

STATE OF KOSRAE
FEDERATED STATES OF MICRONESIA
INDEPENDENT AUDITOR'S REPORT ON
GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 1989

STATE OF KOSRAE
FEDERATED STATES OF MICRONESIA
GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 1989

TABLE OF CONTENTS

| | <u>Page No.</u> |
|---|-----------------|
| Independent Auditor's Report | 1 |
| Combined Statements: | |
| Combined Balance Sheet - All Fund Types and Account Groups | 3 |
| Combined Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit) - All Governmental Fund Types and Expendable Trust Funds | 5 |
| Combined Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit) - Budgetary Basis, General Fund | 6 |
| Combined Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit) - Budgetary Basis, Special Revenue Funds | 7 |
| Combined Statement of Revenues, Expenses and Changes in Fund Equity - Proprietary Fund Types | 8 |
| Combined Statement of Changes in Financial Position - Proprietary Fund Types | 9 |
| Notes to Combined Financial Statements | 10 |
| Independent Auditor's Report on Additional Information | 20 |
| Combining Statement of Expenditures by Account - All Government Fund Types and Expendable Trust Funds | 21 |
| General Fund: | |
| Introduction to General Fund | 22 |
| Combining Balance Sheet | 23 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit) | 24 |
| Combining Statement of Revenues, Expenditures by Account and Changes in Fund Balance (Deficit) | 25 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit), Budgetary Basis | 26 |
| Combined Statement of Revenues, Expenditures by Function and Department and Changes in Fund Balance (Deficit) | 27 |
| Combined Statement of Revenues, Expenditures, and Changes in Fund Balance (Deficit) - Budget, Allotment, and Actual, Budgetary Basis | 30 |

STATE OF KOSRAE
FEDERATED STATES OF MICRONESIA
GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 1989

TABLE OF CONTENTS, (continued)

| | <u>Page No.</u> |
|---|-----------------|
| Special Revenue Funds: | |
| Introduction to Special Revenue Funds | 33 |
| Combining Balance Sheet | 34 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit) | 35 |
| Combining Statement of Revenues, Expenditures by Account and Changes in Fund Balance (Deficit) | 36 |
| Capital Projects Funds: | |
| Introduction to Capital Projects Funds | 37 |
| Combining Balance Sheet | 38 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit) | 39 |
| Combining Statement of Revenues, Expenditures by Account and Changes in Fund Balance (Deficit) | 40 |
| Expendable Trust Funds: | |
| Introduction to Expendable Trust Funds | 41 |
| Combining Balance Sheet | 42 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balance | 43 |

INDEPENDENT AUDITOR'S REPORT

Honorable Yosiwo George
Governor
State of Kosrae

We have audited the accompanying general purpose financial statements of the State of Kosrae, as of September 30, 1989, and for the year then ended. These general purpose financial statements are the responsibility of Kosrae State management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

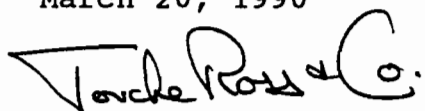
The State has not adequately updated its General Fixed Assets Account Group during the year ended September 30, 1989, nor were we able to apply sufficient alternative procedures to assure ourselves as to the correctness of the balances set forth in the accompanying financial statements. Accordingly, a statement of changes in general fixed assets has not been included within the accompanying financial statements.

In our opinion, except for the effects of such adjustments which may be required had we been able to assure ourselves as to the correctness of balances in the General Fixed Assets Account Group, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the State of Kosrae, as of September 30, 1989, and the results of its operations and changes in financial position of its proprietary fund type for the year then ended, in conformity with generally accepted accounting principles.

As discussed in note 5 to the financial statements, the State participates in various U.S. federal assistance grants. Currently, \$329,513 of questioned costs exist from the operations of these grants. If these questioned costs are upheld, the General Fund will absorb the amount disallowed. Due to an inability to assess the ultimate outcome of this matter, no provision for any liability which may result from resolution of these questioned costs has been made in the accompanying financial statements.

Memorandum totals and other balances as of September 30, 1988, have not been audited. They have been extracted from the full comprehensive financial statements of the Government of the State of Kosrae for the year ended September 30, 1988, and are presented in the accompanying financial statements for comparative purposes only. The comprehensive financial statements of the Government of the State of Kosrae as of September 30, 1988, were subjected to audit to the extent of the balance sheets of the General Fund, Special Revenue Funds, Capital Projects Funds, Internal Service Fund, Expendable Trust Funds, and Account Groups as of September 30, 1988, and the associated statements of revenues, expenditures and changes in fund balance (Governmental Fund Types and Expendable Trust Funds) and of revenues, expenses, and changes in fund equity (Internal Service Fund) for the year then ended, on which we rendered our qualified opinion dated February 25, 1989.

March 20, 1990



Certified Public Accountants

KOSRAE STATE GOVERNMENT
Combined Balance Sheet - All Fund Types and Account Groups
September 30, 1989
(With comparative totals as of September 30, 1988)

| Assets | Governmental Fund Types | | | Proprietary | Fiduciary | Account Groups | | Totals | |
|------------------------------|-------------------------|-------------|-------------|-------------|------------|----------------|------------|-------------------|--------------|
| | General | Special | Capital | Fund | Funds | General | General | (Memorandum Only) | |
| | Fund | Revenue | Project | Internal | Expendable | Fixed | Long-Term | 1989 | 1988 |
| | Fund | Funds | Funds | Fund | Funds | Assets | Debt | | |
| Cash and equivalents | \$ 153,955 | \$ - | \$ 257,729 | \$ - | \$ 16,681 | \$ - | \$ - | \$ 428,365 | \$ 32,716 |
| Investments (Note 2) | 1,418,646 | 184,338 | 4,863,925 | - | - | - | - | 6,466,909 | 4,546,570 |
| Receivables from other | | | | | | | | | |
| governments (Notes 1 and 3) | 195,358 | 1,254,694 | 705,540 | - | - | - | - | 2,155,592 | 1,927,515 |
| General receivables (Note 4) | 86,278 | - | - | - | 25,546 | - | - | 11,824 | 45,383 |
| Loans receivable (Note 4) | - | 142,084 | - | - | 598,626 | - | - | 740,710 | 507,382 |
| Advances | 52,978 | 85,531 | 48,371 | - | - | - | - | 186,880 | 217,983 |
| Due from other funds | 1,418,968 | 178,166 | 1,605,101 | - | 82,742 | - | - | 3,284,977 | 2,585,340 |
| Inventory, at cost | - | - | - | 253,546 | 22,297 | - | - | 275,843 | 200,233 |
| Amount to be provided for | | | | | | | | | |
| retirement of long-term debt | - | - | - | - | - | - | 326,030 | 326,030 | 361,574 |
| Fixed assets | - | - | - | - | - | 1,264,375 | - | 1,264,375 | 1,264,375 |
| Total assets | \$3,326,183 | \$1,844,813 | \$7,480,666 | \$ 253,546 | \$ 745,892 | \$1,264,375 | \$ 326,030 | \$15,241,505 | \$11,689,071 |
| | ===== | ===== | ===== | ===== | ===== | ===== | ===== | ===== | ===== |

See accompanying notes to financial statements.

KOSRAE STATE GOVERNMENT
Combined Balance Sheet - All Fund Types and Account Groups, Continued
September 30, 1989
(With comparative totals as of September 30, 1988)

| | Governmental Fund Types | | | Proprietary | Fiduciary | Account Groups | | Totals | |
|--|-------------------------|------------------------|------------------------|----------------------|----------------------|------------------------|----------------------|-------------------------|-------------------------|
| | General | Special | Capital | Internal | Expendable | General | General | (Memorandum Only) | |
| | Fund | Revenue | Project | Service | Trust | Fixed | Long-Term | 1989 | 1988 |
| <u>Liabilities and Fund Balance</u> | | Funds | Funds | Fund | Funds | Assets | Debt | | |
| Liabilities: | | | | | | | | | |
| Bank overdraft | \$ 571,611 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 571,611 | \$ 296,406 |
| Accounts payable | 357,485 | 398,824 | 313,377 | 44,713 | 464 | - | - | 1,114,863 | 931,925 |
| Accrued payroll and others | 137,760 | 22,369 | 6,522 | - | - | - | - | 166,651 | 250,092 |
| Due to other funds | 343,385 | 1,624,069 | 1,091,028 | 228,153 | - | - | - | 3,286,635 | 2,585,340 |
| Deferred revenue | - | 65,631 | - | - | - | - | - | 65,631 | 154,076 |
| Vacation leave accrual | - | - | - | - | - | - | 326,030 | 326,030 | 361,574 |
| Total liabilities | <u>1,410,241</u> | <u>2,110,893</u> | <u>1,410,927</u> | <u>272,866</u> | <u>464</u> | <u>-</u> | <u>326,030</u> | <u>5,531,421</u> | <u>4,579,413</u> |
| Fund balance (deficit): | | | | | | | | | |
| Reserved for: | | | | | | | | | |
| Continuing appropriations (Note 7) | 1,746 | 166,313 | 5,813,140 | - | - | - | - | 5,981,199 | 7,317,561 |
| Related assets | 139,256 | 165,630 | - | 253,546 | 598,626 | - | - | 1,157,058 | 1,974,165 |
| Encumbrances | 248,560 | 669,117 | 6,720,235 | 23,979 | - | 1,264,375 | - | 8,926,266 | 5,980,040 |
| Unreserved | <u>1,526,380</u> | <u>(1,267,140)</u> | <u>(6,463,636)</u> | <u>(296,845)</u> | <u>146,802</u> | <u>-</u> | <u>-</u> | <u>(6,354,439)</u> | <u>(8,162,108)</u> |
| Total fund balance (deficit) | <u>1,915,942</u> | <u>(266,080)</u> | <u>6,069,739</u> | <u>(19,320)</u> | <u>745,428</u> | <u>1,264,375</u> | <u>-</u> | <u>9,710,084</u> | <u>7,109,658</u> |
| Total liabilities and fund balance (deficit) | <u>\$3,326,183</u> | <u>\$1,844,813</u> | <u>\$7,480,666</u> | <u>\$253,546</u> | <u>\$745,892</u> | <u>\$1,264,375</u> | <u>\$326,030</u> | <u>\$15,241,505</u> | <u>\$11,689,071</u> |

See accompanying notes to combined financial statements.

KOSRAE STATE GOVERNMENT
Combined Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit)
All Governmental Fund Types and Expendable Trust Funds
Year ended September 30, 1989
(With comparative totals for the year ended September 30, 1988)

| | Governmental Fund Types | | | Fiduciary Funds | Totals | |
|--|-------------------------|-----------------------------|-----------------------------|------------------------------|---------------------|---------------------|
| | General Fund | Special Revenue Funds | Capital Project Funds | Expendable Trust Funds | (Memorandum Only) | |
| | | | | | 1989 | 1988 |
| Revenues: | | | | | | |
| Compact funding: | | | | | | |
| Base amount | \$3,284,400 | \$1,437,122 | \$2,877,600 | \$ - | \$ 7,599,122 | \$7,755,022 |
| Inflation adjustment | 886,788 | 189,000 | 776,952 | - | 1,852,740 | 1,646,880 |
| Department of the | | | | | | |
| Interior grants | - | 146,548 | 486,987 | - | 633,535 | 2,924,901 |
| Revenue sharing | 432,485 | - | - | - | 432,485 | 441,274 |
| Federal contributions | - | 1,384,500 | 341,029 | - | 1,725,529 | 1,835,827 |
| Taxes and licenses | 135,606 | - | - | - | 135,606 | 111,024 |
| Other | 455,570 | 4,778 | - | 116,072 | 576,420 | 598,755 |
| Investment income | <u>1,316,715</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,316,715</u> | <u>128,424</u> |
| Total revenues | <u>6,511,564</u> | <u>3,161,948</u> | <u>4,482,568</u> | <u>116,072</u> | <u>14,272,152</u> | <u>15,442,107</u> |
| Program expenditures: | | | | | | |
| General government | 1,726,881 | 57,894 | - | - | 1,784,775 | 1,715,800 |
| Health services | 664,114 | 532,946 | - | - | 1,197,060 | 1,196,201 |
| Education | 656,942 | 1,654,302 | - | - | 2,311,244 | 2,266,374 |
| Economic development | 479,597 | 23,170 | - | - | 502,767 | 624,056 |
| Public safety | 323,841 | - | - | - | 323,841 | 336,490 |
| Transportation | 118,001 | - | - | - | 118,001 | 96,566 |
| Public works | 562,254 | 819,475 | - | - | 1,381,729 | 1,446,047 |
| Community affairs | 238,774 | 394,791 | - | - | 633,565 | 248,254 |
| Capital projects | - | - | 3,243,196 | - | 3,243,196 | 4,509,335 |
| Other | <u>182,975</u> | <u>-</u> | <u>-</u> | <u>114,434</u> | <u>297,409</u> | <u>84,341</u> |
| Total expenditures | <u>4,953,379</u> | <u>3,482,578</u> | <u>3,243,196</u> | <u>114,434</u> | <u>11,793,587</u> | <u>12,523,464</u> |
| Excess (deficiency) of revenues over (under) expenditures | 1,558,185 | (320,630) | 1,239,372 | 1,638 | 2,478,565 | 2,918,643 |
| Other sources (uses): | | | | | | |
| Operating transfers | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess of revenues and other sources over expenditures and other uses | 1,558,185 | (320,630) | 1,239,372 | 1,638 | 2,478,565 | 2,918,643 |
| Fund balance, beginning of year | 357,757 | 54,550 | 4,830,367 | 541,162 | 5,783,836 | 2,814,516 |
| Contribution of loans from other funds | <u>-</u> | <u>-</u> | <u>-</u> | <u>202,628</u> | <u>202,628</u> | <u>50,677</u> |
| Fund balance (deficit), end of year | <u>\$1,915,942</u> | <u>\$ (266,080)</u> | <u>\$6,069,739</u> | <u>\$745,428</u> | <u>\$ 8,465,029</u> | <u>\$ 5,783,836</u> |

See accompanying notes to combined financial statements.

KOSRAE STATE GOVERNMENT
Combined Statement of Revenues, Expenditures and Changes in
Fund Balance (Deficit) Budgetary Basis - General Fund
Year ended September 30, 1989

| | General Fund | | |
|---|-------------------|--------------------|--|
| | Budget | Actual | Variance Favorable (Unfavorable) |
| Revenues: | | | |
| Compact funding: | | | |
| Base amount | \$3,284,400 | \$3,284,400 | \$ - |
| Inflation adjustment | 837,530 | 886,788 | 49,258 |
| Revenue sharing | 392,390 | 432,485 | 40,095 |
| State taxes and licenses | 300,000 | 135,606 | (164,394) |
| Fines and penalties | - | 2,855 | 2,855 |
| Other/miscellaneous | 588,500 | 452,715 | (135,785) |
| Investment income | - | 1,316,715 | 1,316,715 |
| Total revenues | <u>5,402,820</u> | <u>6,511,564</u> | <u>1,108,744</u> |
| Expenditures (budgetary basis): | | | |
| General government | 1,854,096 | 1,756,761 | 97,335 |
| Health services | 648,561 | 579,705 | 68,856 |
| Education | 660,845 | 656,513 | 4,332 |
| Economic development | 532,251 | 454,299 | 77,952 |
| Public safety | 323,418 | 313,909 | 9,509 |
| Transportation | 135,146 | 97,207 | 37,939 |
| Public works | 483,865 | 490,615 | (6,750) |
| Community affairs | 271,359 | 237,012 | 34,347 |
| Capital projects | - | - | - |
| Other | - | 182,975 | (182,975) |
| Total expenditures | <u>4,909,541</u> | <u>4,768,996</u> | <u>140,545</u> |
| Excess of revenues over budgetary expenditures | 493,279 | 1,742,568 | 1,249,289 |
| Other financing sources (uses): | | | |
| Operating transfers | - | - | - |
| Excess of revenues and other sources over budgetary expenditures and other uses | 493,279 | 1,742,568 | 1,249,289 |
| Unreserved fund balance beginning of year | 41,311 | 41,311 | - |
| Other changes in unreserved fund balance: | | | |
| Decrease in reserve for continuing appropriations | - | 29,070 | 29,070 |
| Increase in reserve for related assets | - | (111,256) | (111,256) |
| Net encumbrance adjustments | - | (175,313) | (175,313) |
| Unreserved fund balance, end of year | <u>\$ 534,590</u> | <u>\$1,526,380</u> | <u>\$ 991,790</u> |

See accompanying notes to combined financial statements.

KOSRAE STATE GOVERNMENT
Combined Statement of Revenues, Expenditures and Changes in Fund Balance
(Deficit) - Budgetary Basis - Special Revenue Funds
Year ended September 30, 1989

| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--|----------------------|----------------------|--------------------|
| Revenue: | | | |
| Compact - current | \$ 1,626,122 | \$ 1,626,122 | \$ - |
| Federal contribution | 1,531,048 | 1,531,048 | - |
| Other | <u>-</u> | <u>4,778</u> | <u>4,778</u> |
| Total revenues | <u>3,157,170</u> | <u>3,161,948</u> | <u>4,778</u> |
| Expenditures (budgetary basis): | | | |
| General government | 79,127 | 57,894 | 21,233 |
| Health services | 555,707 | 532,946 | 22,761 |
| Education | 1,647,972 | 1,654,302 | (6,330) |
| Justice | - | - | - |
| Community affairs | 398,924 | 394,791 | 4,133 |
| Public works | 703,350 | 819,475 | (116,125) |
| Conservation and resources | 62,499 | 23,170 | 39,329 |
| Boards, commissions and other external appropriations | - | - | - |
| Municipal governments and projects | - | - | - |
| Other | <u>-</u> | <u>-</u> | <u>-</u> |
| Total expenditures | <u>3,447,579</u> | <u>3,482,578</u> | <u>(34,999)</u> |
| Excess (deficiency) of revenues over expenditures | (290,409) | (320,630) | (30,221) |
| Other financing sources (uses): | | | |
| Operating transfers | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess (deficiency) of revenues and other sources over expenditures and other uses | (290,409) | (320,630) | (30,221) |
| Unreserved fund balance (deficit), beginning of year | (711,608) | (711,608) | - |
| Other changes in unreserved fund balance: | | | |
| Increase in reserve for related assets | - | (67,024) | (67,024) |
| Increase in reserve for continuing appropriations | - | (89,961) | (89,961) |
| Increase in reserve for encumbrances | <u>-</u> | <u>(77,917)</u> | <u>(77,917)</u> |
| Unreserved fund balance (deficit), end of year | <u>\$(1,022,017)</u> | <u>\$(1,267,140)</u> | <u>\$(265,123)</u> |

See accompanying notes to combined financial statements.

KOSRAE STATE GOVERNMENT
Combined Statement of Revenues, Expenses and Changes in Fund Equity
Proprietary Fund Type
Year ended September 30, 1989
(With comparative totals for the year ended September 30, 1988)

| | Internal Service Fund | <u>Totals</u> (Memorandum Only) <u>1989</u> <u>1988</u> |
|--|-----------------------------|---|
| Revenues: | | |
| Charges for services | <u>\$170,907</u> | <u>\$170,907</u> <u>\$ 97,785</u> |
| Total revenues | <u>170,907</u> | <u>170,907</u> <u>97,785</u> |
| Operating expenses: | | |
| Supplies and materials | <u>251,674</u> | <u>251,674</u> <u>127,646</u> |
| Total operating expenses | <u>251,674</u> | <u>251,674</u> <u>127,646</u> |
| Operating income (loss) | <u>(80,767)</u> | <u>(80,767)</u> <u>(29,861)</u> |
| Non-operating revenues (expenses): | | |
| Total non-operating revenues (expenses) | <u>-</u> | <u>-</u> <u>-</u> |
| Net income (loss) | (80,767) | (80,767) (29,861) |
| Fund equity, beginning of year | <u>61,447</u> | <u>61,447</u> <u>91,308</u> |
| Fund equity, end of year | <u><u>\$ (19,320)</u></u> | <u><u>\$ (19,320)</u></u> <u><u>\$ 61,447</u></u> |

See accompanying notes to combined financial statements.

KOSRAE STATE GOVERNMENT
Combined Statement of Changes in Financial Position
Proprietary Fund Type
Year ended September 30, 1989
(With comparative totals for the year ended September 30, 1988)

| | Internal Service Fund | Totals (Memorandum Only) 1989 | 1988 |
|--|-----------------------------|-------------------------------------|-------------------|
| Sources of working capital: | | | |
| Operations: | | | |
| Net (loss) | \$(80,767) | \$(80,767) | \$(29,861) |
| Add back items not requiring working capital: | - | - | - |
| Working capital provided by operations | (80,767) | (80,767) | (29,861) |
| Uses of working capital: | - | - | - |
| Total uses of working capital | - | - | - |
| Net increase (decrease) in working capital | <u>\$(80,767)</u> | <u>\$(80,767)</u> | <u>\$(29,861)</u> |

Analysis of Changes in Working Capital Accounts

| | | | |
|---|-------------------|-------------------|-------------------|
| Current assets increased (decreased): | | | |
| Inventory | \$ 85,682 | \$ 85,682 | 76,840 |
| Interfund receivable | <u>(152,602)</u> | <u>(152,602)</u> | <u>(3,195)</u> |
| | <u>(66,920)</u> | <u>(66,920)</u> | <u>73,645</u> |
| Current liabilities increased (decreased): | | | |
| Accounts payable | 13,847 | 13,847 | 27,955 |
| Interfund payable | <u>-</u> | <u>-</u> | <u>75,551</u> |
| | <u>13,847</u> | <u>13,847</u> | <u>103,506</u> |
| Net increase (decrease) in working capital | <u>\$(80,767)</u> | <u>\$(80,767)</u> | <u>\$(29,861)</u> |

See accompanying notes to combined financial statements.

KOSRAE STATE GOVERNMENT
Notes to Combined Financial Statements
September 30, 1989

(1) Significant Accounting Policies

A. Basis of Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and as in Audits of State and Local Governmental Units, issued by the American Institute of Certified Public Accountants. The accompanying statements include all fund types and account groups of the State of Kosrae.

B. Fund Structure and Basis of Accounting

The accompanying financial statements are structured into three categories of funds and two account groups. The fund categories include: governmental funds, proprietary funds, and fiduciary funds.

The State of Kosrae's governmental funds are comprised of:

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

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

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

KOSRAE STATE GOVERNMENT
Notes to Combined Financial Statements, Continued
September 30, 1989

(1) Significant Accounting Policies, Continued

Encumbrance accounting is utilized for budgetary control purposes. Encumbrances outstanding at year end are reported as reservations of fund balance, and remain as reservations of fund balance until becoming expended or cancelled.

The proprietary fund includes the Internal Service Fund which is used to account for the stock supply operation of a self-sustaining State agency rendering services to other State agencies on a cost reimbursement basis. The proprietary fund is accounted for on the accrual basis of accounting.

The fiduciary funds include the Expendable Trust Funds which are used to account for assets held by the State in a trustee capacity. Expendable Trust Funds are accounted for on the modified accrual basis of accounting.

C. Fixed Assets and Long-Term Liabilities

With the exception of its proprietary fund, all of the State's funds utilize a spending rather than capital maintenance measurement focus. Consequently, the general fixed assets account group is designed to maintain accountability of capital assets which are considered to be assets of the government itself rather than any particular fund.

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

KOSRAE STATE GOVERNMENT
Notes to Combined Financial Statements, Continued
September 30, 1989

(1) Significant Accounting Policies, Continued

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

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

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

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

D. Budgetary Process

Legislation requires the Governor to present a budget proposal to the Legislature at the beginning of each annual session. The Legislature then appropriates operating budgets which are limited in total by estimated fund revenues. Before signing an Appropriations Bill, the Governor may veto or reduce any specific appropriation; this veto is also subject to legislative override.

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

KOSRAE STATE GOVERNMENT
Notes to Combined Financial Statements, Continued
September 30, 1989

(1) Significant Accounting Policies, Continued

Unencumbered appropriations normally lapse at the end of each fiscal year unless designated as continuing appropriations.

E. Receivables

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

F. Interfund Transactions

The State of Kosrae utilizes three types of interfund transactions:

1. The majority of the State's financial operations are centrally administered, and this administration is facilitated by the use of a "pooled" cash account; for practical purposes, all cash is maintained in a single bank account which is considered to be an asset of the State's general fund. As a result of this cash pooling practice, cash transactions normally include entries which adjust the relative balances of affected funds' interfund asset/liability accounts; each fund's interfund balance therefore represents a net interest in the State's actual cash.

2. Operating appropriations/subsidies which are accounted for as operating transfers of resources between funds.

3. Residual equity transfers which record the transfer of residual fund balances upon the termination of a fund's operations. These transfers are accounted for as additions to or deductions from governmental type fund balances or proprietary fund type equities.

G. Inventories

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

KOSRAE STATE GOVERNMENT
Notes to Combined Financial Statements, Continued
September 30, 1989

(1) Significant Accounting Policies, Continued

H. Fixed Assets and Depreciation

Governmental general fixed assets are carried at cost. Depreciation is not provided.

I. Actual Expenditures contrasted with Budgetary Expenditures

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

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

J. Fund Balance Reserves

The State's fund balance reserves represent those portions of fund balance (1) not appropriable for expenditure or (2) legally segregated for a specific future use. Reserves for related assets such as inventories, and long-term receivables are examples of the former. Reserves for encumbrances, continuing appropriations and other specific purposes are examples of the latter.

KOSRAE STATE GOVERNMENT
Notes to Combined Financial Statements, Continued
September 30, 1989

(1) Significant Accounting Policies, Continued

K. Totals - Memorandum Only

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

(2) Cash and Short-Term Investments

Investments

The State has adopted the by-laws of the Federated Development Authority as the agency to establish the overall development goals, policies and strategies of funds received and invested pursuant to the Compact of Free Association. The Federated States of Micronesia, Secretary of Finance, maintains such accounting system and records as are necessary to account for investment funds placed with the Authority on behalf of Kosrae State.

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

- A. Investment managers may invest in stocks, bonds and cash equivalents. Minimum standards of quality for investments at the time of purchase shall be:
1. Stocks - A "B" rating by a national rating service. Non-rated stocks such as banks or insurance companies must be equal in quality or higher.
 2. Bonds - Confined to issues rated "A" or higher by a national rating service, except in the case of U.S. Treasury or Agency securities which are not rated.

KOSRAE STATE GOVERNMENT
Notes to Combined Financial Statements, Continued
September 30, 1989

(2) Cash and Short-Term Investments, Continued

3. Cash and equivalents- The manager may engage in all normally accepted short-term investment practices including, but not limited to: U.S. Treasury and Agency securities, 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 & Poors Corporation and Moodys Investor Services.
- b. Certificates of deposit must be from FDIC insured banks or FSLIC insured savings and loan associations, both of which must have assets in excess of two billion dollars. Deposits in smaller institutions are acceptable, but must not exceed the amount of the insurance unless collateralized by U.S. Treasury Securities at 102%.

B. The equity portfolio shall be diversified among issues and industry classifications. No more than 25% of the equity portfolio may be invested in any single classification, as described by the Standard and Poors 500 Index, unless prior approval is received from the Secretary of Finance.

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

Funds invested with Hawaiian Trust Co. on behalf of Kosrae State as of September 30, 1989, are summarized below:

| <u>Cash and Equivalents</u> | <u>Carrying Amount</u> | <u>Market Value</u> |
|------------------------------|------------------------|---------------------|
| Certificates of deposit | <u>\$ 153,955</u> | <u>\$ 153,955</u> |
| <u>Investments</u> | | |
| Pooled Investment Securities | <u>\$6,466,909</u> | <u>\$6,426,575</u> |
| Total investments | <u>\$6,620,864</u> | <u>\$6,580,530</u> |

KOSRAE STATE GOVERNMENT
Notes to Combined Financial Statements, Continued
September 30, 1989

(2) Cash and Short-Term Investments, Continued

The State is of the opinion that the \$40,334 reduction in market value is a temporary downturn in the market and not a permanent impairment of its asset value.

At September 30, 1989, the State had deposits as follows (in each situation, cost approximates market value):

General Fund

| | |
|---|---------------------|
| Bank overdraft in checking accounts with FDIC insured bank | <u>\$ (571,611)</u> |
| Cash on deposit with Hawaiian Trust Co | <u>\$ 153,955</u> |

Capital Projects Deposits

| | |
|--|-------------------|
| Certificate of deposit with FDIC insured bank | <u>\$ 257,729</u> |
|--|-------------------|

Expendable Trust Deposits

| | |
|---|------------------|
| Cash in checking and savings accounts with FDIC insured bank | <u>\$ 16,681</u> |
|---|------------------|

Credit risk associated with investments is categorized into three levels generally described as follows:

- Category 1 - Insured or registered, or securities held by the State or its agent in the State's name.
- Category 2 - Uninsured and unregistered, or securities held by a party other than the State or its agent, but in the State's name.
- Category 3 - Uninsured and unregistered, with securities held by a party other than the State and not in the State's name.

All investments held by the State or Trustee have been classified as category 2 investments in accordance with GSAB #3 as all investments are held in the name of the Federated Development Authority.

(3) Receivables From Other Governments and Federal Agencies

Amounts due from other governments include those funds which are earned and have yet to be reimbursed by the FSM National Government for U.S. federal assistance programs, Department of the Interior Capital Projects Grant, and those grants received from the Congress of the Federated States of Micronesia for capital projects.

KOSRAE STATE GOVERNMENT
Notes to Combined Financial Statements, Continued
September 30, 1989

(3) Receivables From Other Governments and Federal Agencies,
Continued

Amounts due from federal agencies are funds which are reimbursed directly from U.S. federal agencies.

(4) Receivables

Loans receivable arise from the various expendable trust funds which provide loans for agriculture production and scholarships at various low interest rates. The term of repayment varies from five years to twenty years.

General fund 'general' receivables consist of unpaid utility billings and other miscellaneous receivables. The amount in the accompanying financial statements is net of an allowance for doubtful accounts of \$125,818. Additionally, general fund travel advances are presented net of \$40,000 allowance for uncollectables.

(5) Contingent Liabilities

The State participates in a number of federally assisted grant programs. These programs are subject to financial and compliance audits to ascertain if Federal laws and guidelines have been followed. In 1989, for operations of the grant programs, \$67,617 of questioned costs have been raised and \$329,513 of cumulative questioned costs remain unresolved for fiscal years 1984 through 1989. Pursuant to Title I, Section 105 of United States Public Law 99-239 (Compact of Free Association) the Government of the Federated States of Micronesia (FSM) is no longer liable for debts to U.S. federal agencies arising prior to the date of the implementation of the Compact of Free Association. This matter has not yet been officially resolved with the U.S. Government.

Sick Leave

It is the policy of the State of Kosrae to record the cost of sick leave when leave is actually taken and a liability is actually incurred. The accumulated estimated amount of unused sick leave at September 30, 1989, was not available.

Litigation

The State of Kosrae is party to numerous legal proceedings, many of which are normal recurrences in governmental operations. The Attorney General of the State of Kosrae is of the opinion that the probable outcome of suits existing at September 30, 1989, are not predictable but will have no material impact on the accompanying financial statements.

KOSRAE STATE GOVERNMENT
Notes to Combined Financial Statements, Continued
September 30, 1989

(6) Material Fund Deficits

The following funds reflect material fund deficits as of September 30, 1989. If operations of these funds cannot recover prior losses, the State's General Fund may have to absorb these amounts or a portion thereof.

| | |
|--|------------------|
| Compact Health and Medical 216 (a) (2) | <u>\$380,195</u> |
| Operations and Maintenance | <u>\$ 52,149</u> |
| Federal Grants Assistance | <u>\$166,643</u> |
| CFSM State Projects | <u>\$ 49,925</u> |
| Foreign Assistance | <u>\$ 11,936</u> |

(7) Continuing Appropriations

Continuing appropriations as of September 30, 1989, are summarized as follows:

General Fund

| | |
|-----------------------------------|-----------------|
| Third State Leadership Conference | \$ 975 |
| Municipal Governments | 520 |
| Kosrae Retirement Fund | <u>251</u> |
| | <u>\$ 1,746</u> |

Special Revenue Funds

| | |
|----------------------------------|-------------------|
| Compact Post Secondary Education | \$ 161,535 |
| Kosraen Chants | <u>4,778</u> |
| | <u>\$ 166,313</u> |

Capital Project Funds

| | |
|--|--------------------|
| Compact of Free Association Capital Account Various State approved projects | \$4,243,812 |
| U.S. Dept. of the Interior grants Various State approved projects | 1,437,010 |
| Congress of FSM grants Various State approved projects | <u>132,318</u> |
| | <u>\$5,813,140</u> |

INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

The additional information presented in the following pages which has been taken primarily from accounting and other records of the State of Kosrae has been subjected to the tests and other auditing procedures in accordance with generally accepted auditing standards and Office of Management and Budget Circular A-128, issued pursuant to the Single Audit Act of 1984, P.L. 98-502, applied in our audit of the State's Governmental, Proprietary and Fiduciary Fund types of the State of Kosrae as of and for the year ended September 30, 1989. In our opinion, with respect to the accompanying additional information, such information, except for those matters specified in our report dated March 20, 1989, on the general purpose financial statements of the State of Kosrae as of September 30, 1989, and for the year then ended, is fairly presented in all material respects in relation to the general purpose financial statements taken as whole.

March 20, 1990



Certified Public Accountants

KOSRAE STATE GOVERNMENT
Combining Statement of Expenditures by Account -
All Governmental Fund Types and Expendable Trust Fund
Year Ended September 30, 1989
(With comparative totals for the year ended September 30, 1988)

| | <u>Governmental Fund Types</u> | | | <u>Fiduciary Fund</u> | <u>Totals</u> | |
|--------------------|--------------------------------|--------------------|--------------------|-----------------------|---------------------|---------------------|
| | <u>General</u> | <u>Special</u> | <u>Capital</u> | <u>Expendable</u> | | |
| | <u>Fund</u> | <u>Revenue</u> | <u>Projects</u> | <u>Trust</u> | <u>1989</u> | <u>1988</u> |
| | | <u>Funds</u> | <u>Funds</u> | <u>Funds</u> | | |
| Expenditures: | | | | | | |
| Personnel services | \$3,259,842 | \$1,099,167 | \$ 379,989 | \$ - | \$ 4,738,999 | \$ 4,638,231 |
| Travel | 284,488 | 209,462 | 84,368 | - | 578,318 | 444,912 |
| POL | 25,380 | 594,241 | 23,121 | - | 642,742 | 550,085 |
| Capital outlays | 237,539 | 176,552 | 102,524 | - | 516,615 | 270,144 |
| Other | <u>1,146,129</u> | <u>1,403,156</u> | <u>2,653,194</u> | <u>114,434</u> | <u>5,316,913</u> | <u>6,620,092</u> |
| Total expenditures | <u>\$4,953,379</u> | <u>\$3,482,578</u> | <u>\$3,243,196</u> | <u>\$ 114,434</u> | <u>\$11,793,587</u> | <u>\$12,523,464</u> |

KOSRAE STATE GOVERNMENT

General Fund
September 30, 1989

The State of Kosrae maintains separate and distinct general funds as required by local law. The operations of the Executive Branch are accounted for primarily in the U.S. Grants Fund, while the operations of the Legislative Branch are accounted for in the State Revenue Fund.

KOSRAE STATE GOVERNMENT
GENERAL FUND
Combining Balance Sheet
September 30, 1989
(With comparative totals as of September 30, 1988)

| | U.S. Grants Fund | State Revenue Fund | Totals | |
|---|---------------------|-----------------------|--------------------|--------------------|
| | | | 1989 | 1988 |
| Assets | | | | |
| Cash and equivalents | \$ 153,955 | \$ - | \$ 153,955 | \$ - |
| Receivables: | | | | |
| Other governments | 180,636 | 14,722 | 195,358 | 180,136 |
| General receivables | 27,717 | 58,561 | 86,278 | 43,229 |
| Advances | 10,406 | 42,572 | 52,978 | 102,745 |
| Investments | 1,418,646 | - | 1,418,646 | 413,619 |
| Due from other funds | <u>1,418,968</u> | <u>-</u> | <u>1,418,968</u> | <u>1,004,688</u> |
| Total assets | <u>\$3,210,328</u> | <u>\$ 115,855</u> | <u>\$3,326,183</u> | <u>\$1,744,417</u> |
| Liabilities and Fund Balance (Deficit) | | | | |
| Liabilities: | | | | |
| Bank overdraft | \$ 571,611 | \$ - | \$ 571,611 | \$ 296,406 |
| Accounts payable | 309,909 | 47,576 | 357,485 | 323,658 |
| Accrued payroll and others | 129,942 | 7,818 | 137,760 | 210,035 |
| Due to other funds | - | 343,385 | 343,385 | 556,561 |
| Deferred revenue | - | - | - | - |
| Other liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total liabilities | <u>1,011,462</u> | <u>398,779</u> | <u>1,410,241</u> | <u>1,386,660</u> |
| Fund balance (deficit): | | | | |
| Reserved for: | | | | |
| Related assets | 38,123 | 101,133 | 139,256 | 28,000 |
| Encumbrances | 171,158 | 77,402 | 248,560 | 257,630 |
| Continuing appropriations | - | 1,746 | 1,746 | 30,816 |
| Unreserved | <u>1,989,585</u> | <u>(463,205)</u> | <u>1,526,380</u> | <u>41,311</u> |
| Total fund balance (deficit) | <u>2,198,866</u> | <u>(282,924)</u> | <u>1,915,942</u> | <u>357,757</u> |
| Total liabilities and fund balance (deficit) | <u>\$3,210,328</u> | <u>\$ 115,855</u> | <u>\$3,326,183</u> | <u>\$1,744,417</u> |

KOSRAE STATE GOVERNMENT
GENERAL FUND
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance (Deficit)
Year ended September 30, 1989
(With comparative totals for the year ended September 30, 1988)

| | U.S. Grants Fund | State Revenue Fund | Totals | |
|--|---------------------|-----------------------|--------------------|-------------------|
| | | | 1989 | 1988 |
| Revenues: | | | | |
| Compact funding: | | | | |
| Base amount | \$3,284,400 | \$ - | \$3,284,400 | \$3,284,400 |
| Inflation adjustment | 886,788 | - | 886,788 | 788,256 |
| Fines and penalties | - | 2,855 | 2,855 | - |
| Revenue sharing | - | 432,485 | 432,485 | 441,274 |
| State taxes and licenses | - | 135,606 | 135,606 | 111,024 |
| Investment income | 1,274,644 | 42,071 | 1,316,715 | 128,424 |
| Miscellaneous | 64,886 | 387,829 | 452,715 | 264,557 |
| Total revenues | <u>5,510,718</u> | <u>1,000,846</u> | <u>6,511,564</u> | <u>5,017,935</u> |
| Expenditures: | | | | |
| General Government | 1,050,559 | 676,322 | 1,726,881 | 1,648,000 |
| Health Services | 663,875 | 239 | 664,114 | 891,486 |
| Education | 636,911 | 20,031 | 656,942 | 281,150 |
| Economic Development | 479,545 | 52 | 479,597 | 491,871 |
| Public Safety | 323,841 | - | 323,841 | 336,490 |
| Transportation | 118,001 | - | 118,001 | 96,566 |
| Public Works | 562,254 | - | 562,254 | 564,592 |
| Community Affairs | 218,173 | 20,601 | 238,774 | 176,901 |
| Other | 142,975 | 40,000 | 182,975 | 70,947 |
| Total expenditures | <u>4,196,134</u> | <u>757,245</u> | <u>4,953,379</u> | <u>4,558,003</u> |
| Excess of revenues over expenditures | 1,314,584 | 243,601 | 1,558,185 | 459,932 |
| Other sources (uses): | | | | |
| Operating transfers | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess of revenues and other sources over expenditures and other uses | 1,314,584 | 243,601 | 1,558,185 | 459,932 |
| Fund balance (deficit), beginning of year | <u>884,282</u> | <u>(526,525)</u> | <u>357,757</u> | <u>(102,175)</u> |
| Fund balance (deficit), end of year | <u>\$2,198,866</u> | <u>\$ (282,924)</u> | <u>\$1,915,942</u> | <u>\$ 357,757</u> |

KOSRAE STATE GOVERNMENT
GENERAL FUND
Combining Statement of Revenues, Expenditures by Account
and Changes in Fund Balance (Deficit)
Year ended September 30, 1989
(With comparative totals for the year ended September 30, 1988)

| | U.S. Grants Fund | State Revenue Fund | Totals | |
|--|---------------------|-----------------------|--------------------|-------------------|
| | | | 1989 | 1988 |
| Revenues: | | | | |
| Compact funding: | | | | |
| Base amount | \$3,284,400 | \$ - | \$3,284,400 | \$3,284,400 |
| Inflation adjustment | 886,788 | - | 886,788 | 788,256 |
| Operating grant | - | 2,855 | 2,855 | - |
| Revenue sharing | - | 432,485 | 432,485 | 441,274 |
| State taxes and licenses | - | 135,606 | 135,606 | 111,024 |
| Investment income | 1,274,644 | 42,071 | 1,316,715 | 128,424 |
| Miscellaneous | <u>64,886</u> | <u>387,829</u> | <u>452,715</u> | <u>264,557</u> |
| Total revenues | <u>5,510,718</u> | <u>1,000,846</u> | <u>6,511,564</u> | <u>5,017,935</u> |
| Expenditures: | | | | |
| Personnel services | 2,864,260 | 395,583 | 3,259,843 | 2,780,123 |
| Travel | 209,541 | 74,947 | 284,488 | 249,257 |
| POL | 23,630 | 1,750 | 25,380 | 46,965 |
| Capital outlays | 215,262 | 22,277 | 237,539 | 157,096 |
| Other | <u>883,441</u> | <u>262,688</u> | <u>1,146,129</u> | <u>1,324,562</u> |
| Total expenditures | <u>4,196,134</u> | <u>757,245</u> | <u>4,953,379</u> | <u>4,558,003</u> |
| Excess of revenues over expenditures | 1,314,584 | 243,601 | 1,558,185 | 459,932 |
| Other sources (uses): | | | | |
| Operating transfers | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess of revenues and other sources over expenditures and other uses | 1,314,584 | 243,601 | 1,558,185 | 459,932 |
| Fund balance (deficit), beginning of year | <u>884,282</u> | <u>(526,525)</u> | <u>357,757</u> | <u>(102,175)</u> |
| Fund balance (deficit), end of year | <u>\$2,198,866</u> | <u>\$(282,924)</u> | <u>\$1,915,942</u> | <u>\$ 357,757</u> |

KOSRAE STATE GOVERNMENT
GENERAL FUND
Combining Statement of Revenues, Expenditures and Changes in
Fund Balance (Deficit), Budgetary Basis
Year ended September 30, 1989
(With comparative totals for the year ended September 30, 1988)

| Total General Fund | | | | | |
|--------------------|--------------------|-------------------|-----------------------|------------------|--------------------|
| 1989 | | | 1988 | | |
| Budget | Actual | Variance | Budget | Actual | Variance |
| \$3,284,400 | \$3,284,400 | \$ - | \$ 4,072,656 | \$3,284,400 | \$(788,256) |
| 837,530 | 886,788 | 49,258 | - | 788,256 | 788,256 |
| 392,390 | 432,485 | 40,095 | 375,900 | 441,274 | 65,374 |
| 300,000 | 135,606 | (164,394) | 275,000 | 111,024 | (163,976) |
| - | 2,855 | 2,855 | - | - | - |
| 588,500 | 452,715 | (135,785) | 300,000 | 264,557 | (35,443) |
| - | <u>1,316,715</u> | <u>1,316,715</u> | - | <u>128,424</u> | <u>128,424</u> |
| <u>5,402,820</u> | <u>6,511,564</u> | <u>1,108,744</u> | <u>5,023,556</u> | <u>5,017,935</u> | <u>(5,621)</u> |
| 1,854,096 | 1,756,761 | 97,335 | 1,886,263 | 1,698,643 | 187,620 |
| 648,561 | 579,705 | 68,856 | 968,019 | 996,314 | (28,295) |
| 660,845 | 656,513 | 4,332 | 273,252 | 271,121 | 2,131 |
| 532,251 | 454,299 | 77,952 | 656,854 | 525,924 | 130,930 |
| 323,418 | 313,909 | 9,509 | 388,529 | 347,125 | 41,404 |
| 135,146 | 97,207 | 37,939 | 223,784 | 116,974 | 106,810 |
| 483,865 | 490,615 | (6,750) | 604,302 | 606,555 | (2,253) |
| 271,359 | 237,012 | 34,347 | 217,061 | 199,994 | 17,067 |
| - | <u>182,975</u> | <u>(182,975)</u> | - | <u>71,056</u> | <u>(71,056)</u> |
| <u>4,909,541</u> | <u>4,768,996</u> | <u>140,545</u> | <u>5,218,064</u> | <u>4,833,706</u> | <u>384,358</u> |
| 493,279 | 1,742,568 | 1,249,289 | (194,508) | 184,229 | 378,737 |
| - | - | - | - | - | - |
| 493,279 | 1,742,568 | 1,249,289 | (194,508) | 184,229 | 378,737 |
| 41,311 | 41,311 | - | (1,112,252) | (358,756) | 753,496 |
| - | 29,070 | 29,070 | - | (30,816) | (30,816) |
| - | (111,256) | (111,256) | - | (28,000) | (28,000) |
| - | <u>(175,313)</u> | <u>(175,313)</u> | - | <u>274,654</u> | <u>274,654</u> |
| <u>\$ 534,590</u> | <u>\$1,526,380</u> | <u>\$ 991,790</u> | <u>\$ (1,306,760)</u> | <u>\$ 41,311</u> | <u>\$1,348,071</u> |

KOSRAE STATE GOVERNMENT
GENERAL FUND
Combined Statement of Revenues, Expenditures by Function and Department
and Changes in Fund Balance (Deficit)
Year ended September 30, 1989
(With comparative totals for the year ended September 30, 1988)

| | <u>1989</u> | <u>1988</u> |
|---------------------------------|------------------|------------------|
| Revenues: | | |
| Compact of Free Association: | | |
| Section 211 (a)(2) - base grant | \$3,284,400 | \$3,284,400 |
| Section 217 - inflation | 886,788 | 788,256 |
| FSM revenue sharing | 432,485 | 441,274 |
| State taxes and licenses: | | |
| Cigarette tax | \$ 16,445 | \$ 12,553 |
| General sales tax | 47,701 | 38,268 |
| Alcohol | 40,869 | 40,381 |
| Motor vehicles sales tax | 6,417 | 8,776 |
| License and fees | 24,174 | 7,863 |
| Court fines | <u>2,855</u> | <u>3,183</u> |
| | <u>138,461</u> | <u>111,024</u> |
| Other revenues: | | |
| Utility collections | 153,577 | 167,971 |
| Transportation collections | 71,339 | 4,268 |
| Medical and dental services | 17,610 | 5,408 |
| Miscellaneous | <u>202,460</u> | <u>86,910</u> |
| Investment income | <u>1,324,444</u> | <u>264,557</u> |
| | <u>128,424</u> | <u>128,424</u> |
| Total revenues | <u>6,511,564</u> | <u>5,017,935</u> |
| Expenditures by department: | | |
| General Government: | | |
| Governor and staff | 227,357 | 141,228 |
| Governor's Office | 51,673 | 59,128 |
| Bureau of Accounting | 158,886 | 126,765 |
| Mobile legislation | - | 22,203 |
| Construction and Engineering | 41,074 | - |
| Guam Island Fair | - | 10,650 |
| Bureau of Budget & Management | 55,728 | 51,005 |
| Bureau of Procurement & Supply | 61,131 | 60,721 |
| Personnel & Employment Services | 68,082 | 65,972 |
| Bureau of Planning & Statistics | 101,513 | 51,628 |
| Member's Legislative | 273,857 | 282,689 |
| Standing Committee Legislative | 30,555 | 35,810 |
| Legislative staff | 290,865 | 253,148 |
| Attorney's Fees | - | 35,000 |
| Land Commission Legislation | - | 64,181 |
| Municipal government operations | 29,371 | 110,109 |
| State Leadership Conference | - | 9,025 |
| Land commission | 207,447 | 123,199 |
| Judicial operations | 129,342 | 116,833 |
| Airport Dedication | - | 4,602 |
| Australia Arts Festival | - | 23,993 |
| Good Will Games | <u>-</u> | <u>111</u> |
| Total | <u>1,726,881</u> | <u>1,648,000</u> |

KOSRAE STATE GOVERNMENT
GENERAL FUND

Combined Statement of Revenues, Expenditures by Function and Department
and Changes in Fund Balance (Deficit), Continued
Year ended September 30, 1989
(With comparative totals for the year ended September 30, 1988)

| | <u>1989</u> | <u>1988</u> |
|--|----------------|------------------|
| Expenditures by department, continued: | | |
| Health Services: | | |
| Administration | \$199,163 | \$231,251 |
| Environmental health | 28,024 | 21,458 |
| Dental services | 6,193 | 48,016 |
| Clinical services | 275,449 | 233,155 |
| Public Health Nursing | 1,962 | 32,176 |
| Medical services | 153,084 | 318,982 |
| Public health Legislation | <u>239</u> | <u>6,448</u> |
| Total | <u>664,114</u> | <u>\$891,486</u> |
| Education: | | |
| Administration | 44,207 | 5,971 |
| Elementary | 552,461 | 253,151 |
| Secondary | 40,243 | 94 |
| Scholarship Board | 31 | 1,934 |
| Student services office | - | - |
| Vocational rehabilitation | <u>20,000</u> | <u>20,000</u> |
| Total | <u>656,942</u> | <u>281,150</u> |
| Resources and Development: | | |
| Administration | 47,714 | 49,235 |
| Production & marketing | 50,164 | 43,274 |
| Land management | 98,522 | 111,309 |
| Marine resources | 73,079 | 63,487 |
| Agriculture | 137,185 | 130,638 |
| Tourism | 37,412 | 44,114 |
| Culture and history | 35,468 | 30,859 |
| Community Development matching | <u>53</u> | <u>18,955</u> |
| Total | <u>479,597</u> | <u>491,871</u> |
| Transportation: | | |
| MV Frysna | - | - |
| MS Kaselehlia | - | 96,566 |
| Dry docking | - | - |
| Division of Transportation | <u>118,001</u> | <u>-</u> |
| Total | <u>118,001</u> | <u>96,566</u> |
| Police | 220,112 | 237,346 |
| Attorney General | <u>103,729</u> | <u>99,144</u> |
| Total | <u>323,841</u> | <u>336,490</u> |

KOSRAE STATE GOVERNMENT
GENERAL FUND

Combined Statement of Revenues, Expenditures by Function and Department
and Changes in Fund Balance (Deficit), Continued
Year ended September 30, 1989
(With comparative totals for the year ended September 30, 1988)

| | <u>1989</u> | <u>1988</u> |
|---|----------------------|---------------------|
| Expenditures by department, continued: | | |
| Public Works: | | |
| Operations and maintenance | \$ 299,840 | \$ 332,039 |
| Power | <u>262,414</u> | 232,553 |
| Total | <u>562,254</u> | <u>564,592</u> |
| Community Affairs: | | |
| Division of Public Affairs | 3,777 | 1,704 |
| Division of Public Broadcast | 48,962 | 51,268 |
| Political Affairs | 79,829 | 65,966 |
| Community Development | 19,518 | 17,762 |
| Sports Council | 46,723 | - |
| Parks & Recreation | 7,476 | 10,201 |
| Micronesian Legal Services | - | 30,000 |
| Health Council | 4,118 | - |
| Kosrae Retirement | 18,352 | - |
| Executive Service Appeals Board | 6,667 | - |
| Scholarship Board | <u>3,352</u> | <u>-</u> |
| Total | <u>238,774</u> | <u>176,901</u> |
| Other | <u>182,975</u> | <u>70,947</u> |
| Total expenditures by department | <u>4,953,379</u> | <u>4,558,003</u> |
| Revenues over expenditures | 1,558,185 | 459,932 |
| Other sources (uses) | <u>-</u> | <u>-</u> |
| Excess of revenues and other sources over expenditures and other uses | 1,558,185 | 459,932 |
| Fund balance (deficit), beginning of year | <u>357,757</u> | <u>(102,175)</u> |
| Fund balance, end of year | \$1,915,942 ===== | \$ 357,757 ===== |

KOSRAE STATE GOVERNMENT
GENERAL FUND

Combined Statement of Revenues, Expenditures and Changes in Fund Balance
(Deficit) - Budget, Allotment and Actual, Budgetary Basis
Year ended September 30, 1989

| | <u>Budget</u> | <u>Allotment</u> | <u>Actual</u> | <u>Variance</u> |
|--|-------------------------|-------------------------|-------------------------|-------------------------|
| Revenues: | | | | |
| Compact funding: | | | | |
| Base amount | \$3,284,400 | \$ - | \$3,284,400 | \$ - |
| Inflation adjustment | 837,530 | - | 886,788 | 49,258 |
| Revenue sharing | 392,390 | - | 432,485 | 40,095 |
| State taxes and licenses | 300,000 | - | 135,606 | (164,394) |
| Fines and penalties | - | - | 2,855 | 2,855 |
| Other/miscellaneous | 588,500 | - | 452,715 | (135,785) |
| Investment income | - | - | 1,316,715 | 1,316,715 |
| Total revenues | <u>5,402,820</u> | <u>-</u> | <u>6,511,564</u> | <u>1,108,744</u> |
| Expenditures - budgetary basis: | | | | |
| Office of the Governor | 228,721 | 228,721 | 221,510 | 7,211 |
| State finance | 219,707 | 219,707 | 202,346 | 17,361 |
| Budget & planning | 234,893 | 234,893 | 206,746 | 28,147 |
| Personnel | <u>73,670</u> | <u>73,670</u> | <u>68,021</u> | <u>5,649</u> |
| Executive branch | <u>756,991</u> | <u>756,991</u> | <u>698,623</u> | <u>58,368</u> |
| Legislature 333,721 | 333,721 | 320,429 | 13,292 | |
| Senators 265,050 | 265,050 | 269,895 | (4,845) | |
| Standing committees | <u>33,000</u> | <u>33,000</u> | <u>31,050</u> | <u>1,950</u> |
| Legislative branch | <u>631,771</u> | <u>631,771</u> | <u>621,374</u> | <u>10,397</u> |
| State court | <u>135,800</u> | <u>134,800</u> | <u>123,751</u> | <u>11,049</u> |
| Broadcast equipment | 20,000 | 20,000 | 20,000 | - |
| Municipal operations | 29,891 | 29,891 | 29,371 | 520 |
| Land Commission | 232,643 | 232,643 | 216,893 | 15,750 |
| Kosrae retirement | <u>47,000</u> | <u>47,000</u> | <u>46,749</u> | <u>251</u> |
| Other general government | <u>329,534</u> | <u>329,534</u> | <u>313,013</u> | <u>16,521</u> |
| Total general government | <u>1,854,096</u> | <u>1,853,096</u> | <u>1,756,761</u> | <u>96,335</u> |
| Health services | <u>648,561</u> | <u>648,561</u> | <u>579,705</u> | <u>68,856</u> |
| Total health services | <u>648,561</u> | <u>648,561</u> | <u>579,705</u> | <u>68,856</u> |

KOSRAE STATE GOVERNMENT
GENERAL FUND

Combined Statement of Revenues, Expenditures and Changes in Fund Balance
(Deficit) - Budget, Allotment and Actual, Budgetary Basis, Continued
Year ended September 30, 1989

| | <u>Budget</u> | <u>Allotment</u> | <u>Actual</u> | <u>Variance</u> |
|-------------------------------|--------------------|--------------------|--------------------|----------------------|
| Education | \$ 640,845 | \$ 640,845 | \$ 636,513 | \$ 4,332 |
| Vocational Education | <u>20,000</u> | <u>20,000</u> | <u>20,000</u> | <u>-</u> |
| Total education | <u>660,845</u> | <u>660,845</u> | <u>656,513</u> | <u>4,332</u> |
| Economic development | <u>532,251</u> | <u>532,251</u> | <u>454,299</u> | <u>77,952</u> |
| Total economic development | <u>532,251</u> | <u>532,251</u> | <u>454,299</u> | <u>77,952</u> |
| Attorney general's office | 109,202 | 109,202 | 99,526 | 9,676 |
| Police Division | <u>214,216</u> | <u>214,216</u> | <u>214,383</u> | <u>(167)</u> |
| Total public safety | <u>323,418</u> | <u>323,418</u> | <u>313,909</u> | <u>9,509</u> |
| Transportation | <u>135,146</u> | <u>135,146</u> | <u>97,207</u> | <u>37,939</u> |
| Total transportation | <u>135,146</u> | <u>135,146</u> | <u>97,207</u> | <u>37,939</u> |
| Public works | <u>483,865</u> | <u>483,865</u> | <u>490,615</u> | <u>(6,750)</u> |
| Total public works | <u>483,865</u> | <u>483,865</u> | <u>490,615</u> | <u>(6,750)</u> |
| Scholarship Board | 6,200 | 6,200 | 3,351 | 2,849 |
| Health Council | 3,850 | 3,850 | 4,118 | (268) |
| Kosrae Retirement | 20,000 | 20,000 | 18,352 | 1,648 |
| Public affairs | 122,304 | 122,304 | 107,219 | 15,085 |
| Sports council | 50,561 | 50,561 | 38,346 | 12,215 |
| Track '88/Sports Council | 9,601 | 9,601 | 9,348 | 253 |
| Exec. Services Appeals Board | 8,400 | 8,400 | 7,235 | 1,165 |
| Broadcast Authority | <u>50,503</u> | <u>48,503</u> | <u>49,043</u> | <u>(540)</u> |
| Total community affairs | <u>271,419</u> | <u>269,419</u> | <u>237,012</u> | <u>32,407</u> |
| Other | <u>-</u> | <u>-</u> | <u>182,975</u> | <u>(182,975)</u> |
| Total other programs | <u>-</u> | <u>-</u> | <u>182,975</u> | <u>(182,975)</u> |

KOSRAE STATE GOVERNMENT

GENERAL FUND

Combined Statement of Revenues, Expenditures and Changes in Fund Balance
(Deficit) - Budget, Allotment and Actual, Budgetary Basis, Continued
Year ended September 30, 1989

| | <u>Budget</u> | <u>Allotment</u> | <u>Actual</u> | <u>Variance</u> |
|---|--------------------|--------------------|--------------------|-------------------|
| Total expenditures | <u>\$4,909,541</u> | <u>\$4,906,601</u> | <u>\$4,768,996</u> | <u>\$ 137,605</u> |
| Revenues in excess of expenditures | 493,279 | - | 1,742,568 | (1,249,289) |
| Other sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Revenues and other sources in excess of expenditures and other uses | 493,279 | - | 1,742,568 | - |
| Unreserved fund balance, beginning of year, | 41,311 | - | 41,311 | - |
| Other changes in unreserved fund balance: | | | | |
| Decrease in continuing appropriations | - | - | 29,070 | - |
| Increase in related assets | - | - | (111,256) | - |
| Net encumbrances adjustments | <u>-</u> | <u>-</u> | <u>(175,313)</u> | <u>-</u> |
| Unreserved fund balance, end of year | <u>\$ 534,590</u> | <u>\$ -</u> | <u>\$1,526,380</u> | <u>\$ -</u> |

KOSRAE STATE GOVERNMENT
Special Revenue Funds
September 30, 1989

Specific revenues earmarked to finance particular activities of the government are accounted for in Special Revenue Funds. A brief discussion of the State's Special Revenue Funds as of September 30, 1989, follows:

Compact - Special Block Grant - Health and Education, Title Two, Article I, Section 221 (b)

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

Compact 216 (a) 2 - Health and Medical

This fund is restricted for health and medical programs including referrals to hospital and treatment centers.

Compact 216 (a) 3 - Post Secondary Education

This fund is restricted for scholarship funds or funds to support the post secondary education of FSM citizens.

Fishermen's Revolving Fund

This fund was established on May 1, 1987, by State Law 4-8 to account for the sale of fishing supplies to local fishermen on a non-profit basis.

Operation and Maintenance Fund

This fund accounts for all U.S. Congressional appropriations for specified project operational and maintenance subsidies.

Federal Grants Assistance Fund

This fund accounts for all activities of United States special federal assistance grants utilized by the State of Kosrae to finance general governmental operations.

Compact 214 - Energy Block Grant

This fund accounts for the funds granted under the Compact of Free Association with the United States, specifically restricted for the purchase of fuel to operate the State's power generating facilities and other energy related projects.

Compact 212 - Special Development Assistance

This fund accounts for the funds granted under the Compact of Free Association with the United States, specifically restricted for economic development projects.

Foreign Assistance

This fund accounts for financial transactions related to federal assistance from other countries received directly by the State of Kosrae.

KOSRAE STATE GOVERNMENT

SPECIAL REVENUE FUNDS

Combining Balance Sheet

September 30, 1989

(With comparative totals as of September 30, 1988)

| <u>Assets</u> | <u>Compact Special Block Grant 221(b)</u> | <u>Compact Health and Medical 216(a)(2)</u> | <u>Compact Energy Compact Scholarship 216(a)(3)</u> | <u>Compact Special Block Grant 214</u> | <u>Development 212(a)</u> | <u>Fishermen's Revolving Fund</u> | <u>Operations and Maintenance Fund</u> | <u>Federal Grants Assistance Fund</u> | <u>Foreign Assistance</u> | <u>1989</u> | <u>1988</u> |
|--|---|---|---|--|-------------------------------|---|--|---|-------------------------------|--------------------|--------------------|
| Cash | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Receivables from: | | | | | | | | | | | |
| Federal agencies | - | - | - | - | - | - | - | 290,434 | - | 290,434 | 177,264 |
| FSM National Government | - | - | - | - | - | - | 405,693 | 558,567 | - | 964,260 | 984,733 |
| Loan Receivable | - | - | 142,084 | - | - | - | - | - | - | 142,084 | 98,606 |
| Due from other funds | 131,140 | - | - | 12,680 | 33,320 | 1,026 | - | - | - | 178,166 | 344,635 |
| Travel advances | 23,546 | 8,506 | - | - | - | - | 14,397 | 37,000 | 2,082 | 85,531 | 87,596 |
| Investments | - | 28,034 | - | 152,554 | 3,750 | - | - | - | - | 184,338 | 404,586 |
| Total assets | <u>\$154,686</u> | <u>\$ 36,540</u> | <u>\$142,084</u> | <u>\$165,234</u> | <u>\$37,030</u> | <u>\$1,026</u> | <u>\$420,090</u> | <u>\$ 886,001</u> | <u>\$ 2,082</u> | <u>\$1,844,813</u> | <u>\$2,097,420</u> |
| <u>Liabilities and Fund</u> | | | | | | | | | | | |
| <u>Balance (Deficit)</u> | | | | | | | | | | | |
| Liabilities: | | | | | | | | | | | |
| Accounts payable | \$ 19,721 | \$259,654 | \$ - | \$ 70,719 | \$ 1,426 | \$ - | \$ 3,922 | \$ 43,082 | \$ 300 | \$ 398,824 | \$ 320,603 |
| Due to other funds | - | 157,081 | 52,709 | - | - | - | 402,190 | 998,392 | 13,697 | 1,624,069 | 1,534,862 |
| Deferred revenue | - | - | - | - | - | - | 65,631 | - | - | 65,631 | 154,076 |
| Accrued payroll | <u>10,682</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>496</u> | <u>11,170</u> | <u>21</u> | <u>22,369</u> | <u>33,329</u> |
| Total liabilities | <u>30,403</u> | <u>416,735</u> | <u>52,709</u> | <u>70,719</u> | <u>1,426</u> | <u>-</u> | <u>472,239</u> | <u>1,052,644</u> | <u>14,018</u> | <u>2,110,893</u> | <u>2,042,870</u> |
| Fund balance (deficit): | | | | | | | | | | | |
| Related assets | 23,546 | - | 142,084 | - | - | - | - | - | - | 165,630 | 98,606 |
| Continuing appropriations | - | - | 161,535 | - | - | - | - | - | 4,778 | 166,313 | 76,352 |
| Reserved for encumbrances | 68,026 | 20,577 | - | 55,739 | 31,517 | 309 | 42,254 | 448,455 | 2,240 | 669,117 | 591,200 |
| Unreserved (deficit) | <u>32,711</u> | <u>(400,772)</u> | <u>(214,244)</u> | <u>38,776</u> | <u>4,127</u> | <u>717</u> | <u>(94,403)</u> | <u>(615,098)</u> | <u>(18,954)</u> | <u>(1,267,140)</u> | <u>(711,608)</u> |
| Total fund balance (deficit) | <u>124,283</u> | <u>(380,195)</u> | <u>89,375</u> | <u>94,515</u> | <u>35,644</u> | <u>1,026</u> | <u>(52,149)</u> | <u>(166,643)</u> | <u>(11,936)</u> | <u>(266,080)</u> | <u>54,550</u> |
| Total liabilities and fund balance (deficit) | <u>\$154,686</u> | <u>\$ 36,540</u> | <u>\$142,084</u> | <u>\$165,234</u> | <u>\$37,070</u> | <u>\$1,026</u> | <u>\$420,090</u> | <u>\$ 886,001</u> | <u>\$ 2,082</u> | <u>\$1,844,813</u> | <u>\$2,097,420</u> |

KOSRAE STATE GOVERNMENT
SPECIAL REVENUE FUNDS
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance (Deficit)
Year ended September 30, 1989
(With comparative totals for the year ended September 30, 1988)

| | Compact Special Block Grant 221(b) | Compact Health and Medical 216(a)(2) | Compact Energy Compact Scholarship 216(a)(3) | Compact Special Block Grant 214 | Development 212(a) | Fishermen's Revolving Fund | Operations and Maintenance Fund | Federal Grants Assistance Fund | Foreign Assistance | 1989 | 1988 |
|--|--|---|--|---|-----------------------|----------------------------------|--|---|-----------------------|--------------------|------------------|
| Revenues: | | | | | | | | | | | |
| Compact funding: | | | | | | | | | | | |
| Base Grant | \$ 875,000 | \$ 112,122 | \$ - | \$ 450,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$1,437,122 | \$1,593,022 |
| Inflation adjustment | - | - | - | 121,500 | 67,500 | - | - | - | - | 189,000 | 168,000 |
| Department of the | | | | | | | | | | | |
| Interior grants | - | - | - | - | - | - | 146,548 | - | - | 146,548 | 427,541 |
| Federal contributions | - | - | - | - | - | - | - | 1,384,500 | - | 1,384,500 | 1,596,313 |
| Other | - | - | - | - | - | - | - | - | 4,778 | 4,778 | 4,000 |
| Total revenues | <u>875,000</u> | <u>112,122</u> | <u>-</u> | <u>571,500</u> | <u>67,500</u> | <u>-</u> | <u>146,548</u> | <u>1,384,500</u> | <u>4,778</u> | <u>3,161,948</u> | <u>3,788,876</u> |
| Expenditures: | | | | | | | | | | | |
| General government | - | - | - | - | - | - | - | 57,894 | - | 57,894 | 67,800 |
| Health services | 74,655 | 197,499 | - | - | - | - | - | 260,792 | - | 532,946 | 304,715 |
| Education | 991,173 | - | - | - | - | - | - | 663,129 | - | 1,654,302 | 1,985,224 |
| Economic development | - | - | - | - | - | - | - | 23,170 | - | 23,170 | 132,185 |
| Public works | - | - | - | 581,071 | 91,856 | - | 146,548 | - | - | 819,475 | 881,455 |
| Community affairs | - | - | - | - | - | - | - | 379,515 | 15,276 | 394,791 | 71,353 |
| Other | - | - | - | - | - | - | - | - | - | - | 13,394 |
| Total expenditures | <u>1,065,828</u> | <u>197,499</u> | <u>-</u> | <u>581,071</u> | <u>91,856</u> | <u>-</u> | <u>146,548</u> | <u>1,384,500</u> | <u>15,276</u> | <u>3,482,578</u> | <u>3,456,126</u> |
| Excess (deficiency) of revenues over (under) expenditures | (190,828) | (85,377) | - | (9,571) | (24,356) | - | - | - | (10,498) | (320,630) | 332,750 |
| Other sources (uses): | | | | | | | | | | | |
| Operating transfers | - | - | - | - | - | - | - | - | - | - | - |
| Excess (deficiency) of revenues and other sources over expenditures and other uses | (190,828) | (85,377) | - | (9,571) | (24,356) | - | - | - | (10,498) | (320,630) | 332,750 |
| Fund balance (deficit), beginning of year | <u>315,111</u> | <u>(294,818)</u> | <u>89,375</u> | <u>104,086</u> | <u>60,000</u> | <u>1,026</u> | <u>(52,149)</u> | <u>(166,643)</u> | <u>(1,438)</u> | <u>54,550</u> | <u>(278,200)</u> |
| Fund balance (deficit), end of year | <u>\$ 124,283</u> | <u>\$(380,195)</u> | <u>\$ 89,375</u> | <u>\$ 94,515</u> | <u>\$ 35,644</u> | <u>\$ 1,026</u> | <u>\$(52,149)</u> | <u>\$(166,643)</u> | <u>\$(11,936)</u> | <u>\$(266,080)</u> | <u>\$ 54,550</u> |

KOSRAE STATE GOVERNMENT

SPECIAL REVENUE FUNDS

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

Year ended September 30, 1989

(With comparative totals for the year ended September 30, 1988)

| | Compact Special Block Grant 221(b) | Compact Health and Medical 216(a)(2) | Compact Energy Compact Scholarship 216(a)(3) | Compact Special Block Grant 214 | Development 212(a) | Fishermen's Revolving Fund | Operations and Maintenance Fund | Federal Grants Assistance Fund | Foreign Assistance | 1989 | 1988 |
|--|--|---|--|---|-----------------------|----------------------------------|--|---|-----------------------|--------------------|------------------|
| Revenues: | | | | | | | | | | | |
| Compact funding: | | | | | | | | | | | |
| Base Grant | \$ 875,000 | \$ 112,122 | \$ - | \$ 450,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$1,437,122 | \$1,593,022 |
| Inflation adjustment | - | - | - | 121,500 | 67,500 | - | - | - | - | 189,000 | 168,000 |
| Department of the | | | | | | | | | | | |
| Interior grants | - | - | - | - | - | - | 146,548 | - | - | 146,548 | 427,541 |
| Federal contributions | - | - | - | - | - | - | - | 1,384,500 | - | 1,384,500 | 1,596,313 |
| Other | - | - | - | - | - | - | - | - | 4,778 | 4,778 | 4,000 |
| Total revenues | <u>875,000</u> | <u>112,122</u> | <u>-</u> | <u>571,500</u> | <u>67,500</u> | <u>-</u> | <u>146,548</u> | <u>1,384,500</u> | <u>4,778</u> | <u>3,161,948</u> | <u>3,788,876</u> |
| Expenditures: | | | | | | | | | | | |
| Personnel services | 667,068 | - | - | - | - | - | 49,506 | 376,387 | 6,206 | 1,099,167 | 1,501,815 |
| Travel | 33,834 | 44,756 | - | - | - | - | 10,067 | 112,935 | 7,870 | 209,462 | 173,860 |
| POL | 3,399 | - | - | 581,071 | 3,230 | - | - | 6,541 | - | 594,241 | 462,842 |
| Capital outlays | 23,230 | - | - | - | 61,395 | - | 15,825 | 76,102 | - | 176,552 | 79,358 |
| Others | <u>338,297</u> | <u>152,743</u> | <u>-</u> | <u>-</u> | <u>27,231</u> | <u>-</u> | <u>71,150</u> | <u>812,535</u> | <u>1,200</u> | <u>1,403,156</u> | <u>1,238,251</u> |
| Total expenditures | <u>1,065,828</u> | <u>197,499</u> | <u>-</u> | <u>581,071</u> | <u>91,856</u> | <u>-</u> | <u>146,548</u> | <u>1,384,500</u> | <u>15,276</u> | <u>3,482,578</u> | <u>3,456,126</u> |
| Excess (deficiency) of revenues over (under) expenditures | (190,828) | (85,377) | - | (9,571) | (24,356) | - | - | - | (10,498) | (320,630) | 332,750 |
| Other sources (uses): | | | | | | | | | | | |
| Operating transfers | - | - | - | - | - | - | - | - | - | - | - |
| Excess (deficiency) of revenues and other sources over expenditures and other uses | (190,828) | (85,377) | - | (9,571) | (24,356) | - | - | - | (10,498) | (320,630) | 332,750 |
| Fund balance (deficit), | | | | | | | | | | | |
| beginning of year | <u>315,111</u> | <u>(294,818)</u> | <u>89,375</u> | <u>104,086</u> | <u>60,000</u> | <u>1,026</u> | <u>(52,149)</u> | <u>(166,643)</u> | <u>(1,438)</u> | <u>54,550</u> | <u>(278,200)</u> |
| Fund balance (deficit), | | | | | | | | | | | |
| end of year | <u>\$ 124,283</u> | <u>\$(380,195)</u> | <u>\$ 89,375</u> | <u>\$ 94,515</u> | <u>\$ 35,644</u> | <u>\$ 1,026</u> | <u>\$(52,149)</u> | <u>\$(166,643)</u> | <u>\$(11,936)</u> | <u>\$(266,080)</u> | <u>\$ 54,550</u> |

KOSRAE STATE GOVERNMENT
Capital Projects Funds
September 30, 1989

Appropriations or grants earmarked to finance capital projects of the Government are accounted for in Capital Projects Funds. A brief discussion of the State's Capital Projects Funds as of September 30, 1989, follows:

TTG - Capital Projects

This fund accounts for various capital projects received under grant awards from the Trust Territory Government.

CFSM State Projects

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

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 1, Section 211.

KOSRAE STATE GOVERNMENT
CAPITAL PROJECTS FUNDS
Combining Balance Sheet
September 30, 1989
(With comparative totals as of September 30, 1988)

| <u>Assets</u> | TTG Capital | CFSM State | Compact | <u>Total</u> | |
|---|-------------------------|------------------------|--------------------------|--------------------------|--------------------------|
| | Projects Fund | Projects Fund | Capital Projects | 1989 | 1988 |
| Cash and equivalents | \$ - | \$ - | \$ 257,729 | \$ 257,729 | \$ - |
| Receivables from: | | | | | |
| Dept. of the Interior grants | 50,134 | - | - | 50,134 | 195,709 |
| FSM National Government | - | 655,406 | - | 655,406 | 389,673 |
| Due from other funds | 789,157 | - | 815,944 | 1,605,101 | 1,170,839 |
| Advances | 14,325 | 8,728 | 25,318 | 48,371 | 27,642 |
| Investments | - | - | 4,863,925 | 4,863,925 | 3,728,365 |
| Total assets | \$ 853,616 ===== | \$664,134 ===== | \$5,962,916 ===== | \$7,480,666 ===== | \$5,512,228 ===== |
| <u>Liabilities and Fund</u> <u>Balance (Deficit)</u> | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 133,307 | \$ 14,492 | \$ 165,578 | \$ 313,377 | \$ 256,767 |
| Due to other funds | 391,461 | 699,567 | - | 1,091,028 | 418,366 |
| Accrued payroll | 5,713 | - | 809 | 6,522 | 6,728 |
| Total liabilities | 530,481 ===== | 714,059 ===== | 166,387 ===== | 1,410,927 ===== | 681,861 ===== |
| Fund balance (deficit): | | | | | |
| Continuing appropriations | 4,243,812 | 132,318 | 1,437,010 | 5,813,140 | 7,210,393 |
| Encumbrances | 2,977,680 | 146,513 | 3,596,042 | 6,720,235 | 5,051,867 |
| Unreserved | (6,898,357) | (328,756) | 763,477 | (6,463,636) | (7,431,893) |
| Total fund balance (deficit) | 323,135 ===== | (49,925) ===== | 5,796,529 ===== | 6,069,739 ===== | 4,830,367 ===== |
| Total liabilities and fund balance (deficit) | \$ 853,616 ===== | \$664,134 ===== | \$5,962,916 ===== | \$7,480,666 ===== | \$5,512,228 ===== |

KOSRAE STATE GOVERNMENT
CAPITAL PROJECTS FUNDS
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance (Deficit)
Year ended September 30, 1989
(With comparative totals for the year ended September 30, 1988)

| <u>Assets</u> | TTG Capital | CFSM State | Compact | <u>Total</u> | |
|---|------------------|-------------------|---------------------|--------------------|--------------------|
| | Projects Fund | Projects Fund | Capital Projects | <u>1989</u> | <u>1988</u> |
| Revenues: | | | | | |
| Compact funding: | | | | | |
| Base amount | \$ - | \$ - | \$2,877,600 | \$2,877,600 | \$2,877,600 |
| Inflation adjustment | - | - | 776,952 | 776,952 | 690,624 |
| Department of the Interior grants | 486,987 | - | - | 486,987 | 2,497,360 |
| FSM National Government contributions | - | 341,029 | - | 341,029 | 239,514 |
| Others | - | - | - | - | 312,050 |
| Total revenues | <u>486,987</u> | <u>341,029</u> | <u>3,654,552</u> | <u>4,482,568</u> | <u>6,617,148</u> |
| Expenditures: | | | | | |
| Capital projects | <u>486,987</u> | <u>341,029</u> | <u>2,415,180</u> | <u>3,243,196</u> | <u>4,509,335</u> |
| Total expenditures | <u>486,987</u> | <u>341,029</u> | <u>2,415,180</u> | <u>3,243,196</u> | <u>4,509,335</u> |
| Revenues over expenditures | - | - | 1,239,372 | 1,239,372 | 2,107,813 |
| Other sources (uses): | | | | | |
| Transfer/general fund | - | - | - | - | - |
| Excess of revenues and other sources over expenditures and other uses | - | - | 1,239,372 | 1,239,372 | 2,107,813 |
| Fund balance (deficit), beginning of year | <u>323,135</u> | <u>(49,925)</u> | <u>4,557,157</u> | <u>4,830,367</u> | <u>2,722,554</u> |
| Fund balance (deficit), end of year | <u>\$323,135</u> | <u>\$(49,925)</u> | <u>\$5,796,529</u> | <u>\$6,069,739</u> | <u>\$4,830,367</u> |
| | ===== | ===== | ===== | ===== | ===== |

KOSRAE STATE GOVERNMENT
CAPITAL PROJECTS FUNDS
Combining Statement of Revenues, Expenditures by Account
and Changes in Fund Balance (Deficit)
Year ended September 30, 1989
(With comparative totals for the year ended September 30, 1988)

| | TTG Capital Projects Fund | CFSM State Projects Fund | Compact Capital Funds | Total | |
|--|---------------------------------|--------------------------------|------------------------------|------------------------------|------------------------------|
| | | | | 1989 | 1988 |
| Revenues: | | | | | |
| Compact funding: | | | | | |
| Base amount | \$ - | \$ - | \$2,877,600 | \$2,877,600 | \$2,877,600 |
| Inflation adjustment | - | - | 776,952 | 776,952 | 690,624 |
| Department of the Interior grants | 486,987 | - | - | 486,987 | 2,497,360 |
| FSM National Government contributions | - | 341,029 | - | 341,029 | 239,514 |
| Others | - | - | - | - | 312,050 |
| Total revenues | <u>486,987</u> | <u>341,029</u> | <u>3,654,552</u> | <u>4,482,568</u> | <u>6,617,148</u> |
| Expenditures: | | | | | |
| Personnel services | 39,047 | 3,007 | 337,935 | 379,989 | 356,293 |
| Travel | 19,589 | 16,399 | 48,380 | 84,368 | 21,795 |
| POL | 22,256 | 600 | 265 | 23,121 | 40,278 |
| Capital outlays | 65,497 | 35,793 | 1,234 | 102,524 | 33,690 |
| Other | <u>340,598</u> | <u>285,230</u> | <u>2,027,366</u> | <u>2,653,194</u> | <u>4,057,279</u> |
| Total expenditures | <u>486,987</u> | <u>341,029</u> | <u>2,415,180</u> | <u>3,243,196</u> | <u>4,509,335</u> |
| Revenues over expenditures | - | - | 1,239,372 | 1,239,372 | 2,107,813 |
| Other sources (uses): | | | | | |
| Transfer/general fund | - | - | - | - | - |
| Excess of revenues and other sources over expenditures and other uses | - | - | 1,239,372 | 1,239,372 | 2,107,813 |
| Fund balance (deficit), beginning of year | <u>323,135</u> | <u>(49,925)</u> | <u>4,557,157</u> | <u>4,830,367</u> | <u>2,722,554</u> |
| Fund balance (deficit), end of year | \$ <u>323,135</u> ===== | \$ <u>(49,925)</u> ===== | \$ <u>5,796,529</u> ===== | \$ <u>6,069,739</u> ===== | \$ <u>4,830,367</u> ===== |

KOSRAE STATE GOVERNMENT
Expendable Trust Funds
September 30, 1989

Specific funds for which the State acts as a trustee are accounted for as Expendable Trust Funds. A brief discussion of the State's Expendable Trust Funds follows:

Agriculture Revolving fund

This fund accounts for the sale of agriculture feed and livestock to farmers.

Production Loan Fund

This fund accounts for low interest loans made to individuals for the purpose of economic development

Scholarship Revolving Loan Fund

This fund accounts for low interest loans made to eligible post-secondary students.

Housing Revolving Fund

This fund accounts for low interest loans which improve housing conditions on Kosrae.

KOSRAE STATE GOVERNMENT
EXPENDABLE TRUST FUNDS

Combining Balance Sheet
September 30, 1989
(With comparative totals as of September 30, 1988)

| <u>Assets</u> | Agriculture Revolving Fund | Production Loan Fund | Scholarship Revolving Fund | Housing Revolving Fund | Totals 1989 | 1988 |
|---|----------------------------------|----------------------------|----------------------------------|------------------------------|----------------|----------------|
| Cash | \$ 6,446 | \$10,235 | \$ - | \$ - | \$ 16,681 | \$ 32,716 |
| Loans receivable | - | 38,605 | 67,641 | 492,380 | 598,626 | 408,776 |
| Other receivables | 22,863 | 2,683 | - | - | 25,546 | 2,154 |
| Due from other funds | - | - | 13,284 | 69,458 | 82,742 | 65,178 |
| Inventory | <u>22,297</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>22,297</u> | <u>32,369</u> |
| Total assets | \$51,606 | \$51,523 | \$80,925 | \$561,838 | \$745,892 | \$541,193 |
| | ===== | ===== | ===== | ===== | ===== | ===== |
| <u>Liabilities and Fund Balance</u> | | | | | | |
| Liabilities | \$ - | \$ 31 | \$ - | \$ 433 | \$ 464 | \$ 31 |
| Fund balance: | | | | | | |
| Related assets | - | 38,605 | 67,641 | 492,380 | 598,626 | 415,320 |
| Unreserved | <u>51,606</u> | <u>12,887</u> | <u>13,284</u> | <u>69,025</u> | <u>146,802</u> | <u>125,842</u> |
| Total fund balance | <u>51,606</u> | <u>51,492</u> | <u>80,925</u> | <u>561,405</u> | <u>745,428</u> | <u>541,162</u> |
| Total liabilities and fund balance | \$51,606 | \$51,523 | \$ 80,925 | \$561,838 | \$745,892 | \$541,193 |
| | ===== | ===== | ===== | ===== | ===== | ===== |

**KOSRAE STATE GOVERNMENT
EXPENDABLE TRUST FUNDS**

Combining Statement of Revenues,
Expenditures and Changes in Fund Balance
Year ended September 30, 1989
(With comparative totals for the year ended September 30, 1988)

| | Agriculture Revolving Fund | Production Loan Fund | Scholarship Revolving Fund | Housing Revolving Fund | Totals | |
|---|----------------------------------|----------------------------|----------------------------------|------------------------------|--------------------|--------------------|
| | | | | | 1989 | 1988 |
| Revenues: | | | | | | |
| Sales | \$114,439 | \$ - | \$ - | \$ - | \$114,439 | \$ - |
| Other | <u>-</u> | <u>1,633</u> | <u>-</u> | <u>-</u> | <u>1,633</u> | <u>18,148</u> |
| Total revenues | <u>114,439</u> | <u>1,633</u> | <u>-</u> | <u>-</u> | <u>116,072</u> | <u>18,148</u> |
| Expenditures: | | | | | | |
| Cost of goods sold | 107,593 | - | - | - | 107,593 | - |
| Other | <u>6,696</u> | <u>145</u> | <u>-</u> | <u>-</u> | <u>6,841</u> | <u>-</u> |
| Total expenditures | <u>114,289</u> | <u>145</u> | <u>-</u> | <u>-</u> | <u>114,434</u> | <u>-</u> |
| Revenues over expenditures | 150 | 1,488 | - | - | 1,638 | 18,148 |
| Other sources (uses): | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess of revenues and other sources over expenditures and other uses | 150 | 1,488 | - | - | 1,638 | 18,148 |
| Fund balance, beginning of year | 51,456 | 45,004 | 80,925 | 363,777 | 541,162 | 472,337 |
| Contributions from other funds | <u>-</u> | <u>5,000</u> | <u>-</u> | <u>197,628</u> | <u>202,628</u> | <u>50,677</u> |
| Fund balance, end of year | \$ 51,606 ===== | \$51,492 ===== | \$80,925 ===== | \$561,405 ===== | \$745,428 ===== | \$541,162 ===== |