equivalents</u>	
Banker's acceptances, corporate and bank notes, TCD's and money market accounts	877,290
<u>Investments</u>	
Common Stock	<u>22,242,590</u>
Total Other Funds	<u>23,119,880</u>
Total cash and investments, Governmental and Fiduciary fund types	60,564,444

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 1997

(2) Cash and Equivalents and Investments, Continued

III. Investment Management, Continued

Reconciliation of cash and investments to combined balance sheet:	
Other cash	<u>888,033</u>
Total cash and investments, Governmental and Fiduciary Fund Types	\$ <u>61,452,477</u>

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

IV. Investment Valuation

At September 30, 1997, the FSM National Government had time certificates and other term deposits as follows:

<u>General Fund</u>	
Cash and deposits with Hawaiian Trust Co., ACM	\$ <u>195,512</u>
Total cash and equivalents	\$ <u>195,512</u>
Securities with World Bank	\$ 1,149,850
Time certificates of deposit with FDIC insured banks	<u>3,265,146</u>
	\$ <u>4,414,996</u>
<u>Special Revenue Funds</u>	
Cash on deposit with Hawaiian Trust Co. ACM	\$ <u>5,526,083</u>
<u>Expendable Trust Funds</u>	
Cash on deposit with Hawaiian Trust Co. ACM	\$ <u>687,935</u>
<u>Capital Projects Fund</u>	
Cash on deposit with Hawaiian Trust Co. ACM	\$ <u>12,036</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.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 1997

(2) Cash and Equivalents and Investments, Continued

V. Investment Categorization, Continued

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.

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 298,745 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 (\$3,212,263 as of September 30, 1997).

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, 1997, was \$1,700,000.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 1997

(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, 1997, 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, 1997, the following authorizations for appropriations from the general fund were outstanding:

<u>Public Law 6-69</u>	
Loan to National Fisheries Corporation	\$ <u>4,649,200</u>
<u>Public Law 7-101</u>	
Asian Development Bank Loan	\$ <u>6,500,000</u>

These items have not been included in the reserve for continuing appropriations as of September 30, 1997, 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, \$661,060 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, 1997

(4) Continuing Appropriations

General Fund

At September 30, 1997, the General Fund reflected the following as continuing appropriations:

Chuuk State Projects	\$ 7,886,426
Pohnpei State Projects	6,528,199
Yap State Projects	5,407,538
Kosrae State Projects	1,751,817
National Public Projects	503,262
Planning & Statistics	40,700
Attorney General	57,444
Boards and Commissions	1,667,070
Unallotted appropriations	1,294,986
External Affairs	516,174
Legislature	<u>40,000</u>
Total	<u>\$ 25,693,616</u>

Capital Project Funds

Continuing appropriations for the Capital Projects Funds as of September 30, 1997, are as follows:

Compact Capital Projects Funds

Public Law No.	5-13	\$ 14,392
	5-75	4,328
	6-4	59,062
	6-7	70,478
	6-19	27,875
	5-118	90,984
	6-10	93,662
	6-91	258,516
	7-78	667
	8-096	73,695
	8-018	44,043
	9-030	71,609
	9-096	656,015
	9-100	1,856,111
	9-125	<u>80,291</u>
Sub-Total		<u>3,401,728</u>

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 1997

(4) Continuing Appropriations, Continued

CFSM Capital Projects Funds

Staff housing	3,283
Finance warehouse	27,680
Capitol wells	<u>36,984</u>
	<u>67,947</u>
Total Capital Projects Funds	\$ <u><u>3,469,675</u></u>

Special Revenue Funds

Continuing appropriations for Special Revenue Funds as of September 30, 1997, are as follows:

Scholarship Grants:

Pohnpei	\$ 202,971
Chuuk	29,175
Kosrae	203,820
Graduate Scholarship	258,400
College of Micronesia	404,758
Yap	<u>30,320</u>
Total	<u>1,129,444</u>

Communications One-Time (PL 5-3):

FSM Telecommunications Corp. - Building	1,824
FSM Telecommunications Corp. - Switch and others	112,944
FSM Telecommunications Corp. - Telephone System	<u>32,113</u>
	<u>146,881</u>

Energy

Kosrae Projects	41,656
Chuuk Projects	<u>135,522</u>
	<u>177,178</u>

Special Block Grant

Leptospirosis, Dengue Fever and Cholera	5,239
Yap Continuing Education (PL-7-96)	<u>14,752</u>
	<u>19,991</u>

Total Compact Special Revenue Funds 1,473,494

Disaster Revolving Fund 71,532

Asian Development Bank Loan Fund 1,458,639

Total Special Revenue Funds \$ 3,003,665

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 1997

(5) Transfers Out/In

Net transfers for the year ended September 30, 1997, consist of the following:

General Fund transfers out:	
Coconut Development Authority	\$ (163,424)
Maritime Operations Revolving Fund	(386,192)
National Fisheries Corporation	(301,500)
COM-FSM	(1,422,000)
Passport Revolving Fund	<u>31,684</u>
Net General Fund transfers out	\$ <u>(2,241,432)</u>
Special Revenue Funds transfers out:	
Passport Revolving Fund	\$ (31,684)
One-Time & Annual Communications transfer out to FSM	
Telecommunications Fund	(582,000)
Maritime Operations Revolving Fund	<u>386,192</u>
Net Special Revenue Funds transfers out	\$ <u>(227,492)</u>

(6) Interfund Receivables and Payables

As of September 30, 1997, 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	\$ 70,072,451	\$ 91,075,976
Special Revenue Funds:		
Transition	36,936	-
Federal grants direct	2,153,389	2,552,591
OTIA	261,809	-
Maritime Operations	-	543,167
Disaster Relief	-	133,333
Fisheries Revolving Fund	-	30,885
Asian Development Loan Fund	-	978,553
FSM Medical Revolving Fund	-	263
Passport Revolving Fund	-	40,000
Section 214 - Energy	1,902,088	-
Section 215 (a)(2) - Communication - Annual	1,606,827	-
Section 215 (b)(2) - Communication - One Time	1,538,666	-
Section 216 (a)(1) - Marine Surveillance - Annual	3,147,713	-
Section 216 (a)(2) - Health and Medical	1,390,360	-
Section 216 (a)(3) - Post Secondary Education	7,783,744	-
Section 216 (b) - Marine Surveillance - One Time	2,199,455	-
Section 221 (b) - Special Block	-	617,296
Special Development Fund	-	42,350

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 1997

(6) Interfund Receivables and Payables, Continued

	<u>Due To Other Funds</u>	<u>Due From Other Funds</u>
Capital Projects Funds:		
Compact	4,082,521	-
OTIA/TTPI	394,076	-
Expendable Trust Funds:		
Health insurance	52,408	-
Student loan fund	-	562,288
Internal Service Fund	-	45,741
Total	\$ <u>96,622,443</u>	\$ <u>96,622,443</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 \$4,873,855. 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.

During fiscal year 1997, the FSM National Government borrowed \$10,000,000 from the Asian Development Bank to be used for an early retirement program for all eligible public service employees of the FSM National Government, Kosrae State Government, Pohnpei State Government, Yap State Government and Chuuk State Government. The loan has a maturity date of 2037 with payment of principal to commence on February 1, 2004. The loan is guaranteed by the FSM National Government with a service charge of 1% payable semiannually on February 1 and August 1. As of September 30, 1997, \$2,500,000 and \$2,000,000 had been relented to Pohnpei State and Yap State, respectively, to fund early retirement programs. Undisbursed cash of \$5,500,000 is included in Special Revenue Fund cash as of September 30, 1997.

During the year 1997, the FSM National Government borrowed an additional \$514,261 from the Asian Development Bank on behalf of Micronesian Longline Fishing Company (\$340,000 in 1996). The loan has a maturity date of July 15, 2033 with payment of principal to commence on January 15, 2004. This loan is guaranteed by the FSM National Government with a service charge of 1% payable semiannually on January 15 and July 15.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 1997

(7) Notes Payable, Continued

As of fiscal year 1997, 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>
1998	\$ 500,764
1999	525,802
2000	552,092
2001	579,697
2002	608,682
Thereafter	<u>27,384,086</u>
	<u>\$ 30,151,123</u>

The FSM Development Bank has obtained certain loans which are then passed through to other entities. As of December 31, 1997, outstanding borrowings are as follows:

Two loans from Scandinaviska Enskilda 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. \$ 200,855

Two loans 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. 560,955

\$ 761,810

The following is the total FSM Development Bank future debt payments for subsequent years:

<u>Year</u>	<u>Principal</u>
1998	\$ 409,341
1999	272,671
2000	<u>79,798</u>
	<u>\$ 761,810</u>

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 1997

(8) Loans Receivable

A. General Fund

As of September 30, 1997, an amount of \$3,600,000 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
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>	5,000	11/30/95	20 years
	<u>\$ 3,100,000</u>			

Pursuant to Public Law 6-69, no interest is payable on these loans.

B. Compact Capital Projects Fund

As of September 30, 1997, 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.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 1997

(8) Loans Receivable, Continued

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, 1997</u>	<u>Loan Balance</u>	<u>Allowance for D/A</u>	<u>Net</u>
FSM Development Bank	\$ <u>33,978,794</u>	\$ <u>1,605,998</u>	\$ <u>32,372,796</u>

As of December 31, 1997, the Bank has twenty-three loans of \$85,123 to employees and spouses of employees of the Bank. Certain of the above loans are made from IDF and State Development Funds which are classified in restricted assets (Note 11).

D. Loans Receivable - Special Revenue Funds

As set forth in note 7, the FSM National Government has borrowed and relent \$5,354,261 of Asian Development Bank (ADA) funds under the same terms and conditions imposed by ADB.

(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, 1997, 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.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 1997

(9) FSM Social Security Administration, Continued

B. Investments, Continued

As of March 31, 1997, 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	\$ 1,009,071
All other cash on deposit with FDIC insured banks	<u>3,006,186</u>
Total cash and equivalents	<u>\$ 4,015,257</u>

Investments

Market

Common stock	\$ 11,548,144
U.S. government obligations	6,022,998
Government agencies	913,825
Corporate bonds	<u>5,310,492</u>
Total investments	<u>\$ 23,795,459</u>

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.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 1997

(9) FSM Social Security Administration, Continued

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, 1997, net investment in fixed assets of \$57,448 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, 1997, is as follows:

	FSM Telecom- munications Corporation	FSM Development Bank	FSM Coconut Development Authority
Total assets	\$ <u>55,640,438</u>	\$ <u>59,604,824</u>	\$ <u>666,741</u>
Total equity (deficit)	\$ <u>24,447,220</u>	\$ <u>57,076,918</u>	\$ <u>655,613</u>
Net income	\$ <u>942,061</u>	\$ <u>422,843</u>	\$ <u>113,939</u>
Operating subsidy	\$ <u>582,000</u>	\$ <u>-</u>	\$ <u>341,727</u>
Contributed capital	\$ <u>7,173,118</u>	\$ <u>27,228,830</u>	\$ <u>646,616</u>
Receivables, net	\$ <u>1,090,639</u>	\$ <u>45,374</u>	\$ <u>93,857</u>
Allowance for doubtful accounts	\$ <u>2,454,846</u>	\$ <u>1,605,998</u>	\$ <u>149,652</u>
Operating revenues	\$ <u>8,319,274</u>	\$ <u>2,536,297</u>	\$ <u>31,646</u>
Notes payable	\$ <u>30,151,123</u>	\$ <u>761,810</u>	\$ <u>-</u>
Depreciation and amortization	\$ <u>2,348,568</u>	\$ <u>48,290</u>	\$ <u>17,403</u>
Operating income (loss)	\$ <u>484,458</u>	\$ <u>420,775</u>	\$ <u>(237,766)</u>
Additions to fixed assets	\$ <u>603,465</u>	\$ <u>44,914</u>	\$ <u>-</u>

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 1997

(10) Component Units, Continued

B. Fixed Assets - Component Units-Proprietary Funds

Fixed assets of the component units-proprietary funds as of September 30, 1997, are as follows:

	FSM Telecom- munications <u>Corporation</u>	FSM Development <u>Bank</u>	FSM Coconut Development <u>Authority</u>	<u>Total</u>
Building and leasehold improvement	\$ -	\$ 153,283	\$ 164,769	\$ 318,052
Furniture and fixtures	-	161,394	42,411	203,805
Vehicles	-	-	18,973	18,973
Equipment and machinery	-	143,885	3,489	147,374
General support assets	10,855,782	-	-	10,855,782
Central office assets	8,061,002	-	-	8,061,002
Earth station	4,560,186	-	-	4,560,186
Terminal equipment	2,944,339	-	-	2,944,339
Cable, pole & wiring facilities	28,213,064	-	-	28,213,064
Less accumulated depreciation	(12,983,746)	(375,713)	(89,416)	(13,448,875)
Construction in progress	<u>207,915</u>	<u>-</u>	<u>-</u>	<u>207,915</u>
	<u>\$ 41,858,542</u>	<u>\$ 82,849</u>	<u>\$ 140,226</u>	<u>\$ 42,081,617</u>

C. Fixed Assets - Higher Education Fund

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

Land	\$ 1,245,685
Buildings and improvements	7,901,410
Furniture and equipment	1,512,566
Library	<u>254,696</u>
	<u>\$ 10,914,357</u>

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 1997

(10) Component Units, Continued

D. Liabilities - Higher Education Fund

Included within liabilities of the Higher Education Fund is an amount which originally aggregated \$1,169,619 due to the U.S. Department of Education which was previously owed by the Community College of Micronesia, a predecessor entity, for overpayment of its Pell Grant programs by U.S. Department of Education. The amount of \$202,264 is repayable, with interest at 3%, during fiscal year 1998.

(11) Restricted Assets

Component Units - Proprietary Funds - Restricted assets at September 30, 1997, are primarily comprised of the following:

FSM Telecommunications Corporation - Restricted assets are \$45,208 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 \$7,425,000 of U.S. Government obligations and loans receivable of \$18,508,416.

(12) Change in Accounting Principle

As of October 1, 1996, the FSM National Government changed its method of accounting for investments to conform with the requirements of GASB 31. The cumulative effect of adopting the change has been recorded separately within the financial statements.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 1997

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**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Combined Schedule of Expenditures by Account -
All Governmental Fund Types and Expendable Trust Funds
Year Ended September 30, 1997
(With comparative totals for the year ended September 30, 1996)

	Governmental Fund Types			Fiduciary	Totals	
	General	Special Revenue	Capital Projects	Expendable	(Memorandum Only)	
				Trust	1997	1996
Expenditures:						
Personnel	\$ 11,488,939	\$ 1,978,525	\$ 19,386	\$ -	\$ 13,486,850	\$ 11,451,590
Travel	3,141,556	1,119,997	54,205	-	4,315,758	2,684,759
Capital asset purchases	4,211,816	384,110	128,616	-	4,724,542	3,102,425
Contractual services, contributions and subsidies	6,002,665	1,343,808	77,851	-	7,424,324	4,197,268
Communications	731,119	163,104	1,061	-	895,284	713,638
Supplies and materials	4,225,045	590,798	55,376	-	4,871,219	3,084,448
Office/house rent/lease	1,711,506	6,000	-	-	1,717,506	1,708,004
Construction in progress	896,652	-	118,080	-	1,014,732	2,180,814
Scholarships	291,300	1,992,091	-	-	2,283,391	873,824
National Government direct assistance	-	-	-	-	-	5,088,984
Other	6,451,608	1,203,272	437,485	1,802,244	9,894,609	12,226,236
Total expenditures	\$ <u>39,152,206</u>	\$ <u>8,781,705</u>	\$ <u>892,060</u>	\$ <u>1,802,244</u>	\$ <u>50,628,215</u>	\$ <u>47,311,990</u>

See Accompanying Independent Auditors' Report.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

**GENERAL FUND
Schedule of Revenues and Transfers In
Year Ended September 30, 1997**

(With comparative totals for the year ended September 30, 1996)

	<u>1997</u>	<u>1996</u>
Compact funding current:		
Base amount	3,499,200	\$ 4,461,480
Inflation adjustment	1,749,600	2,141,511
	<u>5,248,800</u>	<u>6,602,991</u>
Local taxes:		
Import	2,081,850	1,951,136
Fuel	133,235	186,853
Income tax, individuals, net of tax refunds	2,588,409	2,677,343
Gross receipts tax, businesses	2,898,503	3,112,949
	<u>7,701,997</u>	<u>7,928,281</u>
Investment income:		
Foreign currency loss	-	(145,472)
Unrealized gain on equities	3,174,220	-
Realized gain on sale of equities	6,580,093	1,909,810
Realized loss on sale of equities	(1,321,550)	(751,011)
Dividend and interest income	1,874,410	2,109,749
	<u>10,307,173</u>	<u>3,123,076</u>
Fees, licenses, and other income:		
Fishing rights fees	14,181,243	19,766,352
Fishing violation fines	190,942	701,992
Postal collections	618,678	597,463
Penalties and interest on delinquent taxes	468,303	299,110
Business license and firearms fees	73,529	71,898
Other income	338,465	157,882
	<u>15,871,160</u>	<u>21,594,697</u>
Other sources:		
Transfer in	31,684	37,806
	<u>31,684</u>	<u>37,806</u>
Total revenues and transfers in	<u>\$ 39,160,814</u>	<u>\$ 39,286,851</u>

See Accompanying Independent Auditors' Report.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

GENERAL FUND

Schedule of Expenditures by Function and Department

Year Ended September 30, 1997

(With comparative totals for the year ended September 30, 1996)

	1997	1996
Executive Branch:		
President's Office	\$ 846,060	\$ 624,362
Department of External Affairs and LNO's	3,414,423	3,684,720
Department of Health Services	445,860	450,801
Department of Education	404,550	218,187
Department of Resources and Development	579,057	536,874
Department of Transportation	352,540	383,583
Department of Finance	1,815,508	1,762,396
Office of the Attorney General	1,684,142	1,912,660
Office of the Public Defender	542,856	551,414
Budget Office	255,042	270,478
Office of Planning and Statistics	609,369	789,653
Office of Administrative Services	1,059,770	1,069,652
	12,009,177	12,254,780
Judicial Branch	952,269	887,460
Legislative Branch:		
Office of the Speaker	686,248	640,151
Congress staff	1,305,615	1,145,502
Delegation offices	477,527	403,508
Leg. Conference/US Visit	644	39,053
Special Session/Others	102,198	-
Official representation and others	502,087	583,518
Members travel	174,241	11,355
Legislative committees	9,519	8,719
	3,258,079	2,831,806
Office of the Public Auditor	402,896	416,812
Other National Government Programs:		
President Medical Care Expenses	266,371	324,796
FY 1997 Youth & Sports	40,687	-
FSM National Economic Summit	2,236	64,843
Aquaculture Center Program	78,443	89,292
FSM De. Travel-Wash/Tokyo	36,855	-
Governor, Yap PL 8-103	17,862	6,494
Chuuk Gov/National Elect	93,896	-
State & National Scholarship	34,907	-
Pohnpei Rural Development	148,898	53,593
Chuuk Farmers Home Admin	45,680	24,510
Direct Telecom Link Finance	775	33,520
Festival of Arts	2,387	21,999
Transportation Costs/Ballot Boxes	13,819	-
Air Continental scholarship	20,000	24,000
Kosrae Rural Development	14,797	9,304
Yap Rural Development	27,814	9,000
COM-FSM Palikir Construction	975	-
Pohnpei Tourism	1,229	2,584
ICAO membership Fee	26,913	30,146
T-3 program	264,235	286,959
Service Consultant/US Govt	39,988	-
FSM Membership/IMF	14	-
Pohnpei State Elec. Comm.	69,110	-
Secretary R & D	2,111	15,035
March 4, 1997 Congress Election	13,363	-
UNDP Micro Cost Sharing	180,000	-
Aids to non-public schools	400,000	400,000
	1,843,365	1,396,075
Subtotal - Other National Government Programs	1,843,365	1,396,075

See Accompanying Independent Auditors' Report.

NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA

GENERAL FUND

Schedule of Expenditures by Function and Department, Continued

Year Ended September 30, 1997

(With comparative totals for the year ended September 30, 1996)

	1997	1996
Other National Government Programs:		
Fisheries Development Project	\$ 747,797	\$ 45,879
Cons/Revolv. CECenter/State	498,086	-
FSM Olympic Games	12,656	494
World Health Organization	47,500	-
Olympic Swimming Pool	172,320	-
Parking/Roadway Pav/PCOM	172,112	-
Financial Assistance/COM Students	30,563	-
Joint Committee Compact Economic Contributions	3,393	-
	974,810	823,236
FSM ADB Water Supply	306,761	2,489
Staff Upgrade Program	6,236	-
Kosrae Olympic Grand Stand	88,529	-
Gymnasium Extension Proj	48,207	-
FSM Census	66,873	16,236
Truk National Election Comm.	11,267	-
Yap National Election	54,514	-
National Corrdinator FSM/TRV	9,991	-
Contribution FSM Amateur Sports	3,120	67,777
Joint law enforcement	422,259	440,226
State Judiciary	276,274	-
Travel by non-government rep	-	1,359
Judgment Funds	-	10,000
General Assembly - Pacific YC Noumea	-	35,162
Constitutional Convention-Pohnpei	-	1,162
ADB Fisheries Loan	-	7,707
Purchase of Speaker's Residence	-	139,000
FSM Student Education - Palau	-	6,625
Student Transportation	-	181
Chuuk Visitors Bureau	-	54,849
State/Natl Energy Conference	-	13,130
FSM National Olympic Committee	-	7,148
Kosrae Tourism Development Strategy	-	56,071
Parliamentarian visit	-	10,955
	5,796,633	3,135,761
Total Other National Government Programs		
Boards and Commissions:		
Micronesia Maritime Authority	350,769	361,042
FSM Postmaster Postal Services	646,248	693,572
College of Micronesia Board of Regents	26,142	25,000
National Board of Nursing	11,943	-
	1,035,102	1,079,614
Total Boards and Commissions		
Other Legislative Appropriations:		
State projects:		
Chuuk	6,064,077	4,631,147
Pohnpei	5,394,294	4,299,957
Yap	1,814,850	1,369,362
Kosrae	1,937,074	1,401,537
National Government	487,755	313,313
	15,698,050	12,015,316
Total Other Legislative Appropriations		
Total General Fund expenditures before operating transfers	\$ 39,152,206	\$ 32,621,549

See Accompanying Independent Auditors' Report.

**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, 1997

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Compact	\$ 5,143,824	\$ 5,248,800	\$ 104,976
Local taxes	9,400,000	7,701,997	(1,698,003)
Fishing right fees	19,500,000	14,181,243	(5,318,757)
Fishing violation fines	500,000	190,942	(309,058)
Postal revenues	500,000	618,678	118,678
Investment earnings	2,500,000	10,307,173	7,807,173
Business fees, fines, penalties and interest on delinquent taxes	500,000	541,832	41,832
Other	200,000	338,465	138,465
Total revenues	38,243,824	39,129,130	885,306
Expenditures-budgetary basis by department:			
Executive Branch:			
Office of the President	557,365	554,730	2,635
Disaster Office	21,000	20,997	3
Public Information	111,595	110,953	642
Kosrae Election Commission	29,504	29,489	15
FSM National Election	496	79,059	(78,563)
President's Inauguration	25,000	22,482	2,518
Special Election - Pohnpei	45,260	44,712	548
Total	790,220	862,422	(72,202)
Department of External Affairs:			
Administration	323,872	329,666	(5,794)
International affairs	127,000	127,000	-
U.S. Relations	86,100	84,777	1,323
FSM Consulate - Guam	308,800	297,229	11,571
FSM Consulate - Honolulu	263,271	258,292	4,979
FSM Embassy - Tokyo	809,028	820,841	(11,813)
FSM Embassy - Washington D.C.	765,450	767,553	(2,103)
FSM Embassy - Fiji	242,771	234,314	8,457
FSM Permanent Mission - New York	398,877	493,288	(94,411)
UN Mission - New York Building	539,526	23,352	516,174
Total	3,864,695	3,436,312	428,383
Department of Health:			
Administration	149,687	127,137	22,550
Medical Care Services	29,200	28,457	743
Preventive Health	89,500	80,171	9,329
Environmental/Community Service	244,014	213,752	30,262
National Women's Advisory Council	3,400	1,037	2,363
Total	515,801	450,554	65,247
Department of Education:			
Administration	173,700	159,947	13,753
Special Education	307,466	237,220	70,246
Total	481,166	397,167	83,999
Department of Resources and Development:			
Administration	220,460	206,955	13,505
Commerce and Industry	126,040	129,278	(3,238)
Agriculture	77,000	70,954	6,046
Marine Resources	78,300	77,713	587
Labor	104,800	102,296	2,504
Total	606,600	587,196	19,404
See Accompanying Independent Auditors' Report.			

**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, 1997

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Department of Transportation:			
Administration	\$ 104,100	\$ 98,966	\$ 5,134
Marine	119,602	116,800	2,802
Aviation	84,400	74,505	9,895
Communication	70,400	63,873	6,527
Total	<u>378,502</u>	<u>354,144</u>	<u>24,358</u>
Department of Finance:			
Administration	237,906	238,476	(570)
ADP	128,700	124,517	4,183
Investment Management	117,099	110,556	6,543
Accounting	346,600	338,599	8,001
Revenue	465,775	455,609	10,166
Customs	385,500	354,372	31,128
Property and Supply	63,800	65,897	(2,097)
FSM Banking Board	88,710	71,190	17,520
Total	<u>1,834,090</u>	<u>1,759,216</u>	<u>74,874</u>
Office of the Attorney General:			
Administration - Attorney General	106,500	99,980	6,520
Law	182,950	176,044	6,906
Litigation	135,300	120,863	14,437
Immigration	437,550	392,481	45,069
Security & Investigation	911,006	906,888	4,118
International Law	-	(217)	217
Total	<u>1,773,306</u>	<u>1,696,039</u>	<u>77,267</u>
Office of the Public Defender	<u>573,400</u>	<u>549,186</u>	<u>24,214</u>
Office of Budget:			
Administration	99,293	93,673	5,620
Management	38,600	37,655	945
Budget preparation	74,300	75,747	(1,447)
Grant management	46,700	46,072	628
Total	<u>258,893</u>	<u>253,147</u>	<u>5,746</u>
Office of Planning and Statistics:			
Administration	128,924	118,751	10,173
Planning	98,000	22,694	75,306
Statistics	158,700	136,474	22,226
Construction review	173,997	162,276	11,721
Maintenance	203,480	143,841	59,639
A&E, GR&SR State Campuses	-	(24,183)	24,183
OPS Maintenance Consultant	-	4,214	(4,214)
Total	<u>763,101</u>	<u>564,067</u>	<u>199,034</u>
Office of Administrative Services:			
Administration	85,500	77,106	8,394
Personnel	84,500	74,471	10,029
Archives and Historic Preservation	79,400	76,818	2,582
Training	64,200	63,980	220
Recruitment/repatriation	126,000	101,710	24,290
Housing allowance	615,300	583,979	31,321
President emergency account	15,187	-	15,187
Government of Pohnpei Emergency Account-Isa	50,000	49,711	289
Total	<u>1,120,087</u>	<u>1,027,775</u>	<u>92,312</u>
Total Executive Branch	<u>12,959,861</u>	<u>11,937,225</u>	<u>1,022,636</u>

See Accompanying Independent Auditors' Report.

**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, 1997

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Judicial Branch	\$ 1,021,246	\$ 960,789	\$ 60,457
Legislative Branch:			
Office of the Speaker	717,100	691,077	26,023
Congress staff	1,288,400	1,287,032	1,368
Delegation offices	423,600	437,221	(13,621)
Members official representation	502,450	499,839	2,611
Members' travel fund	216,050	168,193	47,857
Legislature committees	12,000	9,519	2,481
Other expenditures	153,800	145,895	7,905
Total Legislative Branch	<u>3,313,400</u>	<u>3,238,776</u>	<u>74,624</u>
Office of the Public Auditor	<u>450,965</u>	<u>410,550</u>	<u>40,415</u>
Other National Government Programs:			
President Med Care Expense	300,000	292,038	7,962
FY97 Youth & Sports	43,200	41,238	1,962
Aquaculture Center Program	101,100	85,721	15,379
FSM Delegation Trvel-Wash/Tokyo	40,000	37,563	2,437
Governor, Yap PL 8-103	-	17,862	(17,862)
Chuuk Gov/National Election	106,333	93,896	12,437
State & National Scholarship	40,000	37,636	2,364
Yap Political Education	(34,800)	-	(34,800)
Reimburse FY95 FSM Games Expenses	20,000	-	20,000
Pohnpei Rural Development	154,000	150,647	3,353
Yap Sports Facilities	100,000	-	100,000
Chuuk Farmers Home Admin	98,000	45,680	52,320
Direct Telecom. Link Finc.	-	770	(770)
Transp. Costs/Ballot Boxes	14,400	13,639	761
Air Continental Scholarships	35,000	20,000	15,000
Kosrae Rural Development	35,000	17,409	17,591
Yap Rural Development	31,000	27,814	3,186
COM-Palikir Construction	-	975	(975)
Pohnpei State Tourism Program	-	841	(841)
ICAO membership fee	28,005	26,913	1,092
T-3 Program	279,470	263,193	16,277
Serv consult/U.S. Govt	100,000	87,664	12,336
FSM Membership Fee IMF	15	14	1
Pohnpei State Election Commission	70,000	69,110	890
Counterpart/Sec/Banking	900	-	900
March 4, 1997 Congress Election	19,500	13,363	6,137
UNDP Micro Cost Sharing	180,000	180,000	-
Aids to Non-Public School Program	400,000	400,000	-
Fisheries Development Project	842,326	750,308	92,018
Construction/Renovation CE Center/States	1,300,000	622,608	677,392
FSM National Olympic Committee	-	462	(462)
World Health Organization	47,500	47,500	-
Olympic Swimming Pool	192,820	172,320	20,500
Parking/Roadway Paving	300,000	281,647	18,353
Financial Assistant/Student COM	50,000	30,563	19,437
Joint Comm. Compact Econo	200,000	6,196	193,804
Sub-Total Other National Government Programs	<u>5,093,769</u>	<u>3,835,590</u>	<u>1,258,179</u>

See Accompanying Independent Auditors' Report.

**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, 1997

	Budget	Actual	Variance Favorable (Unfavorable)
Other National Government Programs, Continued:			
Balance forwarded	\$ 5,093,769	\$ 3,835,590	\$ 1,258,179
FSM Contributions	1,091,265	974,810	116,455
FSM ADB Water Supply/Sanitation	790,100	681,002	109,098
Staff Upgrade Program/IMF Membership	-	6,236	(6,236)
National Board of Nursing	-	15,842	(15,842)
Kosrae Olympic Grand Stand	92,000	88,529	3,471
Gymnasium Extension Project	65,180	48,207	16,973
1994 National Census Housing Population	-	(6,913)	6,913
Chuuk National Election Commission	13,293	11,687	1,606
Yap National Election Commission	60,000	58,724	1,276
National Coordinator FSM Trv	(466,000)	9,991	(475,991)
Total Other National Government Programs	6,739,607	5,723,705	1,015,902
Board and Commissions:			
Micronesian Maritime Authority	370,610	345,903	24,707
COM Treaty/Board of Regents	99,740	25,000	74,740
Postal services	651,620	619,708	31,912
Total Boards and Commissions	1,121,970	990,611	131,359
Other Legislative Appropriations:			
Public projects - Kosrae	3,692,330	1,940,513	1,751,817
Public projects - Pohnpei	12,480,241	5,952,042	6,528,199
Public projects - Chuuk	13,826,395	5,939,969	7,886,426
Public projects - Yap	7,225,762	1,818,224	5,407,538
Public projects - National Government	573,893	462,333	111,560
Total Other Legislative Appropriations	37,798,621	16,113,081	21,685,540
Total expenditures	63,405,670	39,374,737	24,030,933
Excess (deficiency) of revenues over (under) expenditures	(25,161,846)	(245,607)	24,916,239
Other financing sources (uses):			
Passport Revolving Fund	40,000	31,935	(8,065)
Coconut Development Authority	(141,150)	(144,253)	(3,103)
COM-FSM	(1,493,842)	(1,422,200)	71,642
FSM National Fisheries	(301,500)	(301,500)	-
Maritime Revolving Fund	-	(386,192)	(386,192)
Total other financing sources (uses), net	(1,896,492)	(2,222,210)	(325,718)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses before the cumulative effect of a change in accounting principle	(27,058,338)	(2,467,817)	24,590,521
Add: cumulative effect of a change in accounting principle	-	3,645,125	3,645,125
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(27,058,338)	1,177,308	28,235,646
Unreserved fund balance at beginning of year	12,284,330	12,284,330	-
Other changes in unreserved fund balance:			
Net encumbrances adjustment	-	(1,228,585)	(1,228,585)
Decrease in reserve for related assets	-	587,062	587,062
Decrease in reserve for continuing appropriations	-	4,416,029	4,416,029
Unreserved fund balance at end of year	\$ (14,774,008)	\$ 17,236,144	\$ 32,010,152

See Accompanying Independent Auditors' Report.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Special Revenue Funds
September 30, 1997

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, 1997 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.

Medical 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.

See Accompanying Independent Auditors' Report.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Special Revenue Funds, Continued
September 30, 1997

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 1997, 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 1997, 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 1997, and will receive \$315,000 annually.

E. Special Development Fund Section 212 - Special Development funds may be used to defray current account expenditures attendant to the operations of US Civic Action Teams or for other purposes.

See Accompanying Independent Auditors' Report.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

SPECIAL REVENUE FUNDS

Combining Balance Sheet

September 30, 1997

(With comparative totals as of September 30, 1996)

<u>Assets</u>	<u>Non-Compact</u>	<u>Compact</u>	<u>Totals</u>	
			<u>1997</u>	<u>1996</u>
Cash and equivalents	\$ 5,500,000	\$ 26,083	\$ 5,526,083	\$ 320,534
Investments	-	21,682,054	21,682,054	13,819,991
Receivables from:				
U.S. Department of the Interior (DOI)	1,067,957	-	1,067,957	1,315,352
Federal agencies, direct	3,547,401	-	3,547,401	2,457,156
General receivables	185,781	-	185,781	31,718
Advances	25,773	1,500	27,273	642,194
Loans receivable	5,354,261	-	5,354,261	-
Due from other funds	4,278,792	659,646	4,938,438	5,294,703
Interest receivable	-	109,086	109,086	83,821
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	\$ 19,959,965	\$ 22,478,369	\$ 42,438,334	\$ 23,965,469
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
 <u>Liabilities and Fund Balances</u> 				
Liabilities:				
Accounts payable	\$ 690,140	\$ 136,769	\$ 826,909	\$ 958,671
Accrued payroll and others	8,847	143	8,990	1,982
Due to other funds	2,452,134	19,568,853	22,020,987	14,491,878
Due to FSM State governments	2,747,547	40,208	2,787,755	2,836,336
Deferred revenues	894,985	-	894,985	702,330
Advances from DOI/TTPI/Other	917,590	-	917,590	192,655
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	7,711,243	19,745,973	27,457,216	19,183,852
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances:				
Reserved for encumbrances	1,627,076	758,027	2,385,103	2,280,106
Reserved for continuing appropriations	1,530,171	1,473,494	3,003,665	2,612,904
Unreserved (deficit)	9,091,475	500,875	9,592,350	(111,393)
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	12,248,722	2,732,396	14,981,118	4,781,617
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	\$ 19,959,965	\$ 22,478,369	\$ 42,438,334	\$ 23,965,469
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See Accompanying Independent Auditors' Report.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

SPECIAL REVENUE FUNDS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended September 30, 1997

(With comparative totals for the year ended September 30, 1996)

	<u>Non-Compact</u>	<u>Compact</u>	<u>Totals</u>	
			<u>1997</u>	<u>1996</u>
Revenues:				
U.S. Department of the Interior grants	\$ 936,765	\$ -	\$ 936,765	\$ 878,294
Federal contributions	3,103,417	-	3,103,417	3,815,405
Compact grants:				
Base amount	-	4,049,830	4,049,830	4,033,828
Other contributions	364,691	-	364,691	389,444
Sales of goods and services	239,734	-	239,734	191,882
Total revenues	<u>4,644,607</u>	<u>4,049,830</u>	<u>8,694,437</u>	<u>9,308,853</u>
Expenditures:				
Executive branch	5,158,025	3,623,680	8,781,705	8,737,841
Total expenditures	<u>5,158,025</u>	<u>3,623,680</u>	<u>8,781,705</u>	<u>8,737,841</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(513,418)</u>	<u>426,150</u>	<u>(87,268)</u>	<u>571,012</u>
Other financing sources (uses):				
Operating and other transfers, net	354,508	(582,000)	(227,492)	(414,614)
Proceeds from loan	10,514,261	-	10,514,261	-
Total other financing sources (uses), net	<u>10,868,769</u>	<u>(582,000)</u>	<u>10,286,769</u>	<u>(414,614)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>10,355,351</u>	<u>(155,850)</u>	<u>10,199,501</u>	<u>156,398</u>
Fund balances at beginning of year	<u>1,893,371</u>	<u>2,888,246</u>	<u>4,781,617</u>	<u>4,625,219</u>
Fund balances at end of year	<u>\$ 12,248,722</u>	<u>\$ 2,732,396</u>	<u>\$ 14,981,118</u>	<u>\$ 4,781,617</u>

See Accompanying Independent Auditors' Report.

**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, 1997

(With comparative totals for the year ended September 30, 1996)

	Non-Compact	Compact	Totals	
			1997	1996
Revenues:				
U.S. Department of the Interior grants	\$ 936,765	\$ -	\$ 936,765	\$ 878,294
Federal contributions	3,103,417	-	3,103,417	3,815,405
Compact grants:				
Base amount	-	4,049,830	4,049,830	4,033,828
Other contributions	364,691	-	364,691	389,444
Sales of goods and services	239,734	-	239,734	191,882
	4,644,607	4,049,830	8,694,437	9,308,853
Expenditures:				
Personnel	1,473,344	505,181	1,978,525	1,085,603
Travel	923,872	196,125	1,119,997	241,656
Capital asset purchases	225,245	158,865	384,110	26,364
Contractual services, contributions and subsidies	1,238,088	105,720	1,343,808	355,436
Communications	131,937	31,167	163,104	35,441
Supplies and materials	523,730	67,068	590,798	168,924
Office/house rent/lease	-	6,000	6,000	9,100
Scholarships	33,630	1,958,461	1,992,091	873,824
National Government direct assistance	-	-	-	5,088,984
Other	608,179	595,093	1,203,272	852,509
	5,158,025	3,623,680	8,781,705	8,737,841
Excess (deficiency) of revenues over (under) expenditures	(513,418)	426,150	(87,268)	571,012
Other financing sources (uses):				
Operating and other transfers, net	354,508	(582,000)	(227,492)	(414,614)
Proceeds from loan	10,514,261	-	10,514,261	-
	10,868,769	(582,000)	10,286,769	(414,614)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	10,355,351	(155,850)	10,199,501	156,398
Fund balances at beginning of year	1,893,371	2,888,246	4,781,617	4,625,219
Fund balances at end of year	\$ 12,248,722	\$ 2,732,396	\$ 14,981,118	\$ 4,781,617

See Accompanying Independent Auditors' Report.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

**SPECIAL REVENUE FUNDS - NON-COMPACT
Combining Balance Sheet
September 30, 1997
(With comparative totals as of September 30, 1996)**

	Transition	Maritime Operations Revolving	Disaster Relief	Federal and Other Direct Assistance	OTIA Technical Assistance & Operations & Maintenance	Passport Revolving	Fisheries Revolving	Medical Revolving	Asian Development Bank Loan	Totals	
										1997	1996
<u>ASSETS</u>											
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,500,000	\$ 5,500,000	\$ -
Receivables from:											
U.S. Department of the Interior (DOI)	229,591	-	-	-	838,366	-	-	-	-	1,067,957	1,315,352
Federal agencies, direct	-	-	-	3,547,401	-	-	-	-	-	3,547,401	2,457,156
General receivables	-	3,102	-	132,750	-	-	-	-	49,929	185,781	642,194
Advances	-	-	-	24,148	723	-	902	-	-	25,773	25,773
Due from other funds	-	543,167	133,333	2,552,591	-	40,000	30,885	263	978,553	4,278,792	4,741,835
Loans receivables	-	-	-	-	-	-	-	-	5,354,261	5,354,261	-
Total assets	\$ 229,591	\$ 546,269	\$ 133,333	\$ 6,256,890	\$ 839,089	\$ 40,000	\$ 31,787	\$ 263	\$ 11,882,743	\$ 19,959,965	\$ 9,182,310
<u>LIABILITIES AND FUND BALANCES</u>											
Liabilities:											
Account payable	\$ -	\$ 32,758	\$ 846	\$ 292,239	\$ 21,091	\$ -	\$ 3,206	\$ -	\$ 340,000	\$ 690,140	\$ 850,361
Accrued payroll and others	-	3,022	-	5,569	256	-	-	-	-	8,847	1,838
Due to other funds	36,936	-	-	2,153,389	261,809	-	-	-	-	2,452,134	2,745,627
Due to FSM State governments	-	-	-	2,188,029	559,518	-	-	-	-	2,747,547	2,796,128
Deferred revenues	192,655	-	-	702,330	-	-	-	-	-	894,985	702,330
Advances from DOI/TTPI/Other	-	-	-	917,590	-	-	-	-	-	917,590	192,655
Total liabilities	229,591	35,780	846	6,259,146	842,674	-	3,206	-	340,000	7,711,243	7,288,939
Fund balances:											
Reserved for encumbrances	-	238,222	48,029	1,085,280	165,988	-	86,775	2,782	-	1,627,076	1,669,081
Reserved for continuing appropriations	-	-	71,532	-	-	-	-	-	1,458,639	1,530,171	1,006,181
Unreserved (deficit)	-	272,267	12,926	(1,087,536)	(169,573)	40,000	(58,194)	(2,519)	10,084,104	9,091,475	(781,891)
Total fund balances	-	510,489	132,487	(2,256)	(3,585)	40,000	28,581	263	11,542,743	12,248,722	1,893,371
Total liabilities and fund balances	\$ 229,591	\$ 546,269	\$ 133,333	\$ 6,256,890	\$ 839,089	\$ 40,000	\$ 31,787	\$ 263	\$ 11,882,743	\$ 19,959,965	\$ 9,182,310

See Accompanying Independent Auditors' Report.

**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, 1997
(With comparative totals for the year ended September 30, 1996)

	Transition	Maritime Operations Revolving	Disaster Relief	Federal and Other Direct Assistance	OTIA				Totals		
					Technical Assistance & Operations & Maintenance	Passport Revolving	Fisheries Revolving	Medical Revolving	Asian Development Bank Loan	1997	1996
Revenues:											
U.S. Department of the Interior grants	\$ -	\$ -	\$ -	\$ -	\$ 936,765	\$ -	\$ -	\$ -	\$ -	\$ 936,765	\$ 878,294
Federal contributions	-	-	-	3,103,417	-	-	-	-	-	3,103,417	3,815,405
Other contributions	-	-	-	364,691	-	-	-	-	-	364,691	389,444
Sales of goods and services	-	56,225	-	-	-	106,884	76,625	-	-	239,734	191,882
Total revenues	-	56,225	-	3,468,108	936,765	106,884	76,625	-	-	4,644,607	5,275,025
Expenditures:											
Executive Branch	-	341,257	160,633	3,468,108	936,765	75,200	84,345	352	91,365	5,158,025	5,807,020
Total expenditures	-	341,257	160,633	3,468,108	936,765	75,200	84,345	352	91,365	5,158,025	5,807,020
Excess (deficiency) of revenues over (under) expenditures	-	(285,032)	(160,633)	-	-	31,684	(7,720)	(352)	(91,365)	(513,418)	(531,995)
Other financing sources (uses):											
Operating and other transfers, net	-	386,192	-	-	-	(31,684)	-	-	-	354,508	461,386
Proceeds from loan	-	-	-	-	-	-	-	-	10,514,261	10,514,261	-
Total other financing sources (uses), net	-	386,192	-	-	-	(31,684)	-	-	10,514,261	10,868,769	461,386
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	-	101,160	(160,633)	-	-	-	(7,720)	(352)	10,422,896	10,355,351	(70,609)
Fund balances (deficit) at beginning of year	-	409,329	293,120	(2,256)	(3,585)	40,000	36,301	615	1,119,847	1,893,371	1,963,980
Fund balances (deficit) at end of year	\$ -	\$ 510,489	\$ 132,487	\$ (2,256)	\$ (3,585)	\$ 40,000	\$ 28,581	\$ 263	\$ 11,542,743	\$ 12,248,722	\$ 1,893,371

See Accompanying Independent Auditors' Report.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

SPECIAL REVENUE FUNDS - NON-COMPACT
Combining Statement of Revenues, Expenditures by Account and Changes in Fund Balances (Deficit)
Year Ended September 30, 1997
(With comparative totals for the year ended September 30, 1996)

	Transition	Maritime Operations Revolving	Disaster Relief	Federal and Other Direct Assistance	OTIA Technical Assistance & Operations & Maintenance	Passport Revolving	Fisheries Revolving	Medical Revolving	Asian Development Bank Loan	Totals	
										1997	1996
Revenues:											
U.S. Department of the Interior grants	\$ -	\$ -	\$ -	\$ -	\$ 936,765	\$ -	\$ -	\$ -	\$ -	\$ 936,765	\$ 878,294
Federal contributions	-	-	-	3,103,417	-	-	-	-	-	3,103,417	3,815,405
Other contributions	-	-	-	364,691	-	-	-	-	-	364,691	389,444
Sales of goods and services	-	56,225	-	-	-	106,884	76,625	-	-	239,734	191,882
Total revenues	-	56,225	-	3,468,108	936,765	106,884	76,625	-	-	4,644,607	5,275,025
Expenditures:											
Personnel	-	187,578	3,932	1,229,870	51,964	-	-	-	-	1,473,344	209,283
Travel	-	825	22,943	742,951	104,394	-	52,759	-	-	923,872	74,711
Capital asset purchases	-	-	-	124,876	10,804	-	-	-	89,565	225,245	16,544
Contractual services, contributions and subsidies	-	87,600	1,200	454,635	664,155	-	30,498	-	-	1,238,088	142,709
Communications	-	-	-	102,919	27,930	-	1,088	-	-	131,937	2,618
Supplies and materials	-	65,254	62,558	283,867	36,499	75,200	-	352	-	523,730	30,014
Scholarships	-	-	-	33,630	-	-	-	-	-	33,630	(8,800)
National direct assistant	-	-	-	-	-	-	-	-	-	-	5,088,984
Other	-	-	70,000	495,360	41,019	-	-	-	1,800	608,179	250,957
Total expenditures	-	341,257	160,633	3,468,108	936,765	75,200	84,345	352	91,365	5,158,025	5,807,020
Excess (deficiency) of revenues over (under) expenditures	-	(285,032)	(160,633)	-	-	31,684	(7,720)	(352)	(91,365)	(513,418)	(531,995)
Other financing sources (uses):											
Operating and other transfers, net	-	386,192	-	-	-	(31,684)	-	-	-	354,508	461,386
Proceeds from loan	-	-	-	-	-	-	-	-	10,514,261	10,514,261	-
Total other financing sources (uses)	-	386,192	-	-	-	(31,684)	-	-	10,514,261	10,868,769	461,386
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	-	101,160	(160,633)	-	-	-	(7,720)	(352)	10,422,896	10,355,351	(70,609)
Fund balances (deficit) at beginning of year	-	409,329	293,120	(2,256)	(3,585)	40,000	36,301	615	1,119,847	1,893,371	1,963,980
Fund balances (deficit) at end of year	\$ -	\$ 510,489	\$ 132,487	\$ (2,256)	\$ (3,585)	\$ 40,000	\$ 28,581	\$ 263	\$ 11,542,743	\$ 12,248,722	\$ 1,893,371

See Accompanying Independent Auditors' Report.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

**SPECIAL REVENUE FUNDS - COMPACT
Combining Balance Sheet
September 30, 1997**

Assets	Communications	Communications	Marine	Marine	Post	Health and	Special	Energy	Special	Totals
	Annual Section 215(a)2	One Time Section 215(b)2	Surveillance Annual Section 216(a)1	Surveillance One Time Section 216(b)	Secondary Education Section 216(a)3	Medical Section 216(a)2	Block Grant Section 221(b)	Compact Section 214	Development Fund Section 212	
Cash and equivalents	\$ 3,494	\$ 63	\$ 1,110	\$ 5	\$ 10,452	\$ 478	\$ 9,930	\$ 344	\$ 207	\$ 26,083
Investments	1,943,059	1,684,928	3,614,178	2,170,824	8,260,078	1,725,812	8,097	2,275,078	-	21,682,054
Advances	1,500	-	-	-	-	-	-	-	-	1,500
Due from other funds	-	-	-	-	-	-	617,296	-	42,350	659,646
Interest receivable	4,533	831	24,670	10,698	39,830	9,714	-	18,810	-	109,086
Total assets	\$ 1,952,586	\$ 1,685,822	\$ 3,639,958	\$ 2,181,527	\$ 8,310,360	\$ 1,736,004	\$ 635,323	\$ 2,294,232	\$ 42,557	\$ 22,478,369
Liabilities and Fund Balances										
Liabilities:										
Accounts payable	\$ -	\$ 275	\$ 36,931	\$ (5,963)	\$ 23,000	\$ 2,270	\$ 36,877	\$ 822	\$ 42,557	\$ 136,769
Accrued payroll and others	-	-	-	-	-	-	143	-	-	143
Due to other funds	1,606,827	1,538,666	3,147,713	2,199,455	7,783,744	1,390,360	-	1,902,088	-	19,568,853
Due to FSM State governments	-	-	-	-	-	-	7,789	32,419	-	40,208
Total liabilities	1,606,827	1,538,941	3,184,644	2,193,492	7,806,744	1,392,630	44,809	1,935,329	42,557	19,745,973
Fund balances:										
Reserved for encumbrances	21,474	-	147,953	44,309	-	241,030	232,344	70,917	-	758,027
Reserved for continuing appropriations	-	146,881	-	-	1,129,444	-	19,991	177,178	-	1,473,494
Unreserved (deficit)	324,285	-	307,361	(56,274)	(625,828)	102,344	338,179	110,808	-	500,875
Total fund balances	345,759	146,881	455,314	(11,965)	503,616	343,374	590,514	358,903	-	2,732,396
Total liabilities and fund balances	\$ 1,952,586	\$ 1,685,822	\$ 3,639,958	\$ 2,181,527	\$ 8,310,360	\$ 1,736,004	\$ 635,323	\$ 2,294,232	\$ 42,557	\$ 22,478,369

See Accompanying Independent Auditors' Report.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

**SPECIAL REVENUE FUNDS - COMPACT
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended September 30, 1997**

	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(e)3	Health and Medical Section 216(a)2	Special Block Grant Section 221(b)	Energy Compact Section 214	Special Development Fund Section 212	Totals
Revenues:										
Compact grants:										
Base amount	\$ 900,000	\$ -	\$ 519,000	\$ -	\$ 1,889,700	\$ 125,980	\$ 315,000	\$ 300,150	\$ -	\$ 4,049,830
Total revenues	900,000	-	519,000	-	1,889,700	125,980	315,000	300,150	-	4,049,830
Expenditures:										
Executive branch	50,241	64,468	521,136	36,963	1,958,461	388,084	390,390	213,937	-	3,623,680
Total expenditures	50,241	64,468	521,136	36,963	1,958,461	388,084	390,390	213,937	-	3,623,680
Excess (deficiency) of revenues over (under) expenditures	849,759	(64,468)	(2,136)	(36,963)	(68,761)	(262,104)	(75,390)	86,213	-	426,150
Other financing sources (uses):										
Transfers out	(582,000)	-	-	-	-	-	-	-	-	(582,000)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	267,759	(64,468)	(2,136)	(36,963)	(68,761)	(262,104)	(75,390)	86,213	-	(155,850)
Fund balances at										
beginning of year	78,000	211,349	457,450	24,998	572,377	605,478	665,904	272,690	-	2,888,246
Fund balances at										
end of year	\$ 345,759	\$ 146,881	\$ 455,314	\$ (11,965)	\$ 503,616	\$ 343,374	\$ 590,514	\$ 358,903	\$ -	\$ 2,732,396

See Accompanying Independent Auditors' Report.

**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, 1997

	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 Section 212	Totals
Revenues:										
Compact grants :										
Base amount	\$ 900,000	\$ -	\$ 519,000	\$ -	\$ 1,889,700	\$ 125,980	\$ 315,000	\$ 300,150	\$ -	\$ 4,049,830
Total revenues	900,000	-	519,000	-	1,889,700	125,980	315,000	300,150	-	4,049,830
Expenditures:										
Personnel	-	-	485,550	-	-	11,286	8,345	-	-	505,181
Travel	-	-	-	100	-	-	196,025	-	-	196,125
Capital asset purchases	37,757	64,468	14,140	-	-	20,000	22,500	-	-	158,865
Contractual services, contributions and subsidies	1,544	-	20,994	-	-	72,802	10,380	-	-	105,720
Communications	-	-	-	-	-	555	30,612	-	-	31,167
Supplies and materials	10,940	-	-	490	-	1,147	54,491	-	-	67,068
Office/house rent/lease	-	-	-	-	-	-	6,000	-	-	6,000
Scholarships	-	-	-	-	1,958,461	-	-	-	-	1,958,461
Other	-	-	452	36,373	-	282,294	62,037	213,937	-	595,093
Total expenditures	50,241	64,468	521,136	36,963	1,958,461	388,084	390,390	213,937	-	3,623,680
Excess (deficiency) of revenues over (under) expenditures	849,759	(64,468)	(2,136)	(36,963)	(68,761)	(262,104)	(75,390)	86,213	-	426,150
Other financing sources (uses):										
Transfers out	(582,000)	-	-	-	-	-	-	-	-	(582,000)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	267,759	(64,468)	(2,136)	(36,963)	(68,761)	(262,104)	(75,390)	86,213	-	(155,850)
Fund balances at										
beginning of year	78,000	211,349	457,450	24,998	572,377	605,478	665,904	272,690	-	2,888,246
Fund balances at										
end of year	\$ 345,759	\$ 146,881	\$ 455,314	\$ (11,965)	\$ 503,616	\$ 343,374	\$ 590,514	\$ 358,903	\$ -	\$ 2,732,396

See Accompanying Independent Auditors' Report.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Capital Projects Funds
September 30, 1997

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.

See Accompanying Independent Auditors' Report.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

CAPITAL PROJECTS FUNDS

Combining Balance Sheet

September 30, 1997

(With comparative totals as of September 30, 1996)

	Compact Capital Projects	OTIA/TTPI Capital Projects	CFSM Capital Projects	Totals	
				1997	1996
<u>Assets</u>					
Cash and equivalents	\$ 12,036	\$ -	\$ -	\$ 12,036	\$ 124,468
Investments	4,264,322	-	-	4,264,322	2,851,141
Equity investments	3,212,263	-	-	3,212,263	2,933,776
Receivables from TTPI / OTIA	-	648,815	78,822	727,637	690,970
Advances	1,413	-	-	1,413	1,413
Loan receivable, net	3,750,000	-	-	3,750,000	3,750,000
Interest and other receivables	8,508	-	-	8,508	76,042
Total assets	\$ 11,248,542	\$ 648,815	\$ 78,822	\$ 11,976,179	\$ 10,427,810
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ 30,262	\$ 179,381	\$ -	\$ 209,643	\$ 12,824
Accrued payroll and others	248	-	-	248	190,643
Due to other funds	4,082,521	394,076	-	4,476,597	4,608,945
Due to FSM State governments	9,455	-	-	9,455	9,455
Deferred revenues	-	75,358	-	75,358	75,358
Total liabilities	4,122,486	648,815	-	4,771,301	4,897,225
Fund balances:					
Reserved for:					
Loans	3,750,000	-	-	3,750,000	3,750,000
Related assets	3,212,263	-	-	3,212,263	2,933,776
Encumbrances	512,416	195,417	-	707,833	580,366
Continuing appropriations	3,401,728	-	67,947	3,469,675	1,167,126
Unreserved (deficit)	(3,750,351)	(195,417)	10,875	(3,934,893)	(2,900,683)
Total fund balances	7,126,056	-	78,822	7,204,878	5,530,585
Total liabilities and fund balances	\$ 11,248,542	\$ 648,815	\$ 78,822	\$ 11,976,179	\$ 10,427,810

See Accompanying Independent Auditors' Report.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

CAPITAL PROJECTS FUNDS

Combining Statement of Revenues, Expenditures And Changes in Fund Balances
Year Ended September 30, 1997

(With comparative totals for the year ended September 30, 1996)

	Compact Capital Projects	OTIA/TTPI Capital Projects	CFSM Capital Projects	Totals	
				1997	1996
Revenues:					
U.S. Department of the Interior grants	\$ -	\$ 36,667	\$ -	\$ 36,667	\$ 1,903,771
Compact Capital grants:					
Base amount	2,251,200	-	-	2,251,200	2,832,009
Total revenues	2,251,200	36,667	-	2,287,867	4,735,780
Expenditures:					
Executive branch	855,393	36,667	-	892,060	4,311,405
Total expenditures	855,393	36,667	-	892,060	4,311,405
Excess of revenues over expenditures	1,395,807	-	-	1,395,807	424,375
Other financing sources (uses):					
Operating transfers out	-	-	-	-	(3,000,000)
Earnings (loss) on equity investment	278,486	-	-	278,486	(450,453)
Total other financing sources (uses), net	278,486	-	-	278,486	(3,450,453)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources (uses)	1,674,293	-	-	1,674,293	(3,026,078)
Fund balances at beginning of year	5,451,763	-	78,822	5,530,585	8,556,663
Fund balances at end of year	\$ 7,126,056	\$ -	\$ 78,822	\$ 7,204,878	\$ 5,530,585

See Accompanying Independent Auditors' Report.

**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, 1997

(With comparative totals for the year ended September 30, 1996)

	Compact Capital Projects	OTIA/TIPI Capital Projects	CFSM Capital Projects	Totals	
				1997	1996
Revenues:					
U.S. Department of the Interior grants	\$ -	\$ 36,667	\$ -	\$ 36,667	\$ 1,903,771
Compact Capital grants:					
Base amount	2,251,200	-	-	2,251,200	2,832,009
Total revenues	2,251,200	36,667	-	2,287,867	4,735,780
Expenditures:					
Personnel	19,386	-	-	19,386	38,852
Travel	54,205	-	-	54,205	74,215
Capital asset purchases	128,616	-	-	128,616	10,917
Contractual services, contributions and subsidies	77,851	-	-	77,851	34,920
Communications	1,061	-	-	1,061	6,373
Supplies and materials	55,376	-	-	55,376	102,274
Construction in progress	81,413	36,667	-	118,080	2,180,814
Other	437,485	-	-	437,485	1,863,040
Total expenditures	855,393	36,667	-	892,060	4,311,405
Excess of revenues over expenditures	1,395,807	-	-	1,395,807	424,375
Other financing sources (uses):					
Operating transfers out	-	-	-	-	(3,000,000)
Earnings (loss) on equity investment	278,486	-	-	278,486	(450,453)
Total other financing sources (uses), net	278,486	-	-	278,486	(3,450,453)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	1,674,293	-	-	1,674,293	(3,026,078)
Fund balances at beginning of year	5,451,763	-	78,822	5,530,585	8,556,663
Fund balances at end of year	\$ 7,126,056	\$ -	\$ 78,822	\$ 7,204,878	\$ 5,530,585

See Accompanying Independent Auditors' Report.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Component Units - Proprietary Funds
September 30, 1997

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.

See Accompanying Independent Auditors' Report.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

**COMPONENT UNITS - PROPRIETARY FUNDS
Combining Balance Sheet
September 30, 1997
(With comparative totals as of September 30, 1996)**

<u>ASSETS</u>	FSM Tele- Communication Corporation	FSM Development Bank	FSM Coconut Development Authority	Totals	
				1997	1996
Cash and equivalents	\$ 2,883,505	\$ 4,484,563	\$ 230,580	\$ 7,598,648	\$ 10,011,681
Time deposits	-	-	-	-	800,000
Investments	8,936,788	12,441,500	-	21,378,288	19,255,164
General receivables, net	1,090,639	45,374	93,857	1,229,870	2,728,639
Advances	15,120	-	1,946	17,066	119,517
Loans receivable, net	-	13,864,380	-	13,864,380	10,743,561
Interest receivable	145,037	339,653	-	484,690	439,602
Deferred charges	-	-	-	-	50,236
Inventory	284,422	-	135,551	419,973	1,029,919
Restricted assets	45,208	28,333,165	-	28,378,373	27,996,425
Prepaid expenses	381,177	13,340	64,581	459,098	816,283
Fixed assets, net	41,858,542	82,849	140,226	42,081,617	62,128,691
Total assets	\$ 55,640,438	\$ 59,604,824	\$ 666,741	\$ 115,912,003	\$ 136,119,718
<u>LIABILITIES AND FUND EQUITY</u>					
Liabilities:					
Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ 1,993
Accounts payable	150,945	89,770	9,081	249,796	6,196,570
Accrued payroll and others	211,893	-	2,047	213,940	571,848
Deferred revenues	43,346	-	-	43,346	51,236
Interest payable	-	-	-	-	1,734,442
Other payables	512,230	1,676,326	-	2,188,556	759,499
Contract retention payable	123,681	-	-	123,681	123,681
Notes payable	30,151,123	761,810	-	30,912,933	45,984,126
Total liabilities	31,193,218	2,527,906	11,128	33,732,252	55,423,395
Minority interest in consolidated subsidiaries	-	-	-	-	4,618,565
Fund equity:					
Contributed capital	7,173,118	27,228,830	646,616	35,048,564	43,988,384
Retained earnings	17,274,102	29,848,088	8,997	47,131,187	32,089,374
Total fund equity	24,447,220	57,076,918	655,613	82,179,751	76,077,758
Total liabilities and fund equity	\$ 55,640,438	\$ 59,604,824	\$ 666,741	\$ 115,912,003	\$ 136,119,718

See Accompanying Independent Auditors' Report.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

COMPONENT UNITS - PROPRIETARY FUNDS
Combining Statement of Revenues, Expenses and Changes in Fund Equity
Year Ended September 30, 1997
(With comparative totals for the year ended September 30, 1996)

	FSM Tele-	FSM	FSM Coconut	Totals	
	Communication Corporation	Development Bank	Development Authority	1997	1996
Operating revenues:					
Charges for goods and services	\$ 8,150,357	\$ 2,510,278	\$ 31,646	\$ 10,692,281	\$ 24,616,483
Other	168,917	26,019	-	194,936	135,975
Total operating revenues	8,319,274	2,536,297	31,646	10,887,217	24,752,458
Operating expenses:					
Personnel services	2,304,496	591,953	69,398	2,965,847	4,083,275
Circuit lease	791,356	-	-	791,356	-
Bad debts	756,757	900,000	60,460	1,717,217	-
Utilities	446,260	-	-	446,260	-
Communications	280,315	33,657	-	313,972	-
Repairs and maintenance	235,002	-	-	235,002	-
Travel	122,405	48,290	30,798	201,493	-
Supplies and materials	71,484	12,613	12,693	96,790	148,897
Contractual services	105,399	126,398	9,454	241,251	-
Depreciation	2,348,568	48,290	17,403	2,414,261	4,444,881
Cost of sales	-	-	39,966	39,966	12,971,847
Other	372,774	354,321	29,240	756,335	7,606,670
Total operating expenses	7,834,816	2,115,522	269,412	10,219,750	29,255,570
Operating income (loss)	484,458	420,775	(237,766)	667,467	(4,503,112)
Nonoperating revenues (expenses) :					
Transfers in	582,000	-	341,727	923,727	1,467,043
Interest income (expense), net	(1,062,615)	-	9,978	(1,052,637)	(1,057,655)
Other income	-	2,068	-	2,068	197,265
Investment income	937,794	-	-	937,794	-
Miscellaneous	424	-	-	424	91,748
Total nonoperating revenues (expense), net	457,603	2,068	351,705	811,376	698,401
Net income (loss)	942,061	422,843	113,939	1,478,843	(3,804,711)
Add depreciation on fixed assets acquired by grants that reduces contributed capital	-	-	-	-	564,266
Increase (decrease) in retained earnings(deficit)	942,061	422,843	113,939	1,478,843	(3,240,445)
Retained earnings (deficit) at beginning of year	16,332,041	29,665,240	(104,942)	45,892,339	36,356,844
Reclassification to contributed capital	-	(239,995)	-	(239,995)	-
Decrease in reserve for minority interest	-	-	-	-	(1,027,025)
Retained earnings at end of year	17,274,102	29,848,088	8,997	47,131,187	32,089,374
Contributed capital at beginning of year	7,108,650	26,238,835	646,616	33,994,101	41,491,335
Additions	64,468	750,000	-	814,468	3,001,260
Reclassification from retained earnings	-	239,995	-	239,995	-
Less depreciation on contributed fixed assets	-	-	-	-	(504,211)
Contributed capital at end of year	7,173,118	27,228,830	646,616	35,048,564	43,988,384
Total fund equity	\$ 24,447,220	\$ 57,076,918	\$ 655,613	\$ 82,179,751	\$ 76,077,758

See Accompanying Independent Auditors' Report.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

COMPONENT UNITS - PROPRIETARY FUNDS

Combining Statement of Cash Flows

Year Ended September 30, 1997

(With comparative totals for the year ended September 30, 1996)

	FSM Tele-	FSM	FSM Coconut	Totals	
	Communication Corporation	Development Bank	Development Authority	1997	1996
Increase (decrease) in cash and equivalents:					
Cash flows from operating activities:					
Operating income (loss)	\$ 484,458	\$ 420,775	\$ (237,766)	\$ 667,467	\$ (4,503,112)
Adjustments to reconcile operating income (loss) (loss) to net cash provided by (used for) operating activities:					
Depreciation	2,348,568	48,290	17,403	2,414,261	4,444,881
Bad debts	-	900,000	-	900,000	548,001
Others	-	(370,835)	9,978	(360,857)	559,642
	<u>2,833,026</u>	<u>998,230</u>	<u>(210,385)</u>	<u>3,620,871</u>	<u>1,049,412</u>
Change in assets and liabilities:					
Cash advances	(1,142)	-	-	(1,142)	(3,703)
Travel advances	-	-	-	-	(41,715)
Interest receivable	-	49,126	-	49,126	(57,377)
Accounts receivable trade	232,030	(12,385)	(44,187)	175,458	(1,015,620)
Accounts receivable other	-	-	-	-	(148,357)
Materials and supplies inventory	-	-	-	-	66,096
Inventory trade	(9,836)	-	(80,952)	(90,788)	242,044
Prepaid expenses	(285,063)	(2,318)	(10,240)	(297,621)	(109,002)
Deferred charges	50,236	-	-	50,236	-
Loans receivable	-	(4,062,289)	-	(4,062,289)	699,919
Accounts payable	24,035	14,693	2,086	40,814	2,672,914
Contract retentions payable	-	-	-	-	(153,382)
Due from other funds	-	-	(825)	(825)	(825)
Accrued payroll and others	-	-	(1,926)	(1,926)	3,141
Accrued leave payable	29,648	-	-	29,648	7,459
Deferred revenue	(7,890)	-	-	(7,890)	8,401
Accrued expenses, other	186,055	-	-	186,055	517,760
Interfund payables	-	(166,479)	-	(166,479)	614,167
	<u>218,073</u>	<u>(4,179,652)</u>	<u>(136,044)</u>	<u>(4,097,623)</u>	<u>3,301,920</u>
Net cash provided by (used for) operating activities	<u>3,051,099</u>	<u>(3,181,422)</u>	<u>(346,429)</u>	<u>(476,752)</u>	<u>4,351,332</u>

See Accompanying Independent Auditors' Report.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

COMPONENT UNITS - PROPRIETARY FUNDS

Combining Statement of Cash Flows, Continued

Year Ended September 30, 1997

(With comparative totals for the year ended September 30, 1996)

	FSM Tele- Communication Corporation	FSM Development Bank	FSM Coconut Development Authority	Totals	
				1997	1996
Cash flows from noncapital financing activities:					
CFSM appropriation received	646,468	-	341,727	988,195	1,584,580
Loan participations sold	-	(24,553)	-	(24,553)	(198,465)
Repayment of borrowed funds	-	(430,130)	-	(430,130)	(376,754)
Contributed capital received and other funding	-	750,000	-	750,000	3,819,489
Net cash provided by noncapital financing activities	646,468	295,317	341,727	1,283,512	4,828,850
Cash flows from capital and related financing activities:					
Note repayments	(572,165)	-	-	(572,165)	(8,450,250)
Acquisition of fixed assets	(603,465)	(44,914)	-	(648,379)	(1,052,797)
Disposals of fixed assets	-	-	44,033	44,033	61,315
Interest expense	(1,486,663)	-	-	(1,486,663)	(2,567,841)
Proceeds from other income - sale of fixed assets	424	-	-	424	4,004
Restricted cash	(1,005)	-	-	(1,005)	6,809
Net cash provided by (used for) capital and related financing activities	(2,662,874)	(44,914)	44,033	(2,663,755)	(11,998,760)
Cash flows from investing activities:					
Decrease (increase) in investments	(7,219,753)	5,903,550	-	(1,316,203)	(5,093,895)
Escrow fund	-	-	-	-	7,348,978
Additions to time deposits	800,000	-	-	800,000	(800,000)
Interest income received	460,707	-	-	460,707	1,039,779
Cash provided by (used for) investing activities	(5,959,046)	5,903,550	-	(55,496)	2,494,862
Net increase (decrease) in cash and equivalents	(4,924,353)	2,972,531	39,331	(1,912,491)	(323,716)
Cash and equivalents at beginning of year	7,807,858	1,512,032	191,249	9,511,139	10,335,397
Cash and equivalents at end of year	\$ 2,883,505	\$ 4,484,563	\$ 230,580	\$ 7,598,648	\$ 10,011,681

See Accompanying Independent Auditors' Report.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Expendable Trust Funds
September 30, 1997

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, 1997, 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.

See Accompanying Independent Auditors' Report.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

EXPENDABLE TRUST FUNDS
Combining Balance Sheet
September 30, 1997
(With comparative totals as of September 30, 1996)

<u>ASSETS</u>	Health Insurance Fund	Student Loan Fund	<u>Totals</u>	
			1997	1996
Cash and equivalents	\$ 687,935	\$ -	\$ 687,935	\$ 57,077
Term deposits	551,881	-	551,881	500,000
Investments	1,176,974	-	1,176,974	1,058,358
General receivables, net	1,248	-	1,248	2,861
Loans receivable, net	-	-	-	1,606,953
Due from other funds	-	562,288	562,288	957,494
Prepaid insurance	301,054	-	301,054	301,376
Allowance for loan reserves	-	-	-	(1,606,953)
 Total assets	 <u>\$ 2,719,092</u>	 <u>\$ 562,288</u>	 <u>\$ 3,281,380</u>	 <u>\$ 2,877,166</u>

LIABILITIES AND FUND BALANCES

Liabilities:				
Accounts payable	\$ 4,414	\$ -	\$ 4,414	\$ 29,124
Accrued payroll and others	987	-	987	-
Due to other funds	52,408	-	52,408	-
IBNR health insurance payable	480,120	-	480,120	332,631
 Total liabilities	 <u>537,929</u>	 <u>-</u>	 <u>537,929</u>	 <u>361,755</u>
Fund balances:				
Reserved for encumbrances	65,135	-	65,135	-
Unreserved	2,116,028	562,288	2,678,316	2,515,411
 Total fund balances	 <u>2,181,163</u>	 <u>562,288</u>	 <u>2,743,451</u>	 <u>2,515,411</u>
 Total liabilities and fund balances	 <u>\$ 2,719,092</u>	 <u>\$ 562,288</u>	 <u>\$ 3,281,380</u>	 <u>\$ 2,877,166</u>

See Accompanying Independent Auditors' Report.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

EXPENDABLE TRUST FUNDS
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended September 30, 1997
(With comparative totals for the year ended September 30, 1996)

	Health Insurance Fund	Student Loan Fund	Totals	
			1997	1996
Revenues:				
Interest income	\$ -	\$ -	\$ -	\$ 18,551
Member's contributions	2,008,628	-	2,008,628	1,837,971
Loan repayments	-	21,656	21,656	29,055
Total revenues	2,008,628	21,656	2,030,284	1,885,577
Expenditures:				
Insurance claims	194,344	-	194,344	1,442,059
Administrative expense	1,607,900	-	1,607,900	199,136
Total expenditures	1,802,244	-	1,802,244	1,641,195
Excess of revenues over expenditures	206,384	21,656	228,040	244,382
Fund balances at beginning of year	1,974,779	540,632	2,515,411	2,271,029
Fund balances at end of year	<u>\$ 2,181,163</u>	<u>\$ 562,288</u>	<u>\$ 2,743,451</u>	<u>\$ 2,515,411</u>

See Accompanying Independent Auditors' Report.



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

Honorable Jacob Nena
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, 1997, and have issued our report thereon dated February 8, 1998, which report was modified due to our inability to substantiate fixed assets, expenditures and student receivables of the Component Unit - Higher Education Fund; and the absence of financial statements of the National Fisheries Corporation, a Component Unit - Proprietary Fund. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

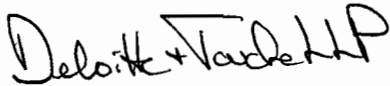
As part of obtaining reasonable assurance about whether FSM National Government's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Questioned Costs (pages 133 through 159) as items 97-L1 and 97-L2.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the FSM National Government's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters in the internal control over financial reporting and its operation that we considered to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operations of the internal control over financial reporting 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 financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 97-2 through 97-8.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended for the information of the FSM National Government, federal awarding agencies, pass-through entities 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 8, 1998



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

Honorable Jacob Nena
President
Federated States of Micronesia:

Compliance

We have audited the compliance of the Federated States of Micronesia (FSM) National Government with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 1997. The FSM National Government's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs (pages 133 through 159). Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the FSM National Government's management. Our responsibility is to express an opinion on the FSM National Government's compliance based on our audit.

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

In our opinion, the FSM National Government complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 1997.

Internal Control Over Compliance

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

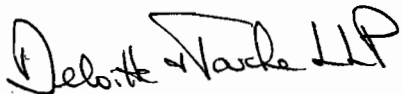
We noted one matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the FSM National Government's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 97-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

Schedule of Expenditures of Federal Awards

We have audited the general purpose financial statements of the FSM National Government, as of and for the year ended September 30, 1997, and have issued our report thereon dated February 8, 1998, which report was modified due to our inability to substantiate fixed assets, expenditures and student receivables of the Component Units - Higher Education Fund; and the absence of financial statements of the National Fisheries Corporation. Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards (pages 71 through 123) is presented for the purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the general purpose financial statements. This schedule is the responsibility of the management of the FSM National Government. Such information has been subjected to the auditing procedures applied in our audit of the general purpose financial statement and, in our opinion, except for such adjustments, if any, which might be required had we been able to substantiate fixed assets, student receivables and expenditures of the College of Micronesia - FSM, a Component Unit - Higher Education Fund, 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, federal awarding agencies, pass-through entities and the cognizant audit and other federal agencies. However, this report is a matter of public record and its distribution is not limited.



February 8, 1998

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards
By Grantor
Year Ended September 30, 1997

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1997 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									
	84.002		93 Adult Education V002A30001						
		7737	National Government	\$ 100,000	\$ 86,981	\$ -		86,981	13,019
	84.002		94 Adult Education V002A40002						
		7738	National Government	100,000	96,903	-	-	96,903	3,097
	84.002		95 Adult Education V002A40057						
		7728	National Government	100,000	88,351	-	4,592	92,943	7,057
	84.002		96 Adult Education V002A50057						
		3121	National Government	100,000	15,473	-	32,714	48,187	51,813
	84.002		97 Adult Education V002A60057						
		3006	National Government	100,000	-	-	28,281	28,281	71,719
			Total CFDA #84.002	500,000	287,708	-	65,587	353,295	146,705
	84.027		93 Special Education H027A30009						
		7731	National Government	398,469	371,217	-	3,925	375,142	23,327
		7732	Pohnpei	1,187,041	1,118,285	-	-	1,118,285	68,756
		7732	Chuuk	1,301,430	901,087	-	-	901,087	400,343
		7732	Yap	491,683	328,832	-	-	328,832	162,851
		7732	Kosrae	606,074	576,549	-	-	576,549	29,525
			Program Total	3,984,697	3,295,970	-	3,925	3,299,895	684,802
			Balance forward	500,000	287,708	-	65,587	353,295	146,705

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued
By Grantor
Year Ended September 30, 1997

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1997 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				\$ 500,000	\$ 287,708	\$ -	\$ 65,587	\$ 353,295	\$ 146,705
	84.027		94 Special Education H027A40007						
		7742	National Government	413,923	364,681	-		364,681	49,242
		7743	Pohnpei	1,221,717	1,134,119	-	-	1,134,119	87,598
		7743	Chuuk	1,336,476	1,027,429	3,345	-	1,030,774	305,702
		7743	Kosrae	640,750	515,345	-	-	515,345	125,405
		7743	Yap	526,361	478,817	-	-	478,817	47,544
			Program Total	4,139,227	3,520,391	3,345	-	3,523,736	615,491
	84.027		95 Special Education H027A40111						
		7721	National Government	713,396	583,891	-	86,006	669,897	43,499
		7729	Pohnpei	1,224,167	1,113,003	446	-	1,113,449	110,718
		7729	Chuuk	217,464	289,432	678	-	290,110	(72,646)
		7729	Kosrae	627,907	545,721	7,321	-	553,042	74,865
		7729	Yap	520,000	348,361	28,046	-	376,407	143,593
		3001	Chuuk	1,031,801	424,378	-	48,717	473,095	558,706
			Program Total	4,334,735	3,304,786	36,491	134,723	3,476,000	858,735
			Total CFDA #84.027	12,458,659	10,121,147	39,836	138,648	10,299,631	2,159,028
	84.124		93 Teacher Training R124A20001-93						
		7745	National Government	13,389	9,241	-	-	9,241	4,148
		7746	Pohnpei	58,135	57,885	-	-	57,885	250
		7746	Chuuk	66,810	62,299	-	-	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	235,435	-	-	235,435	12,073
			Balance forward	12,958,659	10,408,855	39,836	204,235	10,652,926	2,305,733

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued
By Grantor
Year Ended September 30, 1997

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1997 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				\$ 12,958,659	\$ 10,408,855	\$ 39,836	\$ 204,235	\$ 10,652,926	\$ 2,305,733
	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	52,614	-	-	52,614	386
		7724	Kosrae	52,464	2,854	-	-	2,854	49,610
			Program Total	<u>247,181</u>	<u>184,208</u>	<u>-</u>	<u>-</u>	<u>184,208</u>	<u>62,973</u>
			Total CFDA #84.124	<u>494,689</u>	<u>419,643</u>	<u>-</u>	<u>-</u>	<u>419,643</u>	<u>75,046</u>
	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	29,250	-	-	29,250	750
	84.185		FY-95 National Close-up Local National Government						
		7726	National Government	15,000	14,181	-	-	14,181	819
	84.185		FY-96 Robert C. Byrd Scholarship P185A60059						
		3008	National Government	33,630	-	-	33,630	33,630	-
	84.185		FY-97 Robert C. Byrd Scholarship P185A60059						
		3018	National Government	44,400	-	-	-	-	44,400
			Total CFDA #84.185	<u>138,030</u>	<u>58,431</u>	<u>-</u>	<u>33,630</u>	<u>92,061</u>	<u>45,969</u>
			Balance forward	13,591,378	10,886,929	39,836	237,865	11,164,630	2,426,748

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued
By Grantor
Year Ended September 30, 1997

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1997 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				\$ 13,591,378	\$ 10,886,929	\$ 39,836	\$ 237,865	\$ 11,164,630	\$ 2,426,748
	84.194Q		FY-95 Bilingual Education T194Q50048						
		7735	National Government	100,000	57,830	-	-	57,830	42,170
	84.194Q		FY-96 Bilingual Education T194Q50048						
		3015	National Government	100,000	-	-	64,281	64,281	35,719
			Total CFDA #84.194Q	200,000	57,830	-	64,281	122,111	77,889
	84.276A		FY-95 Goal 2000 Program S276A50055						
		7735	National Government	29,492	26,821	-	806	27,627	1,865
		3003	Kosrae	17,237	11,365	-	-	11,365	5,872
		3003	Chuuk	27,000	16,058	-	-	16,058	10,942
			Program Total	73,729	54,244	-	806	55,050	18,679
	84.276A		FY-96 Goal 2000 Program S276A60055						
		3010	Unallotted	3,991	-	-	-	-	3,991
		3011	National Government	30,243	-	-	30,400	30,400	(157)
		3012	Pohnpei	103,827	-	105,887	-	105,887	(2,060)
		3012	Kosrae	28,150	-	22,485	-	22,485	5,665
		3012	Yap	74,026	-	58,689	-	58,689	15,337
		3013	Chuuk	62,196	-	-	60,697	60,697	1,499
			Program Total	302,433	-	187,061	91,097	278,158	24,275
			Total CFDA #84.276A	376,162	54,244	187,061	91,903	333,208	42,954
			Total U.S. Dept. of Education	\$ 14,167,540	\$ 10,999,003	\$ 226,897	\$ 394,049	\$ 11,619,949	\$ 2,547,591

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued
By Grantor
Year Ended September 30, 1997

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1997 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 Labor									
	17.250		64-10/64 - JTPA '90						
		3287	National Government	\$ 84,434	\$ 81,045	\$ -	\$ -	\$ 81,045	\$ 3,389
	17.250		64-016 - JTPA '92						
		3415	Unallotted	347	-	-	-	-	347
		3416	National Government	88,329	88,564	-	-	88,564	(235)
		3417	National Government	26,167	23,885	-	-	23,885	2,282
		3418	National Government	50,188	52,115	-	-	52,115	(1,927)
		3420	Pohnpei	56,141	55,789	-	-	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	149,639	-	-	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	52,398	-	-	52,398	(1)
		3422	Pohnpei	104,795	98,045	-	-	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	36,040	-	-	36,040	(1,108)
		3423	Pohnpei	67,946	65,753	-	-	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	18,713	-	-	18,713	-
		3424	Pohnpei	17,273	56,829	-	-	56,829	(39,556)
		3424	Chuuk	47,000	30,523	-	-	30,523	16,477
		3424	Kosrae	22,167	17,287	-	-	17,287	4,880
		3424	Yap	7,826	7,826	-	-	7,826	-
		3425	Pohnpei	38,793	11,994	-	-	11,994	26,799
			Program Total	1,472,872	1,494,704	-	-	1,494,704	(21,832)
			Balance forward	1,557,306	1,575,749	-	-	1,575,749	(18,443)

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued
By Grantor
Year Ended September 30, 1997

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1997 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:				\$ 1,557,306	\$ 1,575,749	\$ -	\$ -	\$ 1,575,749	\$ (18,443)
	17.250		<u>93 JTPA Program</u>						
		3426	Unallotted	38,442	-	-	-	-	38,442
		3427	National Government	79,685	78,600	-	-	78,600	1,085
		3428	National Government	24,156	24,119	-	-	24,119	37
		3430	Pohnpei	68,175	66,957	-	-	66,957	1,218
		3430	Chuuk	105,496	117,919	-	-	117,919	(12,423)
		3430	Kosrae	14,639	22,457	-	-	22,457	(7,818)
		3430	Yap	22,244	24,612	-	-	24,612	(2,368)
		3431	Pohnpei	104,569	94,479	-	-	94,479	10,090
		3431	Chuuk	145,921	144,219	-	-	144,219	1,702
		3431	Kosrae	29,444	39,048	-	-	39,048	(9,604)
		3431	Yap	42,376	35,172	1,100	-	36,272	6,104
		3432	Pohnpei	110,602	108,815	-	-	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	27,499	-	-	27,499	751
		3433	Pohnpei	57,530	54,267	-	-	54,267	3,263
		3433	Chuuk	94,752	99,817	-	-	99,817	(5,065)
		3433	Kosrae	9,935	22,613	-	-	22,613	(12,678)
		3433	Yap	15,000	15,000	-	-	15,000	-
		3434	Pohnpei	27,676	27,676	-	-	27,676	-
		3434	Chuuk	12,263	28,824	-	-	28,824	(16,561)
		3434	Kosrae	41,431	47,502	-	-	47,502	(6,071)
		3435	Chuuk	35,000	35,000	-	-	35,000	-
		3435	Kosrae	13,895	13,896	-	-	13,896	(1)
			Program Total	1,328,086	1,341,365	1,100	-	1,342,465	(14,379)
			Balance forward	2,885,392	2,917,114	1,100	-	2,918,214	(32,822)

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued
By Grantor
Year Ended September 30, 1997

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1997 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:				\$ 2,885,392	\$ 2,917,114	\$ 1,100	\$ -	\$ 2,918,214	\$ (32,822)
	17.250		<u>94 JTPA Program</u> <u>64-94-01/64-94-02</u>						
		3437	National Government	166,162	160,820	-	3,381	164,201	1,961
		3438	National Government	18,575	17,781	-	-	17,781	794
		3439	National Government	57,763	56,249	-	-	56,249	1,514
		3440	Pohnpei	86,899	86,647	-	-	86,647	252
		3440	Chuuk	127,854	213,207	-	-	213,207	(85,353)
		3440	Kosrae	19,427	19,328	-	-	19,328	99
		3440	Yap	28,353	27,693	246	-	27,939	414
		3441	Pohnpei	159,702	145,880	4,780	-	150,660	9,042
		3441	Chuuk	344,503	308,862	-	-	308,862	35,641
		3441	Kosrae	47,110	42,820	-	-	42,820	4,290
		3441	Yap	43,218	37,754	4,752	-	42,506	712
		3442	Pohnpei	115,428	100,563	10,380	-	110,943	4,485
		3442	Chuuk	136,231	124,420	-	-	124,420	11,811
		3442	Kosrae	25,400	21,833	-	-	21,833	3,567
		3442	Yap	55,046	53,152	10,060	-	63,212	(8,166)
		3443	Pohnpei	51,610	46,773	246	-	47,019	4,591
		3443	Kosrae	540	1,780	-	-	1,780	(1,240)
		3443	Yap	8,346	6,365	1,503	-	7,868	478
		3444	Pohnpei	5,546	-	-	-	-	5,546
		3444	Kosrae	5,948	5,042	-	-	5,042	906
		3444	Yap	20,108	18,808	-	-	18,808	1,300
		3445	Pohnpei	40,000	38,744	-	-	38,744	1,256
		3445	Kosrae	16,000	15,922	-	-	15,922	78
		3446	Pohnpei	20,852	19,518	-	-	19,518	1,334
		3446	Chuuk	30,680	41,595	-	-	41,595	(10,915)
		3446	Kosrae	4,662	4,210	-	-	4,210	452
		3446	Yap	6,804	6,315	-	-	6,315	489
			Program Total	1,642,767	1,622,081	31,967	3,381	1,657,429	(14,662)
			Balance forward	4,528,159	4,539,195	33,067	3,381	4,575,643	(47,484)

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued
By Grantor
Year Ended September 30, 1997

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1997 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:				\$ 4,528,159	\$ 4,539,195	\$ 33,067	\$ 3,381	\$ 4,575,643	\$ (47,484)
	17.250		<u>95 JTPA Program</u> <u>64-95-01/64-95-02</u>						
		3200	Unallotted	23,222	-	-	-	-	23,222
		3201	National Government	112,997	105,982	-	3,372	109,354	3,643
		3202	National Government	35,429	27,264	-	8,164	35,428	1
		3203	Pohnpei	70,829	64,081	436	-	64,517	6,312
		3203	Kosrae	15,413	8,766	6,372	-	15,138	275
		3203	Yap	22,495	18,295	4,424	-	22,719	(224)
		3204	Pohnpei	120,000	109,140	8,661	-	117,801	2,199
		3204	Kosrae	36,000	33,566	-	-	33,566	2,434
		3204	Yap	22,946	13,898	3,634	-	17,532	5,414
		3205	Pohnpei	90,687	56,777	21,646	-	78,423	12,264
		3205	Kosrae	26,379	21,592	3,858	-	25,450	929
		3205	Yap	38,520	20,659	12,012	-	32,671	5,849
		3206	Pohnpei	56,801	49,802	5,401	-	55,203	1,598
		3206	Yap	7,592	3,524	4,073	-	7,597	(5)
		3207	Pohnpei	17,236	13,132	20	-	13,152	4,084
		3207	Yap	5,624	4,466	-	-	4,466	1,158
		3208	National Government	82,286	62,332	-	13,904	76,236	6,050
		3209	Chuuk	105,136	94,702	-	6,403	101,105	4,031
		3210	Chuuk	267,007	235,677	-	16,921	252,598	14,409
		3211	Chuuk	128,177	82,401	-	13,702	96,103	32,074
		3213	Chuuk	25,359	24,664	-	-	24,664	695
		3214	Kosrae	16,000	14,280	1,117	-	15,397	603
			Program Total	1,326,135	1,065,000	71,654	62,466	1,199,120	127,015
	17.250		<u>96 JTPA Program</u> <u>64-96-01/64-96-02</u>						
		3150	Unallotted	62,605	-	-	-	-	62,605
		3152	National Government	164,452	14,960	-	147,123	162,083	2,369
		3153	National Government	32,412	-	-	11,310	11,310	21,102
		3154	National Government	57,206	-	-	34,708	34,708	22,498
		3155	Pohnpei	55,856	-	47,986	-	47,986	7,870
		3156	Pohnpei	106,218	-	104,594	-	104,594	1,624
			Program Sub-total	478,749	14,960	152,580	193,141	360,681	118,068
			Balance forward	5,854,294	5,604,195	104,721	65,847	5,774,763	79,531

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued
By Grantor
Year Ended September 30, 1997

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1997 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:				\$ 5,854,294	\$ 5,604,195	\$ 104,721	\$ 65,847	\$ 5,774,763	\$ 79,531
17.250 <u>96 JTPA Program, Continued</u>									
<u>64-96-01/64-96-02</u>									
Balance forwarded				478,749	14,960	152,580	193,141	360,681	118,068
	3157		Pohnpei	77,516	-	74,022	-	74,022	3,494
	3158		Pohnpei	39,692	-	30,631	-	30,631	9,061
	3160		Chuuk	85,932	-	-	73,169	73,169	12,763
	3161		Chuuk	190,282	-	-	185,646	185,646	4,636
	3162		Chuuk	128,782	-	-	103,359	103,359	25,423
	3155		Yap	18,225	-	17,804	-	17,804	421
	3156		Yap	28,000	-	28,486	-	28,486	(486)
	3157		Yap	36,182	-	22,776	-	22,776	13,406
	3158		Yap	8,718	-	8,487	-	8,487	231
	3155		Kosrae	12,488	-	17,172	-	17,172	(4,684)
	3156		Kosrae	28,950	-	23,454	-	23,454	5,496
	3157		Kosrae	16,000	-	17,071	-	17,071	(1,071)
	3158		Kosrae	5,000	-	5,000	-	5,000	-
	3166		Kosrae	12,000	-	11,898	-	11,898	102
Program Total				<u>1,166,516</u>	<u>14,960</u>	<u>409,381</u>	<u>555,315</u>	<u>979,656</u>	<u>186,860</u>
17.250 <u>97 JTPA Program</u>									
<u>64-97-01/64-97-02</u>									
	3167		Unallotted	860,280	-	-	-	-	860,280
	3168		National Government	53,511	-	-	9,354	9,354	44,157
	3171		National Government	22,023	-	-	640	640	21,383
	3176		Chuuk	40,565	-	-	16,905	16,905	23,660
	3172		Pohnpei	58,054	-	14,105	-	14,105	43,949
	3173		Pohnpei	66,790	-	7,182	-	7,182	59,608
	3175		Pohnpei	33,719	-	96	-	96	33,623
	3172		Yap	18,942	-	2,209	-	2,209	16,733
Program Total				<u>1,153,884</u>	<u>-</u>	<u>23,592</u>	<u>26,899</u>	<u>50,491</u>	<u>1,103,393</u>
Total CFDA #17.250				<u>8,174,694</u>	<u>5,619,155</u>	<u>537,694</u>	<u>648,061</u>	<u>6,804,910</u>	<u>1,369,784</u>
17.249 <u>School To Work</u>									
<u>U-5120-5-00-88-60</u>									
	3448		National Government	199,360	67,563	-	63,908	131,471	67,889
Total CFDA #17.249				<u>199,360</u>	<u>67,563</u>	<u>-</u>	<u>63,908</u>	<u>131,471</u>	<u>67,889</u>
Total U.S. Dept. of Labor				<u>\$ 8,374,054</u>	<u>\$ 5,686,718</u>	<u>\$ 537,694</u>	<u>\$ 711,969</u>	<u>\$ 6,936,381</u>	<u>\$ 1,437,673</u>

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
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Schedule of Expenditures of Federal Awards, Continued
By Grantor
Year Ended September 30, 1997

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1997 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									
	10.555		Food Service 89 F97081						
		3388	Yap	\$ 206,873	\$ 183,578	\$ 20,137	\$ -	\$ 203,715	\$ 3,158
		3388	Kosrae	169,775	166,881	-	-	166,881	2,894
		3388	Pohnpei	500,674	452,473	-	-	452,473	48,201
		3388	Chuuk	905,068	1,012,290	-	-	1,012,290	(107,222)
		3389	National Government	141,824	135,012	-	500	135,512	6,312
		3390	National Government	28,943	-	-	-	-	28,943
		3391	National Government	9,933	-	-	-	-	9,933
			Total Program (CFDA #10.555)	1,963,090	1,950,234	20,137	500	1,970,871	(7,781)
	10.560		Nutrition Education F97190:						
		3338	National	57,886	39,154	-	200	39,354	18,532
			Total Program (CFDA #10.560)	57,886	39,154	-	200	39,354	18,532
	10.664		Forestry 93 05-93-13						
		7708	Pohnpei	68,470	64,498	-	-	64,498	3,972
		7708	Chuuk	12,200	7,003	-	-	7,003	5,197
		7708	Kosrae	12,400	19,435	1,334	-	20,769	(8,369)
		7708	Yap	7,000	7,000	-	-	7,000	-
			Program Total	100,070	97,936	1,334	-	99,270	800
	10.664		94 Forestry G-5-94-20-035						
		7714	Pohnpei	28,107	21,617	664	-	22,281	5,826
		7714	Chuuk	7,900	2,047	-	-	2,047	5,853
		7714	Yap	12,816	574	11,918	-	12,492	324
		7714	Kosrae	11,577	5,101	800	-	5,901	5,676
			Program Total	60,400	29,339	13,382	-	42,721	17,679
			Balance forward	2,020,976	1,989,388	20,137	700	2,010,225	10,751

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued
By Grantor
Year Ended September 30, 1997

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1997 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				\$ 2,020,976	\$ 1,989,388	\$ 20,137	\$ 700	\$ 2,010,225	\$ 10,751
	10.664		93 Fire Prevention G-5-93-20-043						
		7711	National Government	3,500	3,056	-	-	3,056	444
		7712	Pohnpei	5,000	4,120	-	-	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>9,377</u>	<u>-</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	3,918	-	-	3,918	1,082
		7717	Pohnpei	10,000	7,148	-	-	7,148	2,852
		7717	Chuuk	8,500	1,530	-	-	1,530	6,970
		7717	Yap	11,000	6,531	-	-	6,531	4,469
		7717	Kosrae	8,500	9,285	-	-	9,285	(785)
			Program Total	<u>43,000</u>	<u>28,412</u>	<u>-</u>	<u>-</u>	<u>28,412</u>	<u>14,588</u>
	10.664		95 Fire Prevention G-5-95-20-114						
		3407	National	6,000	1,746	-	3,116	4,862	1,138
		3408	Pohnpei	10,000	2,121	5,921	-	8,042	1,958
		3409	Chuuk	7,000	1,482	-	2,295	3,777	3,223
		3408	Yap	10,000	-	7,119	-	7,119	2,881
		3408	Kosrae	10,000	-	4,740	-	4,740	5,260
			Program Total	<u>43,000</u>	<u>5,349</u>	<u>17,780</u>	<u>5,411</u>	<u>28,540</u>	<u>14,460</u>
	10.664		97 Fire Prevention G-5-97-20-027						
		3411	National	8,000	-	-	5,190	5,190	2,810
		3412	Pohnpei	11,000	-	2,216	-	2,216	8,784
		3413	Chuuk	10,000	-	-	1,427	1,427	8,573
		3412	Yap	11,000	-	1,844	-	1,844	9,156
		3412	Kosrae	10,000	-	-	-	-	10,000
			Program Total	<u>50,000</u>	<u>-</u>	<u>4,060</u>	<u>6,617</u>	<u>10,677</u>	<u>39,323</u>
			Balance forward	<u>2,020,976</u>	<u>1,989,388</u>	<u>20,137</u>	<u>700</u>	<u>2,010,225</u>	<u>10,751</u>

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued
By Grantor
Year Ended September 30, 1997

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1997 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				\$ 2,020,976	\$ 1,989,388	\$ 20,137	\$ 700	\$ 2,010,225	\$ 10,751
	10.664		95 Forestry G-5-95-20-042						
		7719	Pohnpei	22,900	10,742	1,927	-	12,669	10,231
		7717	Chuuk	4,000	3,132	-	-	3,132	868
		7719	Yap	11,200	908	7,080	-	7,988	3,212
		7719	Kosrae	-	490	-	-	490	(490)
			Program Total	<u>38,100</u>	<u>15,272</u>	<u>9,007</u>	<u>-</u>	<u>24,279</u>	<u>13,821</u>
	10.664		96 Forestry G-5-96-20-026						
		3302	National	9,000	-	-	5,495	5,495	3,505
		3303	Pohnpei	6,000	-	5,084	-	5,084	916
			Program Total	<u>15,000</u>	<u>-</u>	<u>5,084</u>	<u>5,495</u>	<u>10,579</u>	<u>4,421</u>
	10.664		97 Forestry/Resource Management PSW-97-0031CA						
		3308	National	1,235	-	-	-	-	1,235
		3310	Pohnpei	8,850	-	-	-	-	8,850
		3310	Yap	1,370	-	-	-	-	1,370
		3310	Kosrae	5,000	-	-	-	-	5,000
			Program Total	<u>16,455</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,455</u>
	10.664		97 Forestry/Seedling Nursery & Tree Improvement PSW-97-0031CA						
		3311	Pohnpei	2,000	-	-	-	-	2,000
		3311	Yap	2,000	-	-	-	-	2,000
		3311	Kosrae	2,000	-	-	-	-	2,000
			Program Total	<u>6,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,000</u>
	10.664		97 Forestry/Urban Community AE7205						
		3309	National	2,675	-	-	-	-	2,675
		3312	Pohnpei	38,055	-	-	-	-	38,055
		3312	Yap	5,400	-	-	-	-	5,400
		3312	Kosrae	4,500	-	-	-	-	4,500
			Program Total	<u>50,630</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,630</u>
	10.664		97 Resource Management Training						
		3414	National	6,566	-	-	1,696	1,696	4,870
			Total CFDA #10.664	<u>449,221</u>	<u>185,685</u>	<u>50,647</u>	<u>19,219</u>	<u>255,551</u>	<u>193,670</u>
			Total U.S. Dept. of Agriculture	<u>\$ 2,470,197</u>	<u>\$ 2,175,073</u>	<u>\$ 70,784</u>	<u>\$ 19,919</u>	<u>\$ 2,265,776</u>	<u>\$ 204,421</u>

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
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Schedule of Expenditures of Federal Awards, Continued
By Grantor
Year Ended September 30, 1997

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1997 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	\$ 94,820	\$ 94,254	\$ -	\$ -	\$ 94,254	\$ 566
		7303	Pohnpei	36,250	36,248	-	-	36,248	2
		7303	Chuuk	34,172	31,947	-	-	31,947	2,225
		7303	Yap	42,578	40,037	2,543	-	42,580	(2)
		7303	Kosrae	30,331	30,331	-	-	30,331	-
			Program Total	238,151	232,817	2,543	-	235,360	2,791
	15.904		94 Historic Preservation 64-94-90036						
		7325	National Government	99,187	96,747	-	445	97,192	1,995
		7326	Pohnpei	43,450	42,719	536	-	43,255	195
		7326	Chuuk	20,920	22,896	-	-	22,896	(1,976)
		7326	Yap	47,458	53,521	4,567	-	58,088	(10,630)
		7326	Kosrae	39,142	40,255	-	-	40,255	(1,113)
		3453	Chuuk	22,130	5,291	-	14,039	19,330	2,800
			Program Total	272,287	261,429	5,103	14,484	281,016	(8,729)
	15.904		95 Historic Preservation 64-95-10113						
		3450	National Government	88,351	81,846	-	6,234	88,080	271
		3451	Pohnpei	44,850	35,660	6,841	-	42,501	2,349
		3451	Kosrae	49,850	17,937	21,128	-	39,065	10,785
		3451	Yap	45,668	28,037	17,474	-	45,511	157
		3452	Chuuk	43,050	28,623	-	9,927	38,550	4,500
			Program Total	271,769	192,103	45,443	16,161	253,707	18,062
	15.904		96 Historic Preservation 64-96-11051						
		3455	National Government	96,276	-	-	73,260	73,260	23,016
		3456	Pohnpei	44,550	-	40,760	-	40,760	3,790
		3455	Kosrae	43,050	-	10,228	-	10,228	32,822
		3456	Yap	43,050	-	40,492	-	40,492	2,558
		3457	Chuuk	31,250	-	-	16,152	16,152	15,098
			Program Total	258,176	-	91,480	89,412	180,892	77,284
			Total U.S. Dept. of the Interior (CFDA #15.904)	\$ 1,040,383	\$ 686,349	\$ 144,569	\$ 120,057	\$ 950,975	\$ 89,408

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued
By Grantor
Year Ended September 30, 1997

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1997 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		C640001-01-3: National Admin. PRSP-3	\$ 16,000	\$ 17,033	\$ -	\$ -	\$ 17,033	\$ (1,033)
		3589		734,000	406,742	-	6,687	413,429	320,571
		3592	Pohnpei RSP						
			Program Total	750,000	423,775	-	6,687	430,462	319,538
	66.418		C640003-02: Yap Sewer Connection	531,134	525,019	-	-	525,019	6,115
		3582		15,934	15,467	-	-	15,467	467
		3581	Yap Sewer Connection/Admin.						
			Program Total	547,068	540,486	-	-	540,486	6,582
	66.418		C640003-03: Yap Waste Water Treatment	16,000	16,000	-	-	16,000	-
		3580							
			Program Total	16,000	16,000	-	-	16,000	-
	66.418		C640003-04: Ulithi Sewer System	209,000	163,379	9,310	-	172,689	36,311
		3593		18,000	21,476	-	-	21,476	(3,476)
		3590	Ulithi Sewer System/Admin						
			Program Total	227,000	184,855	9,310	-	194,165	32,835
	66.418		C640003-05: Tomil On-Site Sewer System	39,650	-	37,864	-	37,864	1,786
		7582							
			Balance forward	1,579,718	1,165,116	47,174	6,687	1,218,977	360,741

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued
By Grantor
Year Ended September 30, 1997

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1997 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									
				\$ 1,579,718	\$ 1,165,116	\$ 47,174	\$ 6,687	\$ 1,218,977	\$ 360,741
	66.418		C640004-01-0:						
		3584	Kosrae Waste Water/Admin.	64,500	73,448	-		73,448	(8,948)
		3585	Const. Waste Water Facility	4,423,977	4,694,870	112,049	-	4,806,919	(382,942)
			Program Total	4,488,477	4,768,318	112,049	-	4,880,367	(391,890)
	66.418		C640002-02:						
		7576	Chuuk Rural Sanitation Prog.	197,600	391,262	-	-	391,262	(193,662)
			Program Total	197,600	391,262	-	-	391,262	(193,662)
	66.418		C640002-03:						
		7580	Chuuk House Sewer Connection	187,627	72,395	80,331	-	152,726	34,901
		3591	Chuuk HSC Admin.	15,373	7,600	-	883	8,483	6,890
			Program Total	203,000	79,995	80,331	883	161,209	41,791
	66.418		C640001-06:						
		7581	Pohnpei RSP Supplemental	95,000	147,689	-	4,413	152,102	(57,102)
	66.418		93 Climate Change Study						
			CX822560-01-0						
		7351	National Government	275,000	222,666	-	36,003	258,669	16,331
			Total U.S. EPA (CFDA #66.418)	\$ 6,838,795	\$ 6,775,046	\$ 239,554	\$ 47,986	\$ 7,062,586	\$ (223,791)

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
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By Grantor
Year Ended September 30, 1997

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1997 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									
	13.268		Childhood Immunization Program '90						
		7615	Unallotted	\$ 2,000	\$ -	\$ -	\$ -	\$ -	\$ 2,000
		7616	National Government	64,581	68,172	-	-	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 (CFDA #13.268)	75,361	81,672	-	-	81,672	(6,311)
	13.902		Treatment Program IH87 TI00054-0100						
		7633	National Government	136,513	125,113	-	(2,500)	122,613	13,900
			Program Total (CFDA #13.902)	136,513	125,113	-	(2,500)	122,613	13,900
	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	84,473	-	-	84,473	6,717
		7546	National Government	80,354	71,358	-	-	71,358	8,996
			Program Total (CFDA #13.994)	442,029	364,914	-	-	364,914	77,115
			Balance forward	653,903	571,699	-	(2,500)	569,199	84,704

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued
By Grantor
Year Ended September 30, 1997

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1997 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	\$ 571,699	\$ -	\$ (2,500)	\$ 569,199	\$ 84,704
	93.110		94 State Sys. Develop. Initiative 1 MCJ-64T046-01-0						
		7480	National Government	2,072	2,072	-	-	2,072	-
		7481	Pohnpei	16,272	16,306	-	-	16,306	(34)
		7481	Chuuk	18,034	20,941	-	-	20,941	(2,907)
		7481	Kosrae	7,874	11,894	-	-	11,894	(4,020)
		7481	Yap	400	400	-	-	400	-
			Program Total	<u>44,652</u>	<u>51,613</u>	<u>-</u>	<u>-</u>	<u>51,613</u>	<u>(6,961)</u>
	93.110		95 SSDI 5 MCJ-647046-02						
		7387	National Government	17,000	17,000	-	-	17,000	-
		7388	Pohnpei	3,900	2,900	-	-	2,900	1,000
		7388	Chuuk	14,422	17,234	-	-	17,234	(2,812)
		7388	Kosrae	13,020	21,292	-	-	21,292	(8,272)
		7388	Yap	9,668	8,743	-	-	8,743	925
			Program Total	<u>58,010</u>	<u>67,169</u>	<u>-</u>	<u>-</u>	<u>67,169</u>	<u>(9,159)</u>
	93.110		96 State System Dev. Init. 5 MCJ-64T046-03						
		3648	National Government	89,434	72,817	-	2,500	75,317	14,117
		3649	Kosrae	6,777	4,043	-	-	4,043	2,734
		3642	Chuuk	3,789	2,977	-	-	2,977	812
			Program Total	<u>100,000</u>	<u>79,837</u>	<u>-</u>	<u>2,500</u>	<u>82,337</u>	<u>17,663</u>
	93.110		97 SSDI Program 2-MCJ-64T046-04-0						
		3732	National Government	80,007	-	-	28,925	28,925	51,082
		3733	Pohnpei	3,750	-	17	-	17	3,733
		3733	Kosrae	3,750	-	-	-	-	3,750
		3733	Yap	3,750	-	-	-	-	3,750
		3734	Chuuk	8,743	-	-	3,348	3,348	5,395
			Program Total	<u>100,000</u>	<u>-</u>	<u>17</u>	<u>32,273</u>	<u>32,290</u>	<u>67,710</u>
			Total CFDA #93.110	<u>302,662</u>	<u>198,619</u>	<u>17</u>	<u>34,773</u>	<u>233,409</u>	<u>69,253</u>
			Balance forward	<u>956,565</u>	<u>770,318</u>	<u>17</u>	<u>32,273</u>	<u>802,608</u>	<u>153,957</u>

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
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Schedule of Expenditures of Federal Awards, Continued
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Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1997 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				\$ 956,565	\$ 770,318	\$ 17	\$ 32,273	\$ 802,608	\$ 153,957
	93.116		94 Tuberculosis Control U52/CCU907874-03						
		7362	National Government	89,364	77,921	-	-	77,921	11,443
		7363	Pohnpei	17,520	11,159	-	-	11,159	6,361
		7363	Chuuk	21,427	14,727	-	-	14,727	6,700
		7363	Kosrae	8,100	7,589	-	-	7,589	511
		7363	Yap	15,470	3,695	-	-	3,695	11,775
			Program Total	<u>151,881</u>	<u>115,091</u>	<u>-</u>	<u>-</u>	<u>115,091</u>	<u>36,790</u>
	93.116		95 Tuberculosis Control U52/CCU907874-04						
		7446	Unallotted	15,172	-	-	-	-	15,172
		7447	National Government	57,689	32,012	-	-	32,012	25,677
		7448	Pohnpei	20,194	16,948	-	-	16,948	3,246
		7448	Chuuk	25,883	18,961	-	-	18,961	6,922
		7448	Kosrae	13,809	8,057	232	-	8,289	5,520
		7448	Yap	17,876	13,257	-	-	13,257	4,619
			Program Total	<u>150,623</u>	<u>89,235</u>	<u>232</u>	<u>-</u>	<u>89,467</u>	<u>61,156</u>
	93.116		96 Tuberculosis & AIDS. U52/CCU907874-05						
		3664	National Government	47,424	20,253	-	9,855	30,108	17,316
		3665	Pohnpei	28,854	15,353	5,305	-	20,658	8,196
		3665	Kosrae	19,892	15,799	2,476	-	18,275	1,617
		3665	Yap	24,809	18,707	1,789	-	20,496	4,313
		3666	Chuuk	29,644	18,191	-	4,434	22,625	7,019
			Program Total	<u>150,623</u>	<u>88,303</u>	<u>9,570</u>	<u>14,289</u>	<u>112,162</u>	<u>38,461</u>
			Balance forward	<u>956,565</u>	<u>770,318</u>	<u>17</u>	<u>32,273</u>	<u>802,608</u>	<u>153,957</u>

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued
By Grantor
Year Ended September 30, 1997

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1997 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				\$ 956,565	\$ 770,318	\$ 17	\$ 32,273	\$ 802,608	\$ 153,957
	93.116		97 TB & AIDS Program U52/CCU907874-06						
		3716	Unallotted	373	-	-	-	-	373
		3717	National Government	40,795	-	-	21,134	21,134	19,661
		3718	Pohnpei	25,271	-	8,519	-	8,519	16,752
		3718	Kosrae	12,942	-	3,969	-	3,969	8,973
		3718	Yap	21,129	-	4,834	-	4,834	16,295
		3719	Chuuk	26,111	-	-	13,933	13,933	12,178
			Program Total	126,621	-	17,322	35,067	52,389	74,232
			Total CFDA #93.116	579,748	292,629	27,124	49,356	369,109	210,639
	93.118		94 AIDS Surveillance U62/CCU906251-04						
		7496	National Government	5,260	5,570	-	-	5,570	(310)
	93.118		95 AIDS Surveillance U62/CCU906251-05						
		7396	National Government	13,415	5,303	-	1,866	7,169	6,246
	93.118		96 Aids Surveillance U62/CCU906251.06						
		3730	National Government	6,973	-	-	1,017	1,017	5,956
			Total CFDA #93.118	25,648	10,873	-	2,883	13,756	11,892
	93.119		95 MHIS 5 HR1 SM50914-03						
		7371	National Government	113,123	73,893	-	30,509	104,402	8,721
		7372	Pohnpei	17,760	10,501	26	-	10,527	7,233
		7372	Kosrae	8,325	3,533	1,954	-	5,487	2,838
		7372	Yap	5,690	2,565	2,486	-	5,051	639
		3674	Chuuk	10,250	4,557	-	3,672	8,229	2,021
			Program Total	155,148	95,049	4,466	34,181	133,696	21,452
			Total CFDA #93.119	155,148	95,049	4,466	34,181	133,696	21,452
			Balance forward	1,717,109	1,168,869	31,607	118,693	1,319,169	397,940

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
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Schedule of Expenditures of Federal Awards, Continued
By Grantor
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Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1997 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				\$ 1,717,109	\$ 1,168,869	\$ 31,607	\$ 118,693	\$ 1,319,169	\$ 397,940
	93.163		93 PBI/Nurse Practice Act CSH006473-03-0						
		7483	National Government	50,339	-	-	-	-	50,339
	93.163		93 PBI/Biomedical Services CSH006478-02-0						
		7484	National Government	45,419	45,419	-	-	45,419	-
	93.163		93 PBI/Comm. Base Health CSH064710-01-0						
		7485	Pohnpei	40,000	15,280	-	-	15,280	24,720
	93.163		94 PBI/Nurse Practice CSH006478-04-0						
		7381	National Government	50,339	21,120	-	-	21,120	29,219
	93.163		94 PBI/Biomedical Service CSH006478-03-0						
		7382	National Government	178,510	151,898	-	26,612	178,510	-
	93.163		94 PBI/Comm. Base Health Education CSH006710-02-0						
		7383	National Government	40,000	-	-	-	-	40,000
			Total CFDA #93.163	404,607	233,717	-	26,612	260,329	144,278
	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	16,919	-	-	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	139,524	107,114	-	-	107,114	32,410
			Balance forward	2,121,716	1,402,586	31,607	145,305	1,579,498	542,218

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
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Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1997 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				\$ 2,121,716	\$ 1,402,586	\$ 31,607	\$ 145,305	\$ 1,579,498	\$ 542,218
	93.217		95 Family Planning 09H-001777-09-1						
		7365	Pohnpei	41,209	33,573	-	-	33,573	7,636
		7365	Chuuk	48,993	40,436	-	-	40,436	8,557
		7365	Kosrae	19,959	17,063	-	-	17,063	2,896
		7365	Yap	21,434	14,610	-	-	14,610	6,824
			Program Total	<u>131,595</u>	<u>105,682</u>	<u>-</u>	<u>-</u>	<u>105,682</u>	<u>25,913</u>
	93.217		96 Family Planning 09H-001777-10-0						
		3750	National Government	-	5,558	-	(5,558)	-	-
		7438	Pohnpei	42,096	27,042	-	-	27,042	15,054
		7438	Chuuk	18,010	14,543	-	-	14,543	3,467
		7438	Kosrae	24,510	17,167	(4,061)	-	13,106	11,404
		7438	Yap	24,190	19,023	-	-	19,023	5,167
		7438	Chuuk	32,547	29,955	-	-	29,955	2,592
			Program Total	<u>141,353</u>	<u>113,288</u>	<u>(4,061)</u>	<u>(5,558)</u>	<u>103,669</u>	<u>37,684</u>
	93.217		97 Family Planning 09H-001777-11-0						
		3677	National Government	15,000	-	-	7,006	7,006	7,994
		3675	Pohnpei	41,962	1,884	20,047	-	21,931	20,031
		3675	Kosrae	24,604	2,339	22,128	-	24,467	137
		3675	Yap	28,690	7,398	17,333	-	24,731	3,959
		3676	Chuuk	46,097	5,286	-	32,149	37,435	8,662
			Program Total	<u>156,353</u>	<u>16,907</u>	<u>59,508</u>	<u>39,155</u>	<u>115,570</u>	<u>40,783</u>
	93.217		98 Family Planning 09H-001777-12-0						
		3745	Pohnpei	56,677	-	2,767	-	2,767	53,910
		3745	Kosrae	39,435	-	1,146	-	1,146	38,289
		3746	Chuuk	58,283	-	-	2,954	2,954	55,329
		3745	Yap	46,491	-	4,346	-	4,346	42,145
			Program Total	<u>200,886</u>	<u>-</u>	<u>8,259</u>	<u>2,954</u>	<u>11,213</u>	<u>189,673</u>
			Total CFDA #93.217	<u>769,711</u>	<u>342,991</u>	<u>63,706</u>	<u>36,551</u>	<u>443,248</u>	<u>326,463</u>
			Balance forward	<u>2,891,427</u>	<u>1,745,577</u>	<u>95,313</u>	<u>181,856</u>	<u>2,022,746</u>	<u>868,681</u>

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
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Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1997 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				\$ 2,891,427	\$ 1,745,577	\$ 95,313	\$ 181,856	\$ 2,022,746	\$ 868,681
	93.224		94 CHC CSH901774-09-0						
		7358	Unallotted	2,653	-	-	-	-	2,653
		7359	Pohnpei	139,709	110,566	-	-	110,566	29,143
			Program Total	142,362	110,566	-	-	110,566	31,796
	93.224		95 CHC CSH901774-10-0						
		7390	Pohnpei	142,362	140,071	-	-	140,071	2,291
	93.224		96 Community Health Center CSH901774-11-0						
		3673	Pohnpei	142,362	84,703	54,748	-	139,451	2,911
	93.224		97 Community Health Center CSH901774-12-0						
		3722	Pohnpei	71,181	-	65,323	-	65,323	5,858
			Total CFDA #93.224	498,267	335,340	120,071	-	455,411	42,856
	93.268		Immunization 92 H23/CCH904426-03						
		7691	National Government	179,636	150,782	-	-	150,782	28,854
		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	209,283	182,196	-	-	182,196	27,087
	93.268		93 Immunization H23/CCH904426-04						
		7792	National Government	157,507	155,692	-	-	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	221,979	235,893	-	-	235,893	(13,914)
			Balance forward	3,389,694	2,080,917	215,384	181,856	2,478,157	911,537

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
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Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1997 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				\$ 3,389,694	\$ 2,080,917	\$ 215,384	\$ 181,856	\$ 2,478,157	\$ 911,537
	93.268		94 Immunization Program H23/CCH904426-05						
		7493	National Government	305,120	260,119	-	-	260,119	45,001
		7494	Pohnpei	29,233	28,843	-	-	28,843	390
		7494	Chuuk	40,736	51,319	-	-	51,319	(10,583)
		7494	Kosrae	7,505	7,505	-	-	7,505	-
		7494	Yap	5,747	5,746	-	-	5,746	1
			Program Total	388,341	353,532	-	-	353,532	34,809
	93.268		95 Immunization H23/CCH904426-06						
		7393	National Government	315,751	268,369	-	1,005	269,374	46,377
		7394	Pohnpei	43,563	40,976	-	-	40,976	2,587
		7394	Chuuk	43,659	55,386	-	-	55,386	(11,727)
		7394	Kosrae	13,397	699	-	-	699	12,698
		7394	Yap	18,267	11,806	-	-	11,806	6,461
			Program Total	434,637	377,236	-	1,005	378,241	56,396
	93.268		96 Immunization Program H23/CCH904426-07						
		3668	National Government	318,097	108,782	-	83,549	192,331	125,766
		3669	Pohnpei	51,418	29,027	15,193	-	44,220	7,198
		3669	Kosrae	11,350	3,867	722	-	4,589	6,761
		3669	Yap	24,720	4,768	6,846	-	11,614	13,106
		3670	Chuuk	59,850	32,752	-	14,169	46,921	12,929
			Program Total	465,435	179,196	22,761	97,718	299,675	165,760
	93.268		97 Immunization Program H23/CCH904426-08						
		3709	Unallotted	1,660	-	-	-	-	1,660
		3710	National Government	234,704	-	-	116,003	116,003	118,701
		3711	Pohnpei	59,157	-	26,224	-	26,224	32,933
		3711	Kosrae	26,555	-	17,108	-	17,108	9,447
		3711	Yap	30,560	-	15,627	-	15,627	14,933
		3712	Chuuk	74,915	-	-	32,541	32,541	42,374
			Program Total	427,551	-	58,959	148,544	207,503	220,048
			Total CFDA #93.268	2,147,226	1,328,053	81,720	247,267	1,657,040	490,186
			Balance forward	5,536,920	3,408,970	297,104	429,123	4,135,197	1,401,723

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued
By Grantor
Year Ended September 30, 1997

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1997 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				\$ 5,536,920	\$ 3,408,970	\$ 297,104	\$ 429,123	\$ 4,135,197	\$ 1,401,723
	93.283	7799	93 Data Mgmt. Capacity H1G/CCH908215-01 National Government	26,975	22,895	-	-	22,895	4,080
	93.283	3691	96 Nutrition Intervention H75/CCH912116-01 National Government	14,670	-	-	12,167	12,167	2,503
			Total CFDA #93.283	41,645	22,895	-	12,167	35,062	6,583
	93.630	7466	93 Development Disabilities G-9301-FMBS84 Unallotted	68,613	-	-	-	-	68,613
		7467	National Government	152,137	128,665	-	-	128,665	23,472
			Program Total	220,750	128,665	-	-	128,665	92,085
	93.630	7374	94 Development Disabilities G-9401-FMBS84 National Government	126,610	123,470	-	-	123,470	3,140
			Total CFDA #93.630	347,360	252,135	-	-	252,135	95,225
	93.940	7498	94 AIDS Prevention U62/CCU902703-08 National Government	40,077	37,131	-	-	37,131	2,946
		7499	Pohnpei	9,105	9,104	-	-	9,104	1
		7499	Chuuk	2,668	2,669	-	-	2,669	(1)
		7499	Kosrae	9,181	11,644	-	-	11,644	(2,463)
			Program Total	61,031	60,548	-	-	60,548	483
	93.940	7439	95 AIDS Prevention U62/CCU902703-09 Unallotted	23,033	-	-	-	-	23,033
		7440	National Government	5,224	5,115	-	-	5,115	109
		7441	Pohnpei	14,071	12,229	-	-	12,229	1,842
		7441	Chuuk	10,737	12,908	-	-	12,908	(2,171)
		7441	Kosrae	14,235	6,893	-	-	6,893	7,342
		7441	Yap	7,000	4,244	-	-	4,244	2,756
			Program Total	74,300	41,389	-	-	41,389	32,911
			Balance forward	5,925,925	3,684,000	297,104	441,290	4,422,394	1,503,531

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued
By Grantor
Year Ended September 30, 1997

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1997 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				\$ 5,925,925	\$ 3,684,000	\$ 297,104	\$ 441,290	\$ 4,422,394	\$ 1,503,531
	93.940		96 AIDS Preventiion U62/CCU902703-10						
			Unallotted	23,733	-	-	-	-	23,733
		3681	National Government	21,520	10,151	-	2,563	12,714	8,806
		3682	Pohnpei	11,789	2,793	3,107	-	5,900	5,889
		3682	Kosrae	8,020	4,713	400	-	5,113	2,907
		3683	Chuuk	9,236	5,071	-	1,654	6,725	2,511
			Program Total	74,298	22,728	3,507	4,217	30,452	43,846
	93.940		97 AIDS Prevention Program U62/CCU902703-11						
			Unallotted	25,691	-	-	-	-	25,691
		3724	National Government	28,239	-	-	18,699	18,699	9,540
		3725	Kosrae	8,800	-	172	-	172	8,628
		3726	Chuuk	11,570	-	-	6,612	6,612	4,958
			Program Total	74,300	-	172	25,311	25,483	48,817
			Total CFDA #93.940	283,929	124,665	3,679	29,528	157,872	126,057
	93.958		93 Comm. Mental Health 93 B1 FM CMHS-01						
		7469	National Government	72,056	60,425	-	-	60,425	11,631
	93.958		94 Comm. Mental Health 94 B1 FM CMHS-01						
		7367	National Government	80,062	66,433	-	-	66,433	13,629
	93.958		95 CMHS 95 B1 FM CMHS						
		7450	National Government	102,115	96,350	-	570	96,920	5,195
	93.958		96 Community Mental Health 96-B1-FM-CMHS						
		3699	National Government	102,115	-	-	101,422	101,422	693
			Total CFDA #93.958	356,348	223,208	-	101,992	325,200	31,148
			Balance forward	6,566,202	4,031,873	300,783	572,810	4,905,466	1,660,736

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued
By Grantor
Year Ended September 30, 1997

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1997 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				\$ 6,566,202	\$ 4,031,873	\$ 300,783	\$ 572,810	\$ 4,905,466	\$ 1,660,736
	93.959		93 Subs. Abuse Prevention 93 B1 FM SAPT-02						
		7464	National Government	138,185	97,988	-	-	97,988	40,197
		7465	Pohnpei	65,000	62,114	-	-	62,114	2,886
		7473	Chuuk	121,000	118,202	80	-	118,282	2,718
		7473	Yap	30,800	15,421	-	-	15,421	15,379
		7473	Yap	36,400	33,656	-	-	33,656	2,744
		7473	Kosrae	18,000	16,923	-	-	16,923	1,077
			Program Total	<u>409,385</u>	<u>344,304</u>	<u>80</u>	<u>-</u>	<u>344,384</u>	<u>65,001</u>
	93.959		94 Substance Abuse Prevention & Treatment 94 B1 FM SAPT						
		7377	National Government	86,056	84,899	-	-	84,899	1,157
		7378	Pohnpei	124,950	118,634	-	-	118,634	6,316
		7378	Chuuk	122,150	124,216	-	-	124,216	(2,066)
		7378	Kosrae	18,000	8,836	-	-	8,836	9,164
		7378	Yap	25,000	21,340	-	-	21,340	3,660
		7378	Yap	31,900	140	-	-	140	31,760
		7385	Chuuk	19,300	20,697	-	-	20,697	(1,397)
			Program Total	<u>427,356</u>	<u>378,762</u>	<u>-</u>	<u>-</u>	<u>378,762</u>	<u>48,594</u>
	93.959		95 Substance Abuse Prevention & Treatment 95 B1 FM SAPT						
		3653	Unallotted	1,761	-	-	-	-	1,761
		3654	National Government	125,488	106,165	-	12,313	118,478	7,010
		3655	Pohnpei	90,100	86,207	260	-	86,467	3,633
		3655	Kosrae	44,100	37,306	2,746	-	40,052	4,048
		3655	Yap	27,000	17,818	5,666	-	23,484	3,516
		3656	Pohnpei	16,900	14,439	-	-	14,439	2,461
		3656	Yap	32,900	26,870	72	-	26,942	5,958
		3657	Chuuk	111,090	86,288	-	1,110	87,398	23,692
		3658	Chuuk	500	-	-	-	-	500
		3659	Chuuk	14,270	7,089	-	-	7,089	7,181
			Program Total	<u>464,109</u>	<u>382,182</u>	<u>8,744</u>	<u>13,423</u>	<u>404,349</u>	<u>59,760</u>
			Balance forward	<u>6,566,202</u>	<u>4,031,873</u>	<u>300,783</u>	<u>572,810</u>	<u>4,905,466</u>	<u>1,660,736</u>

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued
By Grantor
Year Ended September 30, 1997

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1997 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				\$ 6,566,202	\$ 4,031,873	\$ 300,783	\$ 572,810	\$ 4,905,466	\$ 1,660,736
	93.959		96 Substance Abuse Prevention & Treatment 96-B1-FM-SAPT						
		3692	Unallotted	450	-	-	-	-	450
		3693	National Government	118,173	-	-	110,663	110,663	7,510
		3702	Chuuk	114,035	-	-	113,575	113,575	460
		3700	Pohnpei	89,371	-	86,718	-	86,718	2,653
		3700	Kosrae	57,171	-	38,529	-	38,529	18,642
		3700	Yap	53,169	-	40,259	-	40,259	12,910
		3701	Yap	31,740	-	27,487	-	27,487	4,253
			Program Total	464,109	-	192,993	224,238	417,231	46,878
	93.959		97 Substance Abuse Prevention & Treatment 97-B1-FM-SAPT						
		3754	Unallotted	365,362	-	-	-	-	365,362
		3755	National Government	19,000	-	-	3,110	3,110	15,890
			Program Total	384,362	-	-	3,110	3,110	381,252
			Total CFDA #93.959	2,149,321	1,105,248	201,817	240,771	1,547,836	601,485
	93.977		92 Sexually Trans. Diseases H25/CCH904363-03-1						
		7695	Unallotted	210	-	-	-	-	210
		7696	National Government	48,090	31,948	-	-	31,948	16,142
		7697	Pohnpei	10,691	7,396	-	-	7,396	3,295
			Program Total	58,991	39,344	-	-	39,344	19,647
	93.977		94 Sexually Trans. Diseases H25/CCH904363-04						
		7356	National Government	28,556	24,333	-	-	24,333	4,223
		7357	Pohnpei	6,017	6,017	-	-	6,017	-
			Program Total	34,573	30,350	-	-	30,350	4,223
	93.977		95 Sexually Trans. Diseases H25/CCH904363-05						
		7390	National Government	31,673	24,017	-	2,297	26,314	5,359
		7391	Pohnpei	6,300	5,998	-	-	5,998	302
			Program Total	37,973	30,015	-	2,297	32,312	5,661
			Balance forward	8,715,523	5,137,121	502,600	813,581	6,453,302	2,262,221

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued
By Grantor
Year Ended September 30, 1997

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1997 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				\$ 8,715,523	\$ 5,137,121	\$ 502,600	\$ 813,581	\$ 6,453,302	\$ 2,262,221
	93.977		96 Sexually Trans. Diseases H58/CCH904363-06						
		3660	Unallotted	750	-	-	-	-	750
		3661	National Government	33,550	22,781	-	8,558	31,339	2,211
		3662	Pohnpei	7,075	6,058	1,016	-	7,074	1
			Program Total	41,375	28,839	1,016	8,558	38,413	2,962
	93.977		97 STD Program H25/CCH904363-07						
		3713	Unallotted	1,250	-	-	-	-	1,250
		3714	National Government	29,584	-	-	21,935	21,935	7,649
		3715	Pohnpei	7,140	-	5,112	-	5,112	2,028
			Program Total	37,974	-	5,112	21,935	27,047	10,927
			Total CFDA #93.977	210,886	128,548	6,128	32,790	167,466	43,420
	93.988		94 State-Base Diabetes U32/CCU910641-01						
		7369	National Government	36,690	30,336	-	-	30,336	6,354
		7384	Pohnpei	8,400	5,789	-	-	5,789	2,611
		7384	Chuuk	8,400	22,543	-	-	22,543	(14,143)
		7384	Kosrae	8,400	8,319	-	-	8,319	81
		7384	Yap	8,400	611	-	-	611	7,789
			Program Total	70,290	67,598	-	-	67,598	2,692
	93.988		95 Diabetes U32/CU910641-02						
		3651	National Government	24,999	13,469	-	4,369	17,838	7,161
		3652	Pohnpei	8,400	-	-	-	-	8,400
		3652	Chuuk	8,400	-	-	-	-	8,400
		3652	Kosrae	8,400	1,302	-	-	1,302	7,098
		3652	Yap	8,400	8,013	-	-	8,013	387
			Program Total	58,599	22,784	-	4,369	27,153	31,446
			Balance forward	8,926,409	5,265,669	508,728	846,371	6,620,768	2,305,641

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued
By Grantor
Year Ended September 30, 1997

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1997 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				\$ 8,926,409	\$ 5,265,669	\$ 508,728	\$ 846,371	\$ 6,620,768	\$ 2,305,641
	93.988		96 Diabetes Program U32/CCU910641-03						
		3694	Unallotted	10,831	-	-	-	-	10,831
		3695	National Government	10,197	1,015	-	7,758	8,773	1,424
		3696	Pohnpei	13,965	-	-	-	-	13,965
		3696	Kosrae	13,955	-	565	-	565	13,390
		3696	Yap	13,955	33	2,998	-	3,031	10,924
		3697	Chuuk	15,015	-	-	6,813	6,813	8,202
			Program Total	77,918	1,048	3,563	14,571	19,182	58,736
	93.988		97 Diabetes Program U32/CCU910641-04						
		3747	Unallotted	9,032	-	-	-	-	9,032
		3751	National Government	4,000	-	-	662	662	3,338
		3753	Pohnpei	4,000	-	-	-	-	4,000
		3752	Kosrae	3,000	-	-	-	-	3,000
		3753	Chuuk	5,000	-	-	2,136	2,136	2,864
		3752	Yap	3,000	-	-	-	-	3,000
			Program Total	28,032	-	-	2,798	2,798	25,234
			Total CFDA #93.988	234,839	91,430	3,563	21,738	116,731	118,108
	93.991		93 Preventive Health 93-B1-FM-PRVS						
			Unallotted	18,372	-	-	-	-	18,372
		7471	National Government	19,650	11,698	-	-	11,698	7,952
		7472	Pohnpei	17,918	17,174	-	-	17,174	744
		7472	Chuuk	19,292	15,180	120	-	15,300	3,992
		7472	Kosrae	10,000	9,112	-	-	9,112	888
		7472	Yap	12,572	12,516	-	-	12,516	56
			Program Total	97,804	65,680	120	-	65,800	32,004
	93.991		94 PH & PH 94-B1-FM-PRVS						
		7352	Unallotted	7,671	-	-	-	-	7,671
		7488	National Government	25,350	20,259	-	-	20,259	5,091
		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	12,451	-	-	12,451	920
			Program Total	103,690	50,868	-	-	50,868	52,822
			Balance forward	9,161,248	5,357,099	512,291	868,109	6,737,499	2,423,749

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued
By Grantor
Year Ended September 30, 1997

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1997 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				\$ 9,161,248	\$ 5,357,099	\$ 512,291	\$ 868,109	\$ 6,737,499	\$ 2,423,749
	93.991		95 Preventive Health & PH 95-B1-FM-PRVS						
		3644	National Government	28,325	20,764	-	-	20,764	7,561
		3645	Pohnpei	21,917	5,475	-	-	5,475	16,442
		3645	Kosrae	13,500	9,090	-	-	9,090	4,410
		3645	Yap	16,871	13,442	2,946	-	16,388	483
		3646	Chuuk	23,591	17,214	-	-	17,214	6,377
			Program Total	104,204	65,985	2,946	-	68,931	35,273
	93.991		96 PH & PH 96-B1-FM-PRVS-01						
		3705	Unallotted	26,287	-	-	-	-	26,287
		3706	National Government	45,000	-	-	39,445	39,445	5,555
		3707	Pohnpei	10,000	-	8,462	-	8,462	1,538
		3707	Kosrae	8,000	-	1,317	-	1,317	6,683
		3707	Yap	9,300	-	7,965	-	7,965	1,335
		3708	Chuuk	10,700	-	-	5,940	5,940	4,760
			Program Total	109,287	-	17,744	45,385	63,129	46,158
			Total CFDA #93.991	414,985	182,533	20,810	45,385	248,728	166,257
	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
			Total CFDA #93.992	401,000	323,487	-	-	323,487	77,513
	93.994		92 MCH 92-B1-FM-MCHS						
		7751	Unallotted	42,259	-	-	-	-	42,259
		7752	National Government	47,425	43,325	-	20	43,345	4,080
		7753	National Government	143,168	86,755	-	-	86,755	56,413
		7754	Pohnpei	89,519	77,318	-	-	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	519,728	371,737	-	20	371,757	147,971
			Balance forward	9,977,233	5,863,119	533,101	913,494	7,309,714	2,667,519

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued
By Grantor
Year Ended September 30, 1997

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1997 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				\$ 9,977,233	\$ 5,863,119	\$ 533,101	\$ 913,494	\$ 7,309,714	\$ 2,667,519
	93.994		93 MCH 93B IFMMCHS						
		7451	Unallotted	38,846	-	-	-	-	38,846
		7452	National Government	53,003	45,818	-	-	45,818	7,185
		7453	National Government	113,920	92,474	-	-	92,474	21,446
		7454	Pohnpei	98,914	100,051	-	-	100,051	(1,137)
		7454	Chuuk	99,981	98,615	-	-	98,615	1,366
		7454	Kosrae	40,312	33,773	-	-	33,773	6,539
		7454	Yap	55,646	53,188	-	-	53,188	2,458
		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	6,220	4,355	-	-	4,355	1,865
		7455	Yap	4,500	3,995	-	-	3,995	505
			Program Total	530,042	444,701	-	-	444,701	85,341
	93.994		94 MCH 94B IFMMCHS						
		7487	National Government	54,582	41,929	-	-	41,929	12,653
		7488	National Government	163,746	111,144	-	-	111,144	52,602
		7489	Pohnpei	103,665	83,038	-	-	83,038	20,627
		7489	Chuuk	107,322	107,290	-	-	107,290	32
		7489	Kosrae	52,093	44,308	-	-	44,308	7,785
		7489	Yap	64,412	58,244	-	-	58,244	6,168
			Program Total	545,820	445,953	-	-	445,953	99,867
	93.994		95 MCH 95B IFMMCHS						
		7442	Unallotted	8,519	-	-	-	-	8,519
		7443	National Government	54,490	43,203	-	156	43,359	11,131
		7444	National Government	136,382	88,065	-	1,876	89,941	46,441
		7445	Pohnpei	97,777	84,360	-	-	84,360	13,417
		7445	Chuuk	37,834	28,732	-	-	28,732	9,102
		7445	Kosrae	55,917	50,918	189	-	51,107	4,810
		7445	Yap	64,484	57,505	1,723	-	59,228	5,256
		7490	Pohnpei	11,943	11,943	-	-	11,943	-
		7490	Kosrae	4,821	4,821	-	-	4,821	-
		3728	Chuuk	71,480	-	-	6,510	6,510	64,970
		7490	Chuuk	-	57,491	-	-	57,491	(57,491)
			Program Total	543,647	427,038	1,912	8,542	437,492	106,155
			Balance forward	9,977,233	5,863,119	533,101	913,494	7,309,714	2,667,519

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued
By Grantor
Year Ended September 30, 1997

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1997 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				\$ 9,977,233	\$ 5,863,119	\$ 533,101	\$ 913,494	\$ 7,309,714	\$ 2,667,519
	93.994		96 MCH Program 96-B1-FM-MCHS						
		3685	National Government	59,081	526	-	44,305	44,831	14,250
		3686	National Government	130,622	38,111	-	12,651	50,762	79,860
		3688	Chuuk	100,407	-	-	97,806	97,806	2,601
		3704	Chuuk	15,262	-	-	2,785	2,785	12,477
		3689	Pohnpei	97,907	213	71,955	-	72,168	25,739
		3703	Pohnpei	11,943	-	11,855	-	11,855	88
		3689	Kosrae	55,917	-	54,438	-	54,438	1,479
		3703	Kosrae	5,267	-	-	-	-	5,267
		3689	Yap	61,957	3,922	48,733	-	52,655	9,302
			Program Total	538,363	42,772	186,981	157,547	387,300	151,063
	93.994		97 MCH 97-B1-FMMCHS						
		3735	Unallotted	346,612	-	-	-	-	346,612
		3736	National Government	13,659	-	-	6,167	6,167	7,492
		3737	National Government	42,000	-	-	21,395	21,395	20,605
		3738	Pohnpei	-	-	363	-	363	(363)
			Program Total	402,271	-	363	27,562	27,925	374,346
			Total CFDA #93.994	3,079,871	1,732,201	189,256	193,671	2,115,128	964,743
			Total U.S. Dept. of Health and Human Services	\$ 13,057,104	\$ 7,595,320	\$ 722,357	\$ 1,107,165	\$ 9,424,842	\$ 3,632,262

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued
By Grantor
Year Ended September 30, 1997

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	Fiscal Year 1997 Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
U.S. Federal Direct Assistance Fund									
Federal Emergency Management Agency (FEMA)									
	83.505	3839	EMF-92-K-0399 National Government	\$ 50,000	\$ 38,186	\$ -	\$ -	\$ 38,186	\$ 11,814
	83.505	3845	93 Disaster Preparedness EMF-93-K-0405 National Government	50,000	30,391	-	-	30,391	19,609
	83.505	3866	94 Disaster Preparedness EMF-94-K-0435 National Government	25,000	17,694	-	-	17,694	7,306
	83.505	3867	95 Disaster Preparedness-IG EMF-95-K-0565 Unallotted	1,000	-	-	-	-	1,000
		3868	National Government	49,000	43,342	-	516	43,858	5,142
			Program Total	50,000	43,342	-	516	43,858	6,142
	83.505	3812	96 Disaster Preparedness EMF-96-PA-0606 National Government	50,000	54,387	-	9,054	63,441	(13,441)
	83.505	3877	97 Disaster Preparedness EMF-97-PA-0309 National Government	38,000	-	-	6,561	6,561	31,439
			Total CFDA #83.505	263,000	184,000	-	16,131	200,131	62,869
	83.516	3842	FEMA-934-DR-FSM Typhoon Axel PA National Government/Admin.	13,313	12,461	-	-	12,461	852
		3837	Pohnpei	655,682	110,047	68,261	-	178,308	477,374
		3837	Kosrae	36,184	-	-	-	-	36,184
			Program Total	705,179	122,508	68,261	-	190,769	514,410
	83.516	3826	FEMA -886-DR-FSM Typhoon Owen IFG Chuuk	6,406,904	6,188,383	-	-	6,188,383	218,521
			Balance forward	263,000	184,000	-	16,131	200,131	62,869

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued
By Grantor
Year Ended September 30, 1997

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	Fiscal Year 1997 Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
U.S. Federal Direct Assistance Fund									
FEMA balance forwarded				\$ 263,000	\$ 184,000	\$ -	\$ 16,131	\$ 200,131	\$ 62,869
	83.516		FEMA -886-DR-FSM Typhoon Owen PA						
		3820	Chuuk	1,667,674	81,845	80,015	-	161,860	1,505,814
		3821	Yap	822,353	-	-	-	-	822,353
		3824	National Government	40,771	-	-	-	-	40,771
		3830	National Government	33,472	-	-	-	-	33,472
			Program Total	2,564,270	81,845	80,015	-	161,860	2,402,410
	83.516		FEMA-892-FSM Typhoon Russ PA						
		3823	Pohnpei	324,200	560,885	28	-	560,913	(236,713)
		3829	National	8,213	-	-	-	-	8,213
			Program Total	332,413	560,885	28	-	560,913	(228,500)
	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 Yuri PA						
		3834	Pohnpei	647,938	2,470	(8,576)	-	(6,106)	654,044
		3840	Chuuk	199,764	1,581	25,850	-	27,431	172,333
		3841	National Government	3,484	367,513	-	-	367,513	(364,029)
		3843	National Government	19,300	-	-	3,485	3,485	15,815
			Program Total	870,486	371,564	17,274	3,485	392,323	478,163
	83.516		FEMA-926-FSM Typhoon Yuri IFG						
		3830	Pohnpei	375,000	455,682	-	-	455,682	(80,682)
			Total CFDA #83.516	11,383,653	7,904,348	165,578	3,485	8,073,411	3,310,242
	83.519		Hazard Mitigation FEMA-892-FSM						
			Unallotted	744	-	-	-	-	744
		3848	National Government	394	-	-	-	-	394
		3852	Pohnpei	12,398	1,798	10,600	-	12,398	-
			Program Total	13,536	1,798	10,600	-	12,398	1,138
			Balance forward	11,646,653	8,088,348	165,578	19,616	8,273,542	3,373,111

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued
By Grantor
Year Ended September 30, 1997

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	Fiscal Year 1997 Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
U.S. Federal Direct Assistance Fund									
FEMA balance forwarded				\$ 11,646,653	\$ 8,088,348	\$ 165,578	\$ 19,616	\$ 8,273,542	\$ 3,373,111
	83.519		Hazard Mitigation FEMA-886-FSM						
		3846	Unallotted	751	-	-	-	-	751
		3847	National Government	12,179	4,110	-	5,892	10,002	2,177
		3853	Chuuk	3,449	-	-	-	-	3,449
		3854	Chuuk	80,000	80,000	14,004	-	94,004	(14,004)
		3855	Yap	21,003	17,097	4,624	-	21,721	(718)
		3856	Yap	313,716	93,453	113,046	-	206,499	107,217
		3857	Yap	112,385	109,584	2,973	-	112,557	(172)
		3836	Yap	79,147	-	8,796	-	8,796	70,351
		3869	Chuuk	61,237	-	-	-	-	61,237
			Program Total	683,867	304,244	143,443	5,892	453,579	230,288
	83.519		Hazard Mitigation FEMA-926-FSM						
		3849	National Government	7,224	1,302	-	4,428	5,730	1,494
		3851	Pohnpei	9,308	6,536	2,044	-	8,580	728
		3858	Pohnpei	23,202	23,202	-	-	23,202	-
		3859	Pohnpei	207,700	173,519	163	-	173,682	34,018
			Program Total	247,434	204,559	2,207	4,428	211,194	36,240
	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
			Balance forward	11,646,653	8,088,348	165,578	19,616	8,273,542	3,373,111

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued
By Grantor
Year Ended September 30, 1997

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	Fiscal Year 1997 Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
U.S. Federal Direct Assistance Fund									
FEMA balance forwarded				\$ 11,646,653	\$ 8,088,348	\$ 165,578	\$ 19,616	\$ 8,273,542	\$ 3,373,111
	83.519		Hazard Management Cost FEMA-886-934						
		3862	Unallotted	1,600	-	-	-	-	1,600
		3864	Chuuk	36,000	9,027	-	-	9,027	26,973
		3864	Yap	32,000	9,624	18,980	-	28,604	3,396
		3864	Pohnpei	10,400	-	-	-	-	10,400
		3853	National Government	9,455	-	-	11,959	11,959	(2,504)
			Program Total	89,455	18,651	18,980	11,959	49,590	39,865
			Total CFDA #83.519	1,097,683	529,252	175,230	22,279	726,761	370,922
			Typhoon Fern FEMA-DR-1166-FM						
		3872	National Government	20,841	-	-	4,677	4,677	16,164
		3875	National Government	13,500	-	-	1,760	1,760	11,740
		3873	Yap	951,154	-	-	-	-	951,154
		3874	Yap	27,420	-	-	-	-	27,420
		3880	Yap	-	-	-	-	-	-
		3881	Yap	-	-	-	-	-	-
		3882	Yap	-	-	-	-	-	-
			Program Total	1,012,915	-	-	6,437	6,437	1,006,478
			Total Federal Emergency Management Agency	\$ 13,757,251	\$ 8,617,600	\$ 340,808	\$ 48,332	\$ 9,006,740	\$ 4,750,511

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued
By Grantor
Year Ended September 30, 1997

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	Fiscal Year 1997 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	\$ 688,053	\$ -	\$ -	\$ 688,053	\$ 32,947
			Total U.S. Federal Aviation Administration	<u>\$ 721,000</u>	<u>\$ 688,053</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 688,053</u>	<u>\$ 32,947</u>
U.S. National Oceanic and Atmospheric Administration									
	11.460	N/A	National Government	\$ 2,004,481	\$ 2,598,231	\$ -	\$ 730,411	\$ 3,328,642	\$ (1,324,161)
			Total National Oceanic and Atmospheric Administration	<u>\$ 2,004,481</u>	<u>\$ 2,598,231</u>	<u>\$ -</u>	<u>\$ 730,411</u>	<u>\$ 3,328,642</u>	<u>\$ (1,324,161)</u>
			Total U.S. Federal Direct Assistance	<u>\$ 62,430,805</u>	<u>\$ 45,821,393</u>	<u>\$ 2,282,663</u>	<u>\$ 3,179,888</u>	<u>\$ 51,283,944</u>	<u>\$ 11,146,861</u>

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Non U.S. Direct Assistance Grants
Statement of Expenditures By Grantor
Year Ended September 30, 1997

Grantor	Org. No.	Grantor Title	1997 Expenditures National Government
Other Direct Assistance Fund:			
World Health Organization	3893	Leprosy elimination program	\$ 15,217
	3896	Leprosy program	(22)
	3917	Dental Automatic	120
	3976	FY89 Leprosy	66,983
	7415	Health Planning	5,900
	7419	Non-Com Disease Workshop	3,594
	7429	Vital Statistics Workshop	2,405
	7434	Food Safety Training	2,461
	7803	AIDS Prevention Control	4,987
	7838	FY92 Family Health Planning	44,543
			<hr/> 146,188 <hr/>
South Pacific Commission Grants	7426	FSM Port Sampling	6,803
	7428	Capital Building For S. Dev.	14,035
			<hr/> 20,838 <hr/>
United Nations	3890	Youth Substance Abuse Survey	1,266
	3892	Family Health Program	42,319
	3916	Family Food Production	1,895
	3975	Micronesian Entrepreneur Development	48,717
	7401	Vitamin A Project	162
	7404	Family Food Production	9,718
	7424	FY94 Population and Housing Census	8,913
	7834	TCP/Nutrition Program	5,444
			<hr/> 118,434 <hr/>
Forum Fisheries Agency	3906	Regional and Internal Meeting	34,832
	7824	Chuuk Port Sampling	43,608
			<hr/> 78,440 <hr/>
Australian Government Grants	3951	FSM Animal Diseases Survey	378
	7808	Micronesian Patient Admin.	16,597
			<hr/> 16,975 <hr/>
		Balance forward	<hr/> 380,875 <hr/>

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Non U.S. Direct Assistance Grants
Statement of Expenditures By Grantor
Year Ended September 30, 1997

Grantor	Org. No.	Grantor Title	1997 Expenditures National Government
Other Direct Assistance Fund, Balance Forwarded			\$ 380,875
Wetland International	3895	JFGE Mangrove Project	3,412
	3919	RAMSAR WCF Project	6,408
			9,820
New Zealand Foreign Assistance	7435	Data Information Workshop	10,215
Girls Scouts of America	3909	Girls Scout	7,367
Total Non-U.S. Grants			\$ 408,277
Total U.S. Federal Direct Assistance and Non-U.S. Grants Expenditures			\$ 3,588,165
Reconciliation to general-purpose financial statements			
Balance per the above			\$ 3,588,165
Less amounts which relate to foreign grants			(408,277)
Net federal share			\$ 3,179,888
Amount per general-purpose financial statements			\$ 3,468,108
Add amount included in financials which relate to OTIA (page 112)			120,057
			\$ 3,588,165

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued
By Grantor
Year Ended September 30, 1997

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1997 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-24		7888	Land Survey Record	30,000	21,460	-	-	21,460	8,540
FSM-25		3488	Financial Advisor	133,000	-	-	-	-	133,000
FSM-25		3488	Computer Advisor	56,000	55,596	-	-	55,596	404
FSM-38		3505	Economic Newsletter	200,020	158,571	-	-	158,571	41,449
N/A		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
N/A		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	11,515	-	-	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
N/A		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
N/A		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-54		7852	Kosrae Sec. Dev. Plan	50,000	25,000	-	-	25,000	25,000
FSM-55		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	99,383	-	-	99,383	10,617
N/A		7857	FY-91 Single Audit	355,000	353,105	-	-	353,105	1,895
OMIP-FSM-91		7859	FSM Capital Comp.	61,360	47,618	-	-	47,618	13,742
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	35,337	-	1,082	36,419	8,581
PIR-91-2-FSM		7867	On-Island Anti-Substance Abuse	25,000	15,742	-	-	15,742	9,258
PIR-91-3-FSM		7868	PIRAAP Conference	15,000	13,531	-	-	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	91,000	90,862	-	-	90,862	138
N/A		7882	FY-92 Single Audit	365,000	358,641	-	-	358,641	6,359
N/A		3482	Computer Training	9,679	110	-	-	110	9,569
FSM-30		3493	Marketing Study	35,000	11,666	-	-	11,666	23,334
FSM-49		7513	Hospital Lab mgn't imp	25,800	20,017	-	-	20,017	5,783
			Balance forward	4,571,726	3,814,142	-	1,082	3,815,224	756,502

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued
By Grantor
Year Ended September 30, 1997

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1997 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
OTIA Technical Assistance balance forwarded				\$ 4,571,726	\$ 3,814,142	\$ -	\$ 1,082	\$ 3,815,224	\$ 756,502
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	70,665	-	541	71,206	14,390
FSM-63		7890	Environmental Management Spec.	30,500	30,829	-	-	30,829	(329)
FSM-62		7887	Supply & Pharmacy	9,440	7,534	-	-	7,534	1,906
FSM-66		7304	Firearms Training	33,000	21,329	-	-	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	-	4,875	9,702	15,498
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	20,978	-	11,514	32,492	27,508
PIR-91-11-FSM		7884	Comm. Base Trainer	79,000	64,752	-	10,500	75,252	3,748
PIR-91-19-FSM		7883	Cook Support Proj.	12,000	3,341	-	-	3,341	8,659
OMIP-CHUUK-91-1		7894	Dept. Ed. O&M	180,137	54,654	-	-	54,654	125,483
OMIP-CHUUK-91-1		7893	Road Disp. Repair	259,863	80,968	-	-	80,968	178,895
OMIP-KOS-91-1		7892	Power System O&M	232,000	33,705	-	-	33,705	198,295
OMIP-KOS-91-1		7874	Reorgan. PUC	91,000	-	-	-	-	91,000
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
FSM-68		7307	Statistics Workshop	6,500	4,443	-	-	4,443	2,057
FSM-69		7329	Micro. Invest Qrtly	84,250	84,250	-	-	84,250	-
FSM-70		7318	US/FSM Econ. Cons.	20,000	19,826	-	-	19,826	174
FSM-72		7322	Pharmac. Workshop	6,000	4,267	-	-	4,267	1,733
FSM-74		7328	Med. Epidem. Train	13,232	9,405	-	-	9,405	3,827
N/A		7300	FY-93 Single Audit	404,000	398,757	-	-	398,757	5,243
N/A		7319	FSM National Census	500,000	463,369	-	7,019	470,388	29,612
PIR/93-24-FSM		7309	On-Is. Anti-Sub Conf.	25,000	21,131	-	-	21,131	3,869
PIR/93-25-FSM		7310	PIRAAP Rev. Meet.	25,000	17,878	-	1,550	19,428	5,572
PIR/93-26-FSM		7311	DOI/US Army Training	20,000	6,199	-	2,604	8,803	11,197
PIR/93-27-FSM		7312	FBI Pac. Training	11,000	9,735	-	-	9,735	1,265
PIR/93-28-FSM		7313	Anti-Sub. Abuse PSA	10,000	5,732	-	1,076	6,808	3,192
PIR/93-30-FSM		7314	Altern. Youth Actv.	60,000	13,038	-	1,151	14,189	45,811
PIR/93-34-FSM		7315	Kos. Anti-Sub. Abuse	150,000	45,432	26,192	-	71,624	78,376
PIR/93-35-FSM		7327	DARE Training	30,000	28,054	-	-	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	221,543	-	-	221,543	51,925
OMIP-POHN-91-5		7323	Hosp. Maint. Imprv	140,420	110,952	15,366	-	126,318	14,102
OMIP-CHUUK-91-1		7895	Water & Sewer O&M	50,000	48,337	-	-	48,337	1,663
OMIP-CHUUK-91-1		7316	Public Util. Corp	140,000	23,738	-	-	23,738	116,262
OMIP-KOS-91-1		7321	Elec. & Power Sys.	108,000	-	-	-	-	108,000
OMIP-KOS-91-2		7891	Maint. Repr Hosp.	20,000	20,000	-	-	20,000	-
OMIP-KOS-93-1		7320	School Maint. Prog	125,000	65,386	755	-	66,141	58,859
FSM-73		7333	Health Care Worker	9,750	3,729	-	-	3,729	6,021
Balance forward				8,928,432	6,448,982	42,313	41,912	6,533,207	2,395,225

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
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Schedule of Expenditures of Federal Awards, Continued
By Grantor
Year Ended September 30, 1997

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1997 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
OTIA Technical Assistance balance forwarded				\$ 8,928,432	\$ 6,448,982	\$ 42,313	\$ 41,912	\$ 6,533,207	\$ 2,395,225
FSM-75		7332	Eliminate VAD Chuuk	18,796	15,776	-	-	15,776	3,020
FSM-76		7335	Statistics Workshop	17,500	12,890	-	-	12,890	4,610
N/A		7334	94 Single Audit	619,000	617,070	-	1,284	618,354	646
PIR-36-1-FSM		7337	Dare Training	20,000	-	-	-	-	20,000
PIR-36-2-FSM		7338	Criminal Prosecution	60,000	21,664	-	-	21,664	38,336
PIR-36-3-FSM		7339	Regional Law Enforcement	48,000	25,218	-	219	25,437	22,563
PIR-36-4-FSM		7340	Regional Law Enforcement Equip.	40,000	7,258	-	2,267	9,525	30,475
PIR-36-5-FSM		7341	Kosrae Youth Activities	30,000	-	-	-	-	30,000
PIR-36-7-FSM		7342	Pohnpei PADY	115,000	36,368	-	18,906	55,274	59,726
PIR-36-8-FSM		7343	Yap Youth Activities	53,000	-	-	-	-	53,000
PIR-36-9-FSM		7344	Chuuk Youth Activities	53,000	-	-	-	-	53,000
PIR-36-10-FSM		7345	FSM Detective Dog	15,000	11,900	-	-	11,900	3,100
PIR-36-11-FSM		7346	FSM Anti-Drug PSA	5,000	-	-	384	384	4,616
PIR-36-14-FSM		7347	On-island Conference	25,000	16,731	-	-	16,731	8,269
PIR-36-17-FSM		7348	Treatment Block Grant	100,000	21,067	-	16,988	38,055	61,945
N/A		7349	FY-95 Single Audit	630,000	511,909	-	98,769	610,678	19,322
OMIP-POHN-PUC-95-2		3621	PUC 2nd & 3rd Year	1,035,000	-	-	-	-	1,035,000
OMIP-POHN-PUC-95-1		3622	Financial Comprehensive Analysis	71,000	-	-	-	-	71,000
OMIP-POHN-95-2		3626	Financial Management 1st Year	108,500	99,360	8,696	-	108,056	444
OMIP-POHN-95-3		3627	95 Pohnpei OMIP Program	366,000	67,708	78,447	-	146,155	219,845
OMIP-KOS-94-1		7331	Upgrade C & E/Jail	11,500	2,399	644	-	3,043	8,457
OMIP-KOS-94-1		3504	Computer Aided Design	12,500	12,470	-	-	12,470	30
OMIP-KOS-94-1		3514	Technical Manual C & E	1,800	-	-	-	-	1,800
OMIP-KOS-94-1		7330	2nd Year DPW	314,000	13,020	163	-	13,183	300,817
OMIP-KOS-95-1		3623	Strengthening KUA 2nd Year	441,000	-	-	-	-	441,000
OMIP-KOS-95-3		3624	Solid Waste Management	50,000	-	47,050	-	47,050	2,950
FSM-79		3630	Training in Tax Administration	12,479	-	-	12,399	12,399	80
FSM-80		3631	Training in SCO/Univx & Focus	39,380	-	-	34,330	34,330	5,050
FSM-77		3632	Acct'g/Coomputer Intern & Staff	91,000	-	-	23,780	23,780	67,220
N/A		3633	96 Single Audit	655,000	-	-	545,979	545,979	109,021
FSM-81		3634	Economic Planning Advisor	150,000	-	38,923	-	38,923	111,077
FSM-82		3635	Land & Survey	474,000	-	131,159	-	131,159	342,841
FSM-83		3636	Pharmacy Supply Workshop	17,000	-	-	9,101	9,101	7,899
FSM-84		3637	Statistic Program Travel	14,000	-	-	10,390	10,390	3,610
OMIP-KOS-95-4		3625	Road Maintenance Management	130,000	44,806	82,484	-	127,290	2,710
OMIP-FSM-95-1		3629	COM Vocational Education	112,500	-	-	-	-	112,500
FSM-84		3638	Law Enforcement Assessment	20,000	-	275	-	275	19,725
Total OTIA Technical Assistance Grants				\$ 14,904,387	\$ 7,986,596	\$ 430,154	\$ 816,708	\$ 9,233,458	\$ 5,670,929
Amount per general-purpose financial statements					\$ 936,765				
Less amounts which are classified in U.S. Direct Assistance Fund (See page 109)					(120,057)				
					<u>\$ 816,708</u>				

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued
By Grantor
Year Ended September 30, 1997

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1997 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 - 1,1A,2	1,480,000	284,189	-	-	284,189	1,195,811
			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	2,135,000	592,939	-	-	592,939	1,542,061
			Total O&M	\$ 7,350,000	\$ 2,498,769	\$ -	\$ -	\$ 2,498,769	\$ 4,851,231
<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	3,979,040	-	-	3,979,040	-
		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	3,950,000	3,948,569	-	-	3,948,569	1,431
		6314	Capital Complex & Road	40,760	35,646	-	11,667	47,313	(6,553)
		6315	CIP Administration-OPS	93,149	25,342	-	-	25,342	67,807
		6316	Pohnpei CIP Administration	-	-	-	25,000	25,000	(25,000)
		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	39,213	-	-	-	-	39,213
			Total CFSM & OTIA/TTPI						
			Capital Projects Funds	\$ 27,256,093	\$ 24,521,354	\$ -	\$ 36,667	\$ 24,558,021	\$ 2,698,072

See accompanying notes to schedule of federal financial assistance.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued
By Grantor
Year Ended September 30, 1997

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1997 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</u> <u>Section 212</u>						
		2153	95 Special Development Assistance	\$ 500,000	\$ -	\$ -	\$ -	\$ -	\$ 500,000
			<u>Communications - Annual</u> <u>Section 215(a)(2)</u>						
		2232	95 Communications	876,000	-	-	-	-	876,000
			<u>Communications</u> <u>Section 215(a)(2)</u>						
		2240	FSM Telecommunication	582,000	-	-	582,000	582,000	-
		2242	Pohnpei	30,000	-	-	-	-	30,000
		2243	Yap	30,000	-	-	-	-	30,000
		2244	Chuuk	50,000	-	-	3,512	3,512	46,488
		2245	Kosrae	50,000	-	-	34,592	34,592	15,408
		2246	Pohnpei	50,000	-	-	12,137	12,137	37,863
				792,000	-	-	632,241	632,241	159,759
			<u>Communications - One Time,</u> <u>Section 215(b)(2)</u>						
		2232	Telephone System	875,000	71,775	-	-	71,775	803,225
			<u>Communications - One Time,</u> <u>Section 215(b)(2)</u>						
		2239	Digital switches	-	-	-	64,468	64,468	(64,468)
		2286	Marine Surveillance, Section 216(a)(1)	519,000	1,991,798	-	521,136	2,512,934	(1,993,934)
		2287/2761	Marine Surveillance, Section 216(b)	187,395	372,931	-	36,963	409,894	(222,499)
			<u>Health and Medical, Section 216(a)(2)</u>						
		2505	Med. Serv./President Olter	280,753	-	-	280,753	280,753	-
		2501	Local Capabilities	68,000	-	-	45,529	45,529	22,471
		2502	Health Team Visit	70,000	-	-	61,802	61,802	8,198
		2506	Tripler Hospital Medical Bills	200,000	-	-	-	-	200,000
			Total Health and Medical	618,753	-	-	388,084	388,084	230,669
			Balance forward	4,368,148	2,436,504	-	1,642,892	4,079,396	288,752

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued
By Grantor
Year Ended September 30, 1997

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1997 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
Compact Funding balance forwarded				\$ 4,368,148	\$ 2,436,504	\$ -	\$ 1,642,892	\$ 4,079,396	\$ 288,752
<u>Special Block Grant, Section 221(b)</u>									
		2002	Nutrition Serv.	30,000	32,173	-	23,607	55,780	(25,780)
		2004	Tuberculosis Program	16,000	24,011	-	8,375	32,386	(16,386)
		2005	Leptosporosis/O/Ch	10,000	6,257	-	-	6,257	3,743
		2005	Leptosporosis Control	19,000	2,553	-	-	2,553	16,447
		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	3,660	-	-	3,660	16,340
		2051	Leprosy Prevention & Control	8,000	4,752	-	2,791	7,543	457
		2052	Family Planning	20,350	-	-	1,178	1,178	19,172
		2053	Mental Health Serv.	14,000	41,171	-	4,785	45,956	(31,956)
		2054	Maternal and Child Health	10,000	15,139	-	2,642	17,781	(7,781)
		2055	Health Plan/Workforce	13,800	2,090	-	10,711	12,801	999
		2058	Vital Statistics	12,000	34,015	-	9,775	43,790	(31,790)
		2059	STD Program	13,000	-	-	8,892	8,892	4,108
		2060	Childhood Immunization	10,000	20,506	-	9,832	30,338	(20,338)
		2101	National Curriculum Str.	-	9,824	-	855	10,679	(10,679)
		2102	National Standard	48,543	58,539	-	37,464	96,003	(47,460)
		2104	FSM Youth Activities	-	17,829	-	-	17,829	(17,829)
		2106	Teacher Training Program	-	400	-	-	400	(400)
		2107	Vocational Education	50,141	-	-	26,625	26,625	23,516
		2109	College Admin. Test	18,600	20,119	-	13,422	33,541	(14,941)
		2900	Nat. Womens Intr.	17,300	38,490	-	21,724	60,214	(42,914)
		2902	Chronic Disease	9,000	26,771	-	5,607	32,378	(23,378)
		2903	Health Education	8,000	2,527	-	5,955	8,482	(482)
		2904	C/Disease Control & Prevention	-	68,150	-	-	68,150	(68,150)
		2905	C/Disease Control & Prevention	-	22,249	-	-	22,249	(22,249)
		2908	Child Abuse & Neg.	11,060	33,774	-	8,943	42,717	(31,657)
		2909	S/Abuse Prevention & Treatment	14,300	40,313	-	14,516	54,829	(40,529)
		2910	Professional Support Services	12,800	17,562	-	7,551	25,113	(12,313)
		2911	FSM Food Protection, Inspection, & Cert.	33,400	75,300	-	31,498	106,798	(73,398)
		2913	AIDS & Prevention Control	14,100	7,189	-	10,243	17,432	(3,332)
		2914	Tobacco Prevention	9,400	626	-	3,797	4,423	4,977
		2915	National Close-Up	73,466	26,226	-	70,356	96,582	(23,116)
		2916	FSM Youth Cultural	30,000	20,111	-	26,012	46,123	(16,123)
		2918	Yap Outer Island CHC	-	-	-	-	-	-
		2919	Environmental Ed. & Sustainable Dev.	39,000	-	-	23,234	23,234	15,766
			Total Special Block Grant	705,260	708,297	-	390,390	1,098,687	(393,427)
			Balance forward	5,073,408	3,144,801	-	2,033,282	5,178,083	(104,675)

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued
By Grantor
Year Ended September 30, 1997

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1997 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
Compact Funding balance forwarded				\$ 5,073,408	\$ 3,144,801	\$ -	\$ 2,033,282	\$ 5,178,083	\$ (104,675)
<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	26,776	-	-	26,776	165,405
		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
		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)
			Subtotal post secondary education	11,841,622	4,980,039	-	-	4,980,039	6,861,583
			Balance forward	5,073,408	3,144,801	-	2,033,282	5,178,083	(104,675)

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued
By Grantor
Year Ended September 30, 1997

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1997 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
Compact Funding balance forwarded				\$ 5,073,408	\$ 3,144,801	\$ -	\$ 2,033,282	\$ 5,178,083	\$ (104,675)
Post Secondary Education balance forwarded				11,841,622	4,980,039	-	-	4,980,039	6,861,583
	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	180,172	-	-	180,172	(161,320)
	2677		94 Scholarship - Kosrae	109,809	566,501	-	-	566,501	(456,692)
	2644		94 Scholarship - Yap	161,320	115,000	-	-	115,000	46,320
	2550		94 COM-FSM	457,500	42,251	-	-	42,251	415,249
	2551		94 Continuing Education Center	115,000	292,500	-	-	292,500	(177,500)
	2552		94 Assistance to Students	50,000	226,484	-	-	226,484	(176,484)
	2553		94 COM-FSM Operation	292,500	800,392	-	-	800,392	(507,892)
	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	468,960	-	-	468,960	(57,244)
	2653		95 Scholarship - Kosrae	128,661	211,307	15,339	-	226,646	(97,985)
	2644		95 Scholarship - Yap	161,320	161,320	-	-	161,320	-
	2553		95 COM-FSM Operation	800,000	-	-	-	-	800,000
	2675		91 Graduate Student Scholarship	10,000	18,000	-	75,000	93,000	(83,000)
	2678		96 Scholarship - Chuuk	411,716	364,975	-	439,533	804,508	(392,792)
	2582		96 Scholarship - Pohnpei	288,003	218,967	69,036	218,186	506,189	(218,186)
	2613		96 Scholarship - Chuuk	411,716	364,975	-	-	364,975	46,741
	2653		96 Scholarship - Kosrae	128,661	113,322	118,083	133,422	364,827	(236,166)
	2644		96 Scholarship - Yap	161,320	-	161,320	292,320	453,640	(292,320)
	2553		97 COM-FSM Operation	800,000	-	-	800,000	800,000	-
	2553		96 COM-FSM Operation	800,000	800,000	-	-	800,000	-
	2582		97 Scholarship - Pohnpei	288,003	-	149,150	-	149,150	138,853
	2644		97 Scholarship - Yap	161,320	-	131,000	-	131,000	30,320
	2678		97 Scholarship - Chuuk	411,716	-	-	-	-	411,716
	2653		97 Scholarship - Kosrae	128,661	-	-	-	-	128,661
Total Post Secondary Education				20,960,295	12,293,221	643,928	1,958,461	14,895,610	6,064,685
<u>Compact Energy, Section 214</u>									
	2760		National Government	240,150	348,806	-	213,937	562,743	(322,593)
	2761		National Government	70,000	-	-	-	-	70,000
Total Compact Energy				310,150	348,806	-	213,937	562,743	(252,593)
Balance forward				26,343,853	15,786,828	643,928	4,205,680	20,636,436	5,707,417

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued
By Grantor
Year Ended September 30, 1997

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1997 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
Compact Funding balance forwarded				\$ 26,343,853	\$ 15,786,828	\$ 643,928	\$ 4,205,680	\$ 20,636,436	\$ 5,707,417
<u>Compact Capital Account</u>									
<u>Capital Project Funds:</u>									
	5870		Piggery Production Project	-	3,840	-	13,165	17,005	(17,005)
	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	82,930	-	-	82,930	(72,930)
	6010		Supreme Court Building	100,000	82,910	-	-	82,910	17,090
	6011		ADB Strength/Ag.	-	-	-	15,027	15,027	(15,027)
	6013		Eco. Mgm't Policy Advisory	-	-	-	17,770	17,770	(17,770)
	6014		Tuna Transshipment Fees	12,000	11,495	-	-	11,495	505
	6015		Commercial Fish Posters	14,000	11,066	-	7,058	18,124	(4,124)
	6016		Marine Poison Investigation	42,000	8,290	-	-	8,290	33,710
	6017		Project Planning & Development	354,540	128,028	-	-	128,028	226,512
	6020		U. S Embassy Office Pur.	-	-	-	(1,074)	(1,074)	1,074
	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	341,810	-	-	341,810	8,190
	6026		Chuuk Broiler Project	140,000	116,475	-	-	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)
	6035		FSM Third Patrol Boat	300,000	-	-	300,000	300,000	-
	6039		National Staff Upgrade	45,000	-	-	28,255	28,255	16,745
	6042		FSM Supreme Court	86,720	-	-	40,728	40,728	45,992
	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 Renovation	-	18,944	-	-	18,944	(18,944)
			Compact Capital Account Subtotal	3,563,385	2,857,705	-	420,929	3,278,634	284,751
			Balance forward	26,343,853	15,786,828	643,928	4,205,680	20,636,436	5,707,417

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued
By Grantor
Year Ended September 30, 1997

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1997 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
Compact Funding balance forwarded				\$ 26,343,853	\$ 15,786,828	\$ 643,928	\$ 4,205,680	\$ 20,636,436	\$ 5,707,417
Subtotal Compact Capital Account balance forwarded				3,563,385	2,857,705	-	420,929	3,278,634	284,751
		6050	Judiciary Staff Training	20,000	-	-	12,054	12,054	7,946
			National Social & Economic Survey	18,000	11,715	-	-	11,715	6,285
		6051	National Staff Upgrade	75,000	89,039	-	798	89,837	(14,837)
		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	1,063,993	-	30,793	1,094,786	5,214
		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	85,000	69,849	-	-	69,849	15,151
		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	Lehmeses 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	610,000	607,851	-	-	607,851	2,149
		6091	National Board	80,000	64,249	-	-	64,249	15,751
		6211	Kosrae Court House Project	150,000	58,398	-	23,827	82,225	67,775
		6227	Fumigation of Citrus	20,000	7,604	-	-	7,604	12,396
		6228	Ext. Tafweyat Section Road	-	6,412	-	-	6,412	(6,412)
		6229	FSM Postal Services Hdqtr	-	-	-	-	-	-
		6285	Micro Spirit Des. Equip.	45,000	45,000	-	-	45,000	-
		6288	Yap Hospital Maintenance	70,000	64,038	-	-	64,038	5,962
		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	95,000	60,047	-	-	60,047	34,953
		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	390,000	345,493	-	-	345,493	44,507
		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.	850,000	50,000	-	-	50,000	800,000
		6923	YFTI Equipment Purchase	1,300,000	1,300,000	-	-	1,300,000	-
			Compact Capital Account Subtotal	21,640,885	19,824,924	-	488,401	20,313,325	1,327,560
			Balance forward	26,343,853	15,786,828	643,928	4,205,680	20,636,436	5,707,417

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued
By Grantor
Year Ended September 30, 1997

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1997 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
Compact Funding balance forwarded				\$ 26,343,853	\$ 15,786,828	\$ 643,928	\$ 4,205,680	\$ 20,636,436	\$ 5,707,417
Subtotal Compact Capital Account balance forwarded				21,640,885	19,824,924	-	488,401	20,313,325	1,327,560
	6924		Kosrae Sea Venture	850,000	850,000	-	-	850,000	-
	6925		Tuna Cannery Feasibility	50,000	23,000	-	-	23,000	27,000
	6926		Business Development Loan Fund	3,000,000	3,000,000	-	-	3,000,000	-
	6927		FSM Staff Upgrade	130,000	128,323	-	-	128,323	1,677
	6928		Yap Fishing Corporation	286,449	286,449	-	-	286,449	-
	6929		Postal Services Headquarters	385,000	316,951	-	29,886	346,837	38,163
	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.	100,000	60,956	-	33,260	94,216	5,784
	6937		Drydocking of YSS Palulap	85,180	74,671	-	-	74,671	10,509
	6938		Iohl Road	1,800	-	-	1,800	1,800	-
	6940		National Board Sustain Dev.	76,000	53,730	-	3,579	57,309	18,691
	6941		FY96 National Staff Upgrade	105,000	57,534	-	41,286	98,820	6,180
	6942		FY96 Business Development Loan Fund	3,000,000	3,000,000	-	-	3,000,000	-
	6943		Pukusrik Inkoeya Inner Road	20,000	7,025	-	12,975	20,000	-
	6944		Chuuk Coconut Authority	150,000	-	-	6,242	6,242	143,758
	6945		Office Building Expansion	30,000	-	-	29,847	29,847	153
	6956		Relocation of Schoolroom	30,000	25,000	-	-	25,000	5,000
	6957		The President	-	770,496	-	13,066	783,562	(783,562)
	6960		Furniture and Equipment/New COM Campus	1,810,248	991,000	-	36,650	1,027,650	782,598
	6962		Coconut Replanting	50,000	-	-	11,640	11,640	38,360
	6963		National Staff Upgrade	130,000	94,186	-	14,512	108,698	21,302
	6965		Pohnpei Copra Project	150,000	-	-	120,048	120,048	29,952
	6966		Radio Frequency Reprogram	50,000	-	-	1,840	1,840	48,160
	6994		Labor Consultant	45,000	-	-	10,361	10,361	34,639
			Total Compact Capital Account	37,078,762	33,415,219	-	855,393	34,270,612	2,808,150
			Compact Current Account						
			General Fund:						
			Title II, Article I, Section 211(a)	6,513,761	6,513,761	-	5,248,800	11,762,561	(5,248,800)
			Total Compact Funding	\$ 69,936,376	\$ 55,715,808	\$ 643,928	\$ 10,309,873	\$ 66,669,609	\$ 3,266,767

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.

See accompanying notes to schedule of expenditures of federal awards.

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, 1997

Grant Title	Government	Base Grant	Section 217 Inflation Adjustment	Total Cumulative Apportionment	Prior Year Expenditures and Transfers	Fiscal Year 1997 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	\$ 51,060,981	\$ -	\$ 5,248,800	\$ 56,309,781	\$ (20,470,083)
	Chuuk	88,600,800	28,996,796	117,597,596	150,194,756	13,224,000	-	163,418,756	(45,821,160)
	Pohnpei	56,802,600	17,307,890	74,110,490	105,674,084	10,514,000	-	116,188,084	(42,077,594)
	Yap	38,624,160	11,693,896	50,318,056	64,528,288	5,764,800	-	70,293,088	(19,975,032)
	Kosrae	22,005,480	6,705,103	28,710,583	37,237,701	3,284,400	-	40,522,101	(11,811,518)
	Subtotal	233,938,520	72,637,903	306,576,423	408,695,810	32,787,200	5,248,800	446,731,810	(140,155,387)
Section 211(a), Capital Account									
	National Government	22,344,520	7,377,032	29,721,552	43,830,446	-	855,393	44,685,839	(14,964,287)
	Chuuk	61,747,200	16,814,464	78,561,664	89,315,940	1,874,585	-	91,190,525	(12,628,861)
	Pohnpei	40,823,600	12,469,482	53,293,082	92,071,506	5,949,008	-	98,020,514	(44,727,432)
	Yap	23,766,240	7,195,496	30,961,736	38,729,671	3,705,053	-	42,434,724	(11,472,988)
	Kosrae	19,279,920	5,874,621	25,154,541	36,281,355	2,891,846	-	39,173,201	(14,018,660)
	Sub Total	167,961,480	49,731,095	217,692,575	300,228,918	14,420,492	855,393	315,504,803	(97,812,228)
	Subtotal Major Block Grant	401,900,000	122,368,998	524,268,998	708,924,728	47,207,692	6,104,193	762,236,613	(237,967,615)
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	2,192,542	-	213,937	2,406,479	(817,685)
	Chuuk	5,698,800	1,842,612	7,541,412	11,348,977	1,560,364	-	12,909,341	(5,367,929)
	Pohnpei	4,500,000	1,455,000	5,955,000	8,805,571	736,573	-	9,542,144	(3,587,144)
	Yap	3,900,600	1,261,194	5,161,794	7,509,269	689,745	-	8,199,014	(3,037,220)
	Kosrae	2,700,000	873,000	3,573,000	5,552,140	627,895	-	6,180,035	(2,607,035)
	Total Section 214	18,000,000	5,820,000	23,820,000	35,408,499	3,614,577	213,937	39,237,013	(15,417,013)
	Balance forward	420,060,000	128,188,998	548,248,998	744,493,227	50,822,269	6,318,130	801,633,626	(253,384,628)

See accompanying notes to schedule of expenditures of federal awards.

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, 1997

Grant Title	Government	Base Grant	Section 217 Inflation Adjustment	Total Cumulative Apportionment	Prior Year Expenditures and Transfers	Fiscal Year 1997 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	\$ 744,493,227	\$ 50,822,269	\$ 6,318,130	\$ 801,633,626	\$ (253,384,628)
Section 215 (a)(2), Communications-Annual									
	National Government	4,200,000	1,290,000	5,490,000	8,046,000	-	632,241	8,678,241	(3,188,241)
Section 215 (b)(2), Communication-One Time									
	National Government	6,000,000	1,320,000	7,320,000	7,108,650	-	64,468	7,173,118	146,882
Section 216 (a)(1), Marine Surveillance-Annual									
	National Government	3,633,000	-	3,633,000	4,732,552	-	521,136	5,253,688	(1,620,688)
Section 216 (b) Marine Surveillance-One Time									
	National Government	666,600	-	666,600	641,602	-	36,963	678,565	(11,965)
Section 216 (a)(2) Health and Medical Referral									
	National Government	881,860	-	881,860	654,322	-	388,084	1,042,406	(160,546)
	Chuuk	3,227,609	-	3,227,609	4,763,153	305,629	-	5,068,782	(1,841,173)
	Pohnpei	2,504,481	-	2,504,481	3,922,577	344,891	-	4,267,468	(1,762,987)
	Yap	1,419,796	-	1,419,796	2,049,185	323,170	-	2,372,355	(952,559)
	Kosrae	784,854	-	784,854	1,279,919	104,700	-	1,384,619	(599,765)
	Total section 216 (a)(2)	8,818,600	-	8,818,600	12,669,156	1,078,390	388,084	14,135,630	(5,317,030)
	Balance forward	443,378,200	130,798,998	574,177,198	777,691,187	51,900,659	7,961,022	837,552,868	(263,375,670)

See accompanying notes to schedule of expenditures of federal awards.

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, 1997

Grant Title	Government	Base Grant	Section 217 Inflation Adjustment	Total Cumulative Apportionment	Prior Year Expenditures and Transfers	Fiscal Year 1997 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	\$ 777,691,187	\$ 51,900,659	\$ 7,961,022	\$ 837,552,868	\$ (263,375,670)
Section 216 (A)(3), Post Secondary Education									
	National Government	13,227,900	-	13,227,900	18,324,623	-	1,958,461	20,283,084	(7,055,184)
	Chuuk	-	-	-	839,523	(3,250)	-	836,273	(836,273)
	Pohnpei	-	-	-	895,971	275,553	-	1,171,524	(1,171,524)
	Yap	-	-	-	639,700	151,990	-	791,690	(791,690)
	Kosrae	-	-	-	497,079	127,761	-	624,840	(624,840)
		<u>13,227,900</u>	<u>-</u>	<u>13,227,900</u>	<u>21,196,896</u>	<u>552,054</u>	<u>1,958,461</u>	<u>23,707,411</u>	<u>(10,479,511)</u>
Section 221(b), Special Block Grant									
	National Government	2,205,000	-	2,205,000	2,483,996	-	390,390	2,874,386	(669,386)
	Chuuk	19,110,000	-	19,110,000	26,207,763	2,091,617	-	28,299,380	(9,189,380)
	Pohnpei	13,230,000	-	13,230,000	17,976,502	1,804,073	-	19,780,575	(6,550,575)
	Yap	8,330,000	-	8,330,000	10,634,458	1,096,734	-	11,731,192	(3,401,192)
	Kosrae	6,125,000	-	6,125,000	9,335,303	979,025	-	10,314,328	(4,189,328)
		<u>49,000,000</u>	<u>-</u>	<u>49,000,000</u>	<u>66,638,022</u>	<u>5,971,449</u>	<u>390,390</u>	<u>72,999,861</u>	<u>(23,999,861)</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	2,091,810	34,784	-	2,126,594	(994,094)
	Pohnpei	750,000	382,500	1,132,500	2,716,791	258,696	-	2,975,487	(1,842,987)
	Yap	750,000	382,500	1,132,500	700,743	141,565	-	842,308	290,192
	Kosrae	750,000	382,500	1,132,500	1,779,071	384,724	-	2,163,795	(1,031,295)
		<u>3,000,000</u>	<u>1,530,000</u>	<u>4,530,000</u>	<u>7,288,415</u>	<u>819,769</u>	<u>-</u>	<u>8,108,184</u>	<u>(3,578,184)</u>
	Total Funding	<u>\$ 528,606,100</u>	<u>\$ 132,328,998</u>	<u>\$ 660,935,098</u>	<u>\$ 893,643,509</u>	<u>\$ 59,243,931</u>	<u>\$ 10,309,873</u>	<u>\$ 963,197,313</u>	<u>\$ (302,262,215)</u>

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 1997

(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-133 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 Education
- U.S. Department of Health and Human Services
- 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.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 1997

2. Summary of Significant Accounting Policies, Continued

D. Subgrantees, Continued

The Schedule of Expenditures of Federal Awards 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 Expenditures of Federal Awards. 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 expenditures of federal awards 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-133 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, 1997	\$ <u>21,950,000</u>
Section 111 IDF Funds	Total funding available through December 31, 1996	\$ 26,800,676
	Amount earned during year ended December 31, 1997	<u>372,903</u>
	Fund balance as of December 31, 1997	\$ <u>27,173,579</u>

FSM Telecommunications Corporation

	<u>Funds Received</u>	<u>Funds Expended</u>
Compact Section 215(a)(2) for operating assistance	\$ 582,000	\$ 582,000
Compact Section 215(b)(2) for equipment and services necessary for telecommunications	<u>64,468</u>	<u>64,468</u>
	\$ <u>646,468</u>	\$ <u>646,468</u>

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 1997

2. Summary of Significant Accounting Policies, Continued

D. Subgrantees, Continued

National Government Subgrantees, Continued

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 #10.851)

<u>Loan Proceeds Approved As of October 1, 1996</u>	<u>Received During FY 1997</u>	<u>Disbursed During FY 1997</u>
\$ <u>40,195,300</u>	\$ <u>-</u>	\$ <u>-</u>

E. College of Micronesia-FSM (COM-FSM)

COM-FSM receives all federal funding in a direct capacity and separately satisfies its OMB Circular A-133 requirements.

State Subgrantees

Chuuk Housing Authority

The Chuuk Housing Authority, a component unit-proprietary fund, receives federal funding and separately satisfies its OMB Circular A-133 audit requirements. The audit report of the Chuuk Housing Authority did not report any questioned costs or material noncompliance during the year ended September 30, 1997. 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>1997 Expenditures</u>
Section 8 Housing Assistance Program	HUD	14.156	\$ <u>38,244</u>
Total U.S. Department of Housing and Urban Development			\$ <u>38,244</u>

This funding was received in a direct capacity.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 1997

2. Summary of Significant Accounting Policies, Continued

D. Subgrantees, Continued

State Subgrantees, Continued

Chuuk Housing Authority, Continued

As of September 30, 1997, \$916,838 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 Housing and Urban Development was made to the State of Chuuk and passed through to the Authority.

Additionally, as of September 30, 1997, 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, 1997, \$713,656 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-133. The Kosrae Utilities Authority's Schedule of Expenditures of Federal Awards, as extracted from its audit reports, is as follows:

<u>Grantor Agency/Program</u>	<u>CFDA#</u>	<u>Fiscal Year 1997 Expenditures</u>
U.S. Department of the Interior:		
Compact of Free Association:		
Energy (214B)	15.875	\$ 496,124
Compact Capital Account Funds	15.875	218,250
Operations and Maintenance Improvement Programs (OMIP)	15.875	<u>262,389</u>
Total expenditures		\$ <u>976,763</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 Expenditures of Federal Awards 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-133. Kosrae State is considered to have responsibility for any questioned costs that could result from Single Audits of this entity.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 1997

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. No questioned costs or material matters of noncompliance were noted in its 1997 audit reports. The following is the Pohnpei Utilities Corporation's Schedule of Expenditures of Federal Awards, as extracted from the abovementioned audit reports:

(refer to page 129)

FEDERATED STATES OF MICRONESIA

Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 1997

POHNPEI UTILITIES CORPORATION

Schedule of Expenditures of Federal Awards

Grantor/Program Title	CFDA No.	Total Authorizations	Prior Years' Expenditures	Expenditures for the Year Ended Sept. 30, 1997	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	\$ 2,774,370	\$ 2,822,274	\$ -	\$ 2,822,274
Capital Account funds, Section 211(A):	15.875				
OMIP-First Year Electrical Match		322,250	296,592	-	296,592
OMIP-First Year Water and Sewer Match		1,535,250	1,230,301	268,327	1,498,628
Power Hook-Ups		492,500	492,500	-	492,500
Kolonias 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
Pingelap Solar		196,000	103,175	113,871	217,046
		<u>2,969,744</u>	<u>2,546,312</u>	<u>382,198</u>	<u>2,928,510</u>
<u>Operations and Maintenance Improvement Programs (OMIP):</u>					
Initialization of the PUC	15.875	430,250	430,249	-	430,249
Pohnpei Water, Sewerage, and Solid Waste Utilities Development, First-Year		810,000	612,050	161,327	773,377
Pohnpei Water, Sewerage, and Solid Waste Utilities Development, Second-Year		665,000	391,359	120,741	512,100
Pohnpei Water, Sewerage, and Solid Waste Utilities Development, Third-Year		443,500	-	46,182	46,182
Pohnpei Power Generation and Distribution Second-Year		273,468	273,468	-	273,468
Pohnpei Power Generation and Distribution Third-Year		370,000	337,228	34,674	371,902
Pohnpei Power Generation and Distribution Fourth-Year		462,000	-	199,067	199,067
OMIP Bench		71,000	71,000	-	71,000
		<u>3,525,218</u>	<u>2,115,354</u>	<u>561,991</u>	<u>2,677,345</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
DOI Hazard Mitigation Program	15.875	1,100,000	365,207	514,617	879,824
Audit Grant	15.875	32,000	32,000	-	32,000
		<u>1,332,000</u>	<u>597,207</u>	<u>514,617</u>	<u>1,111,824</u>
<u>Trust Territory of the Pacific Islands (TTPI):</u>					
Deficiency Funding:					
Pohnpei Power	15.875	328,271	328,271	-	328,271
Kolonias Sewer		659,328	782,149 *	15,262	797,411
		<u>987,599</u>	<u>1,110,420</u>	<u>15,262</u>	<u>1,125,682</u>
Kolonias Water Improvements	15.875	290,700	290,700	-	290,700
		<u>\$ 12,014,631</u>	<u>\$ 9,617,267</u>	<u>\$ 1,474,068</u>	<u>\$ 11,091,335</u>

Note: The above programs are passed through Pohnpei State to the Pohnpei Utilities Corporation (PUC). The difference between expenditures per this Schedule and the sum of federal grants and contributions per the financial statements, represents PUC contributions to the projects expended in excess of federal contributions.

*The Kolonias Sewer Project is contracted with the State of Pohnpei and therefore this information is provided to the State relative to the amount of expenditures incurred to September 30, 1997.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 1997

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 Expenditures of Federal Awards is extracted from the Authority's audit reports. Material instances of noncompliance or questioned costs presented in those audit reports and unresolved by Pohnpei State, ultimately became the responsibility of Pohnpei State Government.

<u>Grant Title</u>	<u>Grantor Agency</u>	<u>CFDA No.</u>	<u>Loans Outstanding as of Sept. 30, 1997</u>
Compact of Free Association: Capital Account Funds-Capital Projects, Section 211(A)	DOI-OTIA	15.875	\$ <u>4,420,588</u>
Total U.S. Department of the Interior			\$ <u><u>4,420,588</u></u>
Rural Services: Housing Preservation Grant	USDA	10.433	\$ <u>200,000</u>
Total U.S. Department of Agriculture			\$ <u><u>200,000</u></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.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Programs
Selected for audit in accordance with
OMB Circular A-133
Year Ended September 30, 1997

<u>Grantor</u>	<u>Description</u>	<u>CFDA No.</u>	<u>Amount of 1997 Expenditures</u>
U.S. Dept. of the Interior:	Compact of Free Association: Program account related:	15.875	
	211(a) Capital Account		\$ 855,393
	221(B) Block Grant		390,390
	Marine Surveillance annual		521,136
	Marine Surveillance onetime		36,963
	Communications annual		632,241
	Communications one time		64,468
	Post Secondary Education		1,958,461
	Energy Programs		213,937
	Health & Medical		<u>388,084</u>
	Total Compact of Free Association excluding Compact Section 211(a) Current Account		5,061,073
	U.S. DOI OTIA Programs Single Audit	15.875	545,979
U.S. Dept. of Labor	JTPA	17.250	648,061
National Oceanic Atmospheric Administration	N.O.A.A. Program	11.460	<u>730,411</u>
	Total program expenditures selected excluding Compact Section 211(a) Current Account		\$ <u>6,985,524</u>
	Total U.S. Federal Program expenditures excluding Compact Section 211(a) Current Account		\$ <u>9,094,336</u>
	% of Total U.S. Federal expenditures covered by major programs excluding Compact Section 211(a) Current Account		<u>77%</u>

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Summary of Expenditures of U.S. Federal Awards
Year Ended September 30, 1997

<u>Grantor</u>	<u>Amount</u>
U.S. Department of Education	\$ 394,049
U.S. Department of Labor	711,969
U.S. Department of Agriculture	19,919
U.S. Environmental Protection Agency	47,986
U.S. Department of Health and Human Services	1,107,165
U.S. Federal Emergency Management Agency	48,332
U.S. National Oceanic Atmospheric Administration	730,411
U.S. Department of the Interior:	
Historical Preservation Grants	120,057
OTIA Technical Assistance	816,708
TTPI CIP	36,667
Compact of Free Association Funding excluding Section 211(a) Current Account	<u>5,061,073</u>
Total U.S. Federal Assistance excluding Section 211(a) Current Account	9,094,336
Compact of Free Association Section 211(a) Current Account	<u>5,248,800</u>
	<u>\$ 14,343,136</u>

**FSM NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs
Year Ended September 30, 1997

Part I - Summary of Auditors' Results

1. The Independent Auditors' Report on the financial statements expressed a qualified opinion.
2. Reportable conditions in internal control over financial reporting were identified, none of which are considered to be material weaknesses.
3. Instances of noncompliance considered to be material to the financial statements were disclosed by the audit.
4. Reportable conditions in internal control over compliance with requirements applicable to major federal award programs were identified, none of which are considered to be material weaknesses.
5. The Independent Auditors' Report on compliance with requirements applicable to major federal award programs expressed an unqualified opinion.
6. The audit disclosed findings required to be reported by OMB Circular A-133.
7. The National Government's major programs were:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
U.S. Department of the Interior - Compact of Free Association	15.875
U.S. Department of the Interior - Technical Assistance	15.875
U.S. Department of Labor	17.250
U.S. National Oceanic Atmospheric Administration	11.460

8. A threshold of \$300,000 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133.
9. The National Government did not qualify as a low-risk auditee as that term is defined in OMB Circular A-133.

Part II - Financial Statement Findings Section

<u>Reference Number</u>	<u>Findings</u>	<u>Questioned Costs</u>
97-2	Revenue collections	\$ -
97-3	Health insurance fund	\$ -
97-4	Payroll	\$ -
97-5	Travel advances	\$ -
97-6	Travel expenses	\$ -
97-7	Accounts receivable	\$ -
97-8	Accounts receivable	\$ -

Part III - Federal Award Findings and Questioned Costs Section

<u>Reference Number</u>	<u>Findings</u>	<u>Questioned Costs</u>
97-1	Monitoring of subrecipient's questioned costs	\$ -

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1997

Monitoring of Subrecipient's Questioned Costs

Finding No. 97-1

Criteria: The FSM National Government is required to resolve subrecipient questioned costs in a timely manner (within six months upon receipt of the subrecipient report).

Condition: Prior year questioned costs for subrecipients are still unresolved.

Cause: The cause of this condition is that the task force created to resolve questioned costs has not resolved subrecipient questioned costs.

Effect: The effect of this condition is that unresolved prior year questioned costs have now become the responsibility of the FSM National Government.

Recommendation: We recommend that the FSM National Government resolve subrecipient questioned costs in a timely manner.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1997

Revenue Collections

Finding No. 97-2

Criteria: Significant fluctuations in revenue collections should be investigated for potential areas where revenue is under-collected or tax laws are not adequately enforced.

Condition: For fiscal year 1997, fuel tax and business gross receipts tax revenues were down 28% and 6% respectively, from fiscal year 1996. The reason for the drop in revenue has not been fully investigated.

Cause: The cause of this condition is unknown.

Effect: The effect of the drop in revenues results in \$1,244,724 less revenue collected from the above mentioned sources. Possible problems with revenue collections and/or tax laws cannot be determined as a result of not fully investigating the causes of the fluctuations.

Recommendation: We recommend that significant declines or increases in tax revenue be investigated by tax authorities or by the Public Auditor so that possible revenue problems can be identified and corrective action can be implemented.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1997

Health Insurance Fund

Finding No. 97-3

Criteria: According to Public Law No. 8-53, the Health Insurance Fund has the authority to maintain its accounting records separately from the Department of Finance accounting system. In order to properly maintain an accounting system separate from the Department of Finance, the Health Insurance Fund should maintain a general ledger as well as a complete accounting system.

Condition: A general ledger at the Health Insurance Fund office is not established. Further, bonafide accounting system software is not in place as of February 2, 1998.

Cause: The cause of this condition is unknown.

Effect: With over \$1,113,866 in revenues, \$194,344 in expenses, and \$922,934 in assets, the lack of a general ledger at the Health Insurance Fund office increases the possibility of accounting errors and material misstatements in the financial statements.

Recommendation: We recommend that action be taken to set up a general ledger and that accounting software be used to maintain the Health Insurance Fund.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1997

Payroll

Finding No. 97-4

Criteria: Only payroll related expenditures for FSM National Government employees should be classified as FSM National Government personnel expenditures.

Condition: State and local government employees expenditures that are reimbursed from fund #400000 are included in the personnel expenditures of the FSM National Government.

Cause: The cause of this condition is unknown.

Effect: The State and local government related employee expenditures reimbursed from fund #400000 are misclassified to overstate FSM National Government personnel expenditures by \$1,158,591.

Recommendation: We recommend that the FSM National Government reclassify the fund #400000 employee expenditures to a separate contractual services account. Further, we recommend that all FSM reimbursed State and local government employee expenditures be processed with contractual services accounts.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1997

Travel Advances

Finding No. 97-5

Criteria: According to policies and procedures regarding travel advances, travelers are required to file a travel voucher/claim within ten business days after completing a government sponsored trip. A travel voucher is also required to be filed for travelers that do not attend trips.

Condition: As of September 30, 1997, there are approximately \$385,000 of pre-fiscal year 1997 travel advances for which travel vouchers have not been filed.

Cause: The cause of this condition is unknown.

Effect: At least \$385,000 of travel advances do not have receipts to indicate that the purpose of the travel was fulfilled.

Recommendation: We recommend that vigorous follow-up and investigation of travelers with unfiled travel vouchers occur in order to discover unauthorized use of travel advances when trips are not undertaken.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1997

Travel Expenses

Finding No. 97-6

Criteria: FSM sponsored education grants to students that do not require repayment by the students should be recorded as an expense.

Condition: FSM funded education leave is processed through the travel advance system and is charged to travel advances (an asset account) rather than to an expense account.

Cause: The cause of this condition is unknown.

Effect: The travel advance account is overstated by an immaterial amount while expenses are understated by the same amount.

Recommendation: We recommend that long-term education grants be charged as an expense in accordance with generally accepted accounting principles.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1997

Accounts Receivable

Finding No. 97-7

Criteria: Management should value its receivables to reflect net realizable value.

Condition: The FSM National Government is maintaining receivables within its trial balances and reconciliations which date back as far as 1982. These receivables do not appear to be recoverable and as such, the FSM National Government should consider writing these amounts off.

Cause: The cause of this condition is unknown.

Effect: There is no known effect of this condition on the financial statements as the amounts have been previously reserved. However, real costs are being incurred in maintaining and reporting this information.

Recommendation: We recommend that the FSM National Government assess receivable accounts on an individual basis to assess the potential write off required.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1997

Accounts Receivable

Finding No. 97-8

Criteria: Management's methodology of estimating the provision for doubtful accounts should be reasonable and should be challenged on an annual basis.

Condition: The FSM National Government's estimate of the provision for doubtful debts may be inappropriate. The FSM National Government has a policy of applying a flat 75% rate to the total receivable balance. This policy may not provide appropriate results for the following reasons:

- a) The FSM National Government's failure to write off debts suggests mathematically that this provision should increase each year to account for this fact. This has not occurred.
- b) The receivable accounts from each of the States have recoverable estimate amounts which are less than 1% of the total receivable balance.
- c) The only recoveries noted over 25% of the receivable due (implied by a provision based on 75% of receivables) are in relation to account #252 (Weather Bureau).

Cause: The cause of this condition is unknown.

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

Recommendation: We recommend that the FSM National Government reassess its manner of establishing its reserve for doubtful accounts. This methodology should consider weighting the required allowance percentage based on the age of the underlying receivable.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1997

Local Findings - Employment Ceiling - FSM National Government

97L-1. Criteria: The FSM National Government should comply with employment ceilings stated in the comprehensive budget act for the fiscal year ended September 30, 1997.

Condition: The Attorney General's office, Office of Planning & Statistics and National Postal Services exceeded legal employment ceilings. The Attorney General's Office exceeded the approved ceiling by 13 employees; the Office of Planning & Statistics exceeded the approved ceiling by 10 employees; and the National Postal Services exceeded the approved ceiling by 10 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.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1997

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

97-L2. Criteria: The FSM National Government should comply with the intent of the Compact of Free Association treaty.

Condition: Payments totaling \$213,937 to the Pohnpei Utilities Corporation were used for utility bills charged to the Compact Energy fund.

Cause: The FSM National Government maintains that Compact Energy funds can be used for both Capital and Current account purposes, thereby making the payment of power bills an allowable cost. The matter should be addressed with the Attorney General's Office and the FSM National Government's legal position or this matter should be distributed to its respective subrecipients.

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

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

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1997

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

<u>Program</u>	<u>Reason for Questioned Costs</u>	<u>Questioned Costs</u>
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Administrative Requirements - Equipment Management

Item No. CFDA No. Criteria:

C97-1. All The Common Rule for Uniform Administrative Requirements for Federal Grants, Section 33 (d) (2) requires that a physical inventory of property acquired with federal funds be performed at least every two years and that the inventory be reconciled to property records.

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

Cause: The cause of this condition is unknown.

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

Prior Year Status: This condition was reported in the Chuuk State Government Single Audit Report for fiscal year 1996.

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

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1997

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

<u>Program</u>	<u>Reason for Questioned Costs</u>	<u>Questioned Costs</u>
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Cash and Investments

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>
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C97-2.	All	Reconciliation of bank accounts is a key control in any accounting system.
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Condition: Bank accounts were not reconciled in a timely manner and on a periodic basis during fiscal year 1997.

Cause: The cause appears to be due to the State not following prescribed control procedures.

Effect: A possibility of misappropriation of funds could go undetected. Additionally, an uncertainty exists as to whether all transactions have been recorded. Because of this uncertainty, we are unable to determine whether compliance with grant terms and conditions has occurred.

Prior Year Status: This condition was reported in the Chuuk State Government Single Audit Report for fiscal year 1996.

Recommendation: We recommend that all checking accounts be reconciled on a monthly basis.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1997

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

C97-3. Previous Years' Federal 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
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.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1997

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

Use of Compact Capital Funds

C97-L1. Criteria: Compact Capital expenditures should be in compliance with the uses outlined in the Compact Agreement between the FSM and the United States.

Condition: We are unable to determine if expenditures for dry docking of State vessels is an allowable use of Compact CIP funds. The State expended approximately \$160,260 in fiscal year 1997 for dry-docking.

Cause: Chuuk State Government may be unaware that normal repair and maintenance expenses are not allowable uses of Compact Capital funds.

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

Prior Year Status: The above condition was cited as a finding in the Chuuk State Government Single Audit for the fiscal years 1995 and 1996.

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

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1997

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

Use of Compact Capital Funds

C97-L2. Criteria: Compact Capital expenditures should be in compliance with the uses outlined in the Compact Agreement between the FSM and the United States.

Condition: We are unable to determine based on documentation provided by the State, if expenditures incurred for land leases and claims are allowable uses of Compact CIP funds. The State incurred approximately \$168,037 for land leases and claims during fiscal year 1997.

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

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

Prior Year Status: The above condition was cited as a finding in the Chuuk State Government Single Audit for the fiscal years 1995 and 1996.

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

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1997

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

Use of Compact Capital Funds

C97-L3. Criteria: Compact Capital expenditures should be in compliance with the uses outlined in the Compact Agreement between the FSM and the United States.

Condition: We are unable to determine based on documentation provided, if expenditures for repairs and renovation incurred in fiscal year 1997 are allowable uses of Compact CIP funds. The State expended approximately \$201,764 for repair and renovation projects in fiscal year 1997.

Cause: The State may be unaware that normal repair and maintenance expenditures are unallowable uses of Compact CIP funds.

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

Prior Year Status: The above condition was cited as a finding in the Chuuk State Government Single Audit for the fiscal years 1995 and 1996.

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

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1997

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

Use of Compact Current Account Funds

C97-L4. Criteria: The Financial Management Act mandates that all expenditures of public funds be properly accounted for.

Condition: No accounting for the annual appropriations of Compact Current Account funds provided to the Chuuk State Municipalities exists at this time.

Cause: No program has been established to train the Treasurers of Municipal Governments and Development Authorities in basic accounting.

Effect: Possible noncompliance with the Financial Management Act and noncompliance with subrecipient monitoring requirements could be the result of this condition.

Prior Year Status: The above condition was cited as a finding in the Chuuk State Government Single Audit for fiscal years 1995 and 1996.

Recommendation: We recommend that the State attempt to resolve this finding by implementing a formal program to train the treasurers of the municipal governments and development authorities on how to operate a simple accounting system to account for Municipal expenditures.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1997

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

Unresolved Prior Years' Federal Findings

K97-1. Criteria: Findings from prior audit reports should be resolved in a timely manner.

Condition: The following finding from previous years' Single Audit Reports remains unresolved.

<u>Fiscal Year</u>	<u>Page No.</u>	<u>Finding No.</u>	<u>Description</u>
1988	26	5	Federal property standards

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.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1997

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

Federal Property Standards - All Programs

P97-1.Criteria: The State of Pohnpei should maintain an accounting system in accordance with federal property standards for fixed assets acquired with federal funds.

Condition: Based on our review of the State's accounting for the General Fixed Assets Account Group, it appears that no detailed accounting of these fixed assets, by funding source, is being performed.

Cause: It appears that the Division of Property management has not obtained a level of proficiency on the automated system which allows them to achieve a sufficient level of accounting efficiency to be in compliance with federal property standards.

Effect: The State of Pohnpei is not in compliance with federal property standards.

Recommendation: The State of Pohnpei should ensure that its assets are properly incorporated into the accounting system and that it is in compliance with applicable federal property rules and regulations.

NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1997

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

<u>Program</u>	<u>Reason for Questioned Costs</u>	<u>Questioned Costs</u>
<u>Yap State-Procurement Standards</u>		
<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>
Y97-1	83.516	<p>Federal procurement standards require evidence of price comparison from a number of sources for small purchase contracts below the bidding threshold of \$100,000.</p> <p><u>Condition:</u> Our tests of FEMA Typhoon Fern assistance indicates that federal procurement standards for small purchases were not followed, unless the amount of the purchase was equal to or in excess of \$5,000, the local threshold for bidding. Of 26 transactions tested, 16 items with amounts below \$5,000 did not contain evidence that the federal small purchases requirements were followed. Nothing, however, came to our attention to indicate that prices paid appeared unusual and it is acknowledged that such acquisitions occurred in the typhoon's aftermath.</p> <p><u>Cause:</u> The FEMA project coordinator was not aware of the federal procurement standards and was not certain of their applicability in this case.</p> <p><u>Effect:</u> The above condition could result in noncompliance with federal procurement requirements.</p> <p><u>Recommendation:</u> We recommend that the State ensure that all federal program coordinators are aware of the federal requirements applicable to the grants administered.</p>

NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1997

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

<u>Program</u>	<u>Reason for Questioned Costs</u>	<u>Questioned Costs</u>
<u>Administrative Requirements - Equipment Management</u>		
<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>
Y97-2	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 over federal grants was reported in the Single Audit of Yap State Government for fiscal year 1996.</p>

NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1997

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

<u>Program</u>	<u>Reason for Questioned Costs</u>	<u>Questioned Costs</u>
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Administrative Requirements - Equipment Management, Continued

Item No. CFDA No. Criteria:

Y97-3 All An updated property ledger by funding source should be maintained for all of Yap State Government.

Condition: The Division of Real and Personal Property Management (RPPM) maintains property cards. However, these records have not been updated in the accounting system.

Cause: The off-site terminal used by RPPM no longer works and no manual ledgers appear to have been prepared.

Effect: 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.

Recommendation: We recommend that property ledgers be maintained on a timely basis by funding source in the General Fixed Assets Account Group.

Prior Year Status: Noncompliance with the administrative requirements over federal grants was reported in the Single Audit of Yap State Government for fiscal year 1996.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1997

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

<u>Program</u>	<u>Reason for Questioned Costs</u>	<u>Questioned Costs</u>
<u>Administrative Requirements - Procurement</u>		
<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>
Y97-4	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> A procurement manual has been drafted, but has not been finalized.</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 over federal grants was reported in the Single Audit of Yap State Government for fiscal year 1996.</p>

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1997

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

<u>Program</u>	<u>Reason for Questioned Costs</u>	<u>Questioned Costs</u>
<u>Allowable Costs/Cost Principles</u>		
<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>
Y97-5	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> A procurement manual has been drafted but has not been formally adopted.</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 absent, 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> Potential noncompliance with the administrative requirements over federal grants was reported in the Single Audit of Yap State Government for fiscal year 1996.</p>

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1997

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

<u>Program</u>	<u>Reason for Questioned Costs</u>	<u>Questioned Costs</u>
<u>Cash Management - FEMA</u>		
<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>
Y97-6	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 was reclassified from Deferred Revenue to Due to Grantor.</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 years 1994, 1995 and 1996.</p>

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 1997

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

<u>Program</u>	<u>Reason for Questioned Costs</u>	<u>Questioned Costs</u>
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Local Findings

Yap State-Compact Energy Funds

Item No. CFDA No. Criteria:

YL-1 15.875 The use of Compact Energy Funds should be consistent with the intent of the Compact Treaty.

Condition: During fiscal year 1997, \$600,000 was appropriated from Compact Energy Funds to fund the State's electricity bills for the fiscal year ended September 30, 1997. A total of \$689,745 was expended for electricity bills for State Government offices for the year.

Cause: The cause of the above condition is unknown.

Effect: The above condition results in potential noncompliance with the intent of the Compact treaty.

Recommendation: Yap State should obtain an opinion from the Attorney General as to whether the above expenditures represent allowable expenditures under Compact Funds. This opinion should then be agreed to by the FSM National Government which is the grantor agency.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Unresolved Prior Years' Findings and Questioned Costs
Year Ended September 30, 1997

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

	Questioned Costs Set Forth in Prior Audit Report <u>1996</u>	Questioned Costs Resolved in Fiscal Year <u>1997</u>	Questioned Costs at <u>September 30, 1997</u>
Unresolved Questioned Costs FY 84	\$ 250,740	\$ (250,740) (1)	\$ -
Unresolved Questioned Costs FY 85	450,306	(450,306) (1)	-
Unresolved Questioned Costs FY 86	1,025,954	(1,025,954) (1)	-
Unresolved Questioned Costs FY 87	833,896	(833,896) (1)	-
Unresolved Questioned Costs FY 88	4,959,182	(4,959,182) (1)	-
Unresolved Questioned Costs FY 89	1,051,500	(1,051,500) (1)	-
Unresolved Questioned Costs FY 90	1,410,405	(1,410,405) (1)	-
Unresolved Questioned Costs FY 91	229,545	(229,545) (1)	-
Unresolved Questioned Costs FY 92	158,014	(158,014) (1)	-
Unresolved Questioned Costs FY 93	24,150	(24,150) (1)	-
Unresolved Questioned Costs FY 94	271,785	(271,785) (1)	-
Unresolved Questioned Costs FY 95	235,172	(122,800) (2)(3)	112,372
Unresolved Questioned Costs FY 96	<u>564,571</u>	<u>(15,883) (3)</u>	<u>548,688</u>
	<u>\$ 11,465,220</u>	<u>\$ (10,804,160)</u>	<u>\$ 661,060</u>

- (1) Findings have been reported to federal agencies for in excess of the two year threshold or the questioned costs were forgiven under the laws of the Compact of Free Association and its subsidiary agreements.
- (2) \$100,000 has been audited by the Office of the Yap State Public Auditor and found to represent eligible costs. \$593 is below the threshold set by OMB Circular A-133.
- (3) The amount of the original questioned costs were less than the \$10,000 threshold established by OMB Circular A-133.
- (4) No questioned costs exist for conduct of the FSM National Government's programs during the year ended September 30, 1997. However, the above questioned costs set forth in 1996 are now the responsibility of the FSM National Government which has resolved the above amounts under its OMB Circular A-133 responsibilities.



**GOVERNMENT OF THE
FEDERATED STATES OF MICRONESIA
Department of Finance and Administration**

P.O. Box PS 158
Palikir, Pohnpei FM 96941
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Secretary of Finance
&
Administration

November 2, 1998

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

Dear Sir:

This is to respond to the findings and questioned costs of the National Government as recipient and the state governments as sub-recipients:

**FSM National Government
Federal Findings and Questioned Costs**

Finding No. 97-1 Monitoring of Subrecipient's Questioned Costs

Criteria:

FSM National Government is required to resolve sub-recipient's questioned costs in a timely manner (within six months upon receipt of the subrecipient's reports).

Auditee Response:

Presidential Order No. 17 created a committee named "Questioned Costs Resolution Committee" to resolve all questioned costs and findings.

Finding No. 97-2 Revenue Collection

Criteria :

Significant fluctuations in revenue collections should be investigated for potential areas where revenue is under-collected or tax laws are not adequately enforced.

Auditee Response:

The concern was right but the problem is that some major businesses pulled out such as Ting Hong at the end of FY96 and the fuel revenue was down due to the change in Kosrae. Kosrae Government created a government agency and that made a potential change in fuel revenue.

Finding No. 97-3 Health Insurance Fund

Criteria

According to Public Law No. 8-53, the Health Insurance Fund has the authority to maintain its accounting records separately from the Department of Finance accounting system. In order to properly maintain an accounting system separate from the Department of Finance, the Health insurance Fund should maintain a general ledger as well as a complete accounting system.

Auditee Response:

Currently, the accounting system was manually done and in FY 99, Quick Pro Program is intended to be working.

Finding No. 97-4 Payroll

Criteria

Only payroll related expenditures for FSM National Government employees should be classified as FSM National Government personnel expenditures

Auditee Response

In FY 99 employees hired do the work for CFSM Project s will categorized as temporary employees therefore all personnel expenses will charge to 8445 account. This will only apply to those employees that are not receiving benefits from the government will be charging "8445" to separate them from the regular employees.

Finding No. 97-5 Travel Advances

Criteria

According to policies and procedures regarding travel advances, travelers are required to file a travel voucher/claim within ten business days after completing a government-sponsored trip. A travel voucher is also required to be filed for travelers that do not attend trips.

Auditee Response:

One of the year-end closing process is to provide a listing of all uncollectible accounts receivable for FY 92 and prior to be written-off.

Finding No. 97-6 TRAVEL ADVANCES

Criteria

FSM sponsored education grants to students that do not require repayment by the students should be recorded as an expense.

Auditee Response

In FY 99 such expenses will direct charge to educational allowance category

Finding No. 97-7 Accounts Receivable

Criteria:

Management should value its receivables to reflect net realizable value

Auditee Response

End of FY 98, a listing of all accounts receivable be made and all FY 92 and prior uncollectible amounts will be written off

Finding No. 97-8 Accounts Receivable

Criteria

Management's estimate for provision for doubtful account should be reasonable

Auditee Response

All FY 92 and prior account receivables will be written off.

National Government -Local Findings

Finding No. 97-L1 Employment Ceiling

Criteria

The FSM National Government should comply with employment ceilings stated in the comprehensive budget act for the fiscal year ended September 30, 1996.

Auditee Response

All the offices that hired temporary employees or contract employees that exceeded employment ceiling, however, in FY 99 all short-term employees or temporary employees and not receiving benefits from the government will be charging "8445" to separate them from the regular employees.

Finding No. 97-L2 Use of Compact Special Revenue Funds

Criteria

The FSM National Government should comply with the intent of the Compact of Free Association treaty

Auditee Response:

The legal position of the National Government, it is valid to use such fund for such purpose. It is in accordance with the Compact of Free Association Treaty.

Chuuk State Government
Federal Findings and Questioned Costs

Finding No. C97-1 Administrative Requirements – Equipment Management

Criteria

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.

Auditee Response

Presidential Order No. 17 will resolve the problem.

Finding No. C97-2 Cash and Investments

Criteria

Reconciliation of bank accounts is a key control in any accounting system.

Finding No. C97-3 Previous Years' Federal Findings

Criteria

Findings from prior audit reports should be resolved.

Chuuk Local Findings and Questioned Costs

Item No. C97-L1

Criteria

Compact Capital expenditures should be in compliance with the uses outlined in the Compact Agreement between the FSM and the United States.

Auditee Response

Presidential Order No. 17 will resolve the problem.

Item No. C97-L2

Criteria

Compact Capital expenditures should be in compliance with the uses outlined in the Compact Agreement between the FSM and the United States.

Auditee Response

Presidential Order No. 17 will resolve the problem.

Item No. C97-L3 Use of Compact Capital Funds

Criteria

Compact Capital expenditures should be in compliance with the uses outlined in the Compact Agreement between the FSM and the United States

Auditee Response

Presidential Order No. 17 will resolve the problem.

Item No. C97-L4

Criteria

The Financial Management Act mandates that all expenditures of public funds be properly accounted for.

Auditee Response

Presidential Order No. 17 will resolve the problem.

Kosrae State Government
Federal Findings and Questioned Costs

Finding No. K97-1 **Unresolved Prior Years' Federal Findings**

Criteria

Findings from prior audit reports should be resolved in a timely manner

Auditee Response

Presidential Order No. 17 will resolve the problem

Yap State Government
Questioned Costs and Federal Findings

Item No. Y97-I Procurement Standard

Criteria

Federal procurement standards require evidence of price comparison from a number of sources for small purchase contracts below the bidding threshold of \$ 100,000.

Auditee Response

Presidential Order No. 17 will resolve the problem

Item No. Y97-L1 Compact Energy Funds

Criteria

The use of Compact Energy Funds should be consistent with the intent of the Compact Treaty

Auditee Response

Presidential Order No. 17 will resolve the problem

Item No. Y97-2 Administrative Requirements – Equipment Management

Criteria

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.

Auditee Response

Presidential Order No. 17 will resolve the problem

Item No. Y97-3 Administrative Requirements – Equipment Management –cont.

Criteria

An updated property ledger by funding source should be maintained for all of Yap State Government

Auditee Response

Presidential Order No. 17 will resolve the problem

Item No. Y97-4 Administrative Requirements – Procurement

Criteria

The Common Rule for uniform Administrative Requirements for Federal Grants, Section 36 (b)(12) requires grantees and sub-grantees to have written protest procedures to handle and resolve disputes relating to their procurements

Auditee Response

Presidential Order No. 17 will resolve the problem.

Item No. Y97-5 Allowable Costs/Cost Principles

Criteria

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.

Auditee Responses

Presidential Order No. 17 will resolve the problem.

Item No. Y97-6 Cash Management-FEMA

Criteria

Compliance Supplement cash management requirements require recipients to minimize the time between receiving grant funds and the related disbursement

Auditee Response

Presidential Order No. 17 will resolve the problem.

Pohnpei State Government
Federal Findings and Questioned Costs

Item No. P97-1 Federal Property Standards

Criteria

The State of Pohnpei should maintain an accounting system in accordance with federal property standards for fixed assets acquired with federal funds

Auditee Response

Presidential Order No. 17 will resolve the problem

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Should I be required to provide additional information, please let me know.



John Ehsa
Secretary of Finance & Administration

Attachments