

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

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

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STATE OF POHNPEI
 FEDERATED STATES OF MICRONESIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED SEPTEMBER 30, 1989

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INDEPENDENT AUDITOR'S REPORT

Honorable Resio Moses
Governor
State of Pohnpei

We have audited the accompanying general purpose financial statements of the State of Pohnpei, as of September 30, 1989, and for the year then ended. These general purpose financial statements are the responsibility of Pohnpei 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.

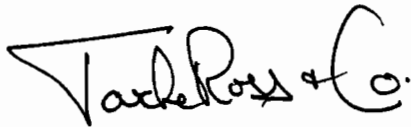
The State did not prepare a statement of changes in financial position as of September 30, 1989, for the enterprise funds presented in the accompanying financial statements as required by generally accepted accounting principles. The condition of the accounting records of the enterprise funds was such to prevent the application of alternative procedures to compile statements of changes in financial position.

In our opinion, except for the State's failure to adequately account for the General Fixed Assets Account Group and to prepare a statement of changes in financial position, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the State of Pohnpei, as of September 30, 1989, and the results of its operations and changes in financial position of its proprietary fund types for the year then ended, in conformity with generally accepted accounting principles.

As discussed in note 8 to the financial statements, the State participates in various U.S. federal assistance programs. Currently, \$2,315,002 of questioned costs exist from the operations of these grants. If these questioned costs are upheld, the General Fund will absorb the disallowed amount. It is not possible at this time to assess the ultimate outcome of this matter and therefore, no liability has been recorded in the accompanying financial statements which may result on ultimate resolution.

Memorandum totals and other balances as of September 30, 1988, have not been audited. These balances have been extracted from the comprehensive annual financial report of the State of Pohnpei for the year ended September 30, 1988, and are presented in the accompanying financial statements for comparative purposes only. The comprehensive annual financial report for the year ended September 30, 1988, was subjected to audit procedures to the extent described in our qualified opinion set forth in our report dated May 5, 1990.

March 16, 1990



Certified Public Accountants

POHNPEI 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 Funds		Fiduciary	Account Groups		Totals	
	General Fund	Special Revenue Funds	Capital Projects Funds	Enterprise Fund	Internal Service	Expendable	General Fixed Assets	General Long-Term Debt	(Memorandum Only)	
						Trust Fund			(As restated Note 9)	
									1989	1988
Cash and equivalents	\$ 212,083	\$1,027,285	\$ -	\$ 507,243	\$ -	\$ -	\$ -	\$ -	\$1,746,611	\$ 609,854
Investments (Note 2)	3,504,039	360,000	12,025,144	-	-	-	-	-	15,889,183	14,122,742
Receivables from other governments (Note 3)	117,314	513,835	43,910	-	-	-	-	-	675,059	456,597
Receivables, federal agencies (Note 3)	-	739,481	-	-	-	-	-	-	739,481	1,803,757
General receivables (Note 4)	517,312	68,118	-	34,910	-	1,851	-	-	622,191	776,537
Advances (Notes 4)	239,494	-	-	1,198,500	-	-	-	-	1,437,994	134,459
Loans receivable, net of allowance for doubtful accounts of \$289,656 in 1989	-	-	-	1,015,382	-	-	-	-	1,015,382	775,154
Due from other funds	1,121,529	808,122	-	-	34,080	294,793	-	-	2,258,524	3,577,305
Inventory, at cost (Note 5)	-	41,645	-	135,829	43,292	-	-	-	220,766	247,544
Investment in fixed assets (Notes 1 and 6)	-	-	-	1,394,774	-	-	66,559,701	-	67,954,475	63,869,655
Amount to be provided for retirement of long-term debt	-	-	-	-	-	-	-	277,660	277,660	277,660
Total assets	<u>\$5,711,771</u>	<u>\$3,558,486</u>	<u>\$12,069,054</u>	<u>\$4,286,638</u>	<u>\$77,372</u>	<u>\$296,644</u>	<u>\$66,559,701</u>	<u>\$277,660</u>	<u>\$92,837,326</u>	<u>\$86,651,264</u>

See accompanying notes to financial statements.

POHNPEI 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 Funds		Fiduciary	Account Groups		Totals	
	General Fund	Special Revenue Funds	Capital Projects Funds	Enterprise Fund	Internal Service	Expendable	General Fixed Assets	General Long-Term Debt	(Memorandum Only)	
						Trust Fund			1989	1988
Liabilities and Fund Equity										
Liabilities:										
Accounts payable	\$ 205,019	\$ 372,279	\$ 121,154	\$ 249,678	\$13,279	\$ -	\$ -	\$ -	\$ 961,409	\$ 2,769,217
Accrued payroll and others	698,206	69,065	4,328	85,942	-	-	-	-	857,541	886,316
Due to other funds	14,640	1,319,139	761,836	162,909	-	-	-	-	2,258,524	3,139,591
Deferred revenue	-	29,646	-	23,257	-	37,462	-	-	90,365	128,373
Notes payable (Note 7)	-	-	-	148,103	-	-	-	-	148,103	-
	<u>917,865</u>	<u>1,790,129</u>	<u>887,318</u>	<u>669,889</u>	<u>13,279</u>	<u>37,462</u>	<u>-</u>	<u>-</u>	<u>4,315,942</u>	<u>6,923,497</u>
Long-term notes payable (Note 7)	-	-	-	1,101,670	-	-	-	-	1,101,670	-
Vacation leave accrual	-	-	-	-	-	-	-	277,660	277,660	277,660
Total liabilities	<u>917,865</u>	<u>1,790,129</u>	<u>887,318</u>	<u>1,771,559</u>	<u>13,279</u>	<u>37,462</u>	<u>-</u>	<u>277,660</u>	<u>5,695,272</u>	<u>7,201,157</u>
Contingencies (Note 10)										
Fund equity:										
Investment in general fixed assets	-	-	-	-	-	-	66,559,701	-	66,559,701	63,845,946
Retained earnings (deficit)	-	-	-	(746,238)	-	-	-	-	(746,238)	(45,348)
Contributed capital (Note 12)	-	-	-	3,261,317	-	-	-	-	3,261,317	833,615
Fund balance:										
Reserved for:										
Related assets	741,875	108,723	-	-	-	-	-	-	850,598	72,638
Encumbrances	550,786	877,904	5,043,042	-	68,373	-	-	-	6,540,105	3,414,353
Continuing appropriations (Note 8)	124,575	88,437	291,231	-	-	-	-	-	504,243	2,062,905
Unreserved (deficit)	<u>3,376,670</u>	<u>693,293</u>	<u>5,847,463</u>	<u>-</u>	<u>(4,280)</u>	<u>259,182</u>	<u>-</u>	<u>-</u>	<u>10,172,328</u>	<u>9,265,998</u>
Total fund equity	<u>4,793,906</u>	<u>1,768,357</u>	<u>11,181,736</u>	<u>2,515,079</u>	<u>64,093</u>	<u>259,182</u>	<u>66,559,701</u>	<u>-</u>	<u>87,142,054</u>	<u>79,450,107</u>
Total liabilities and fund equity	<u>\$5,711,771</u>	<u>\$3,558,486</u>	<u>\$12,069,054</u>	<u>\$4,286,638</u>	<u>\$77,372</u>	<u>\$296,644</u>	<u>\$66,559,701</u>	<u>\$277,660</u>	<u>\$92,837,326</u>	<u>\$86,651,264</u>

See accompanying notes to combined financial statements.

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

	Governmental Fund Types				Totals	
	General	Special	Capital	Expendable	(Memorandum Only)	
	Fund	Revenue	Projects		Trust Fund	1989
Revenues:						
U.S. Compact of Free Association:						
Base grant	\$8,478,000	\$2,997,783	\$ 6,108,000	\$ -	\$17,583,783	\$17,883,783
Inflation adjustment	2,289,060	270,000	1,649,160	-	4,208,220	3,740,640
Department of the Interior grants	-	-	134,875	-	134,875	1,046,321
Revenue sharing	2,330,712	-	-	-	2,330,712	1,986,517
Federal contributions	-	4,351,898	-	-	4,351,898	4,330,578
Taxes and licenses	787,052	-	-	-	787,052	808,509
Fines and penalties	26,792	-	-	-	26,792	84,142
Investment income	2,652,149	-	-	-	2,652,149	612,527
Other	<u>1,090,073</u>	<u>431,553</u>	<u>-</u>	<u>118,484</u>	<u>1,640,110</u>	<u>1,877,920</u>
Total revenues	<u>17,653,838</u>	<u>8,051,234</u>	<u>7,892,035</u>	<u>118,484</u>	<u>33,715,591</u>	<u>32,370,937</u>
Program expenditures:						
General government	4,143,648	73,273	-	-	4,216,921	5,131,328
Health services	2,524,755	1,062,304	-	-	3,587,059	3,611,783
Education	1,321,491	4,528,180	-	-	5,849,671	5,083,827
Resources and development	741,317	1,573,090	-	-	2,314,407	1,018,030
Public works	1,668,144	1,592,375	-	-	3,260,519	2,992,856
Transportation	427,409	-	-	-	427,409	472,306
Boards, commissions and other						
appropriations	402,195	-	-	-	402,195	481,031
Public safety	861,725	-	-	-	861,725	794,610
Capital projects	-	-	7,446,985	-	7,446,985	3,801,418
Culture and recreation	-	-	-	-	-	-
Municipal government	579,282	-	-	-	579,282	693,693
Other	<u>513,262</u>	<u>60,078</u>	<u>-</u>	<u>-</u>	<u>573,340</u>	<u>176,271</u>
Total program expenditures	<u>13,183,228</u>	<u>8,889,300</u>	<u>7,446,985</u>	<u>-</u>	<u>29,519,513</u>	<u>24,257,153</u>
Revenues over (under)						
 expenditures	<u>4,470,610</u>	<u>(838,066)</u>	<u>445,050</u>	<u>118,484</u>	<u>4,196,078</u>	<u>8,113,784</u>
Other sources (uses):						
Recovery against prior year						
medical charges (Note 14)	-	707,155	-	-	707,155	-
Operating transfers out (Note 9)	<u>(289,989)</u>	<u>-</u>	<u>(1,358,004)</u>	<u>-</u>	<u>(1,647,993)</u>	<u>258,124</u>
Total other sources (uses)	<u>(289,989)</u>	<u>707,155</u>	<u>(1,358,004)</u>	<u>-</u>	<u>(940,838)</u>	<u>258,124</u>
Excess of revenues and other						
 sources over expenditures and						
 other uses	4,180,621	(130,911)	(912,954)	118,484	3,255,240	7,855,660
Fund balance, beginning of year	<u>613,285</u>	<u>1,899,268</u>	<u>12,094,690</u>	<u>140,698</u>	<u>14,747,941</u>	<u>6,892,281</u>
Fund balance, end of year	<u>\$4,793,906</u>	<u>\$1,768,357</u>	<u>\$11,181,736</u>	<u>\$259,182</u>	<u>\$18,003,181</u>	<u>\$14,747,941</u>

See accompanying notes to combined financial statements.

POHNPEI STATE GOVERNMENT
Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit) -
Budget and Actual, Budgetary Basis - General Fund
The year ended September 30, 1989

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenue:			
Compact - current	\$10,669,128	\$10,767,060	\$ 97,932
Local revenues	4,226,214	4,234,629	8,415
Investment income	<u> -</u>	<u>2,652,149</u>	<u>2,652,149</u>
Total revenues	<u>14,895,342</u>	<u>17,653,838</u>	<u>2,758,496</u>
Expenditures (budgetary basis):			
General government	5,064,074	4,049,159	1,014,915
Health services	2,923,801	2,607,300	316,501
Education	1,512,700	1,323,286	189,414
Justice	934,024	866,687	67,337
Transportation	491,680	452,024	39,656
Public works	1,894,360	1,682,656	211,704
Conservation and resources	832,263	764,372	67,891
Boards, commissions and other external appropriations	585,585	399,909	185,676
Municipal governments and projects	630,000	580,308	49,692
Other	<u> -</u>	<u>470,136</u>	<u>(470,136)</u>
Total expenditures	<u>14,868,487</u>	<u>13,195,837</u>	<u>1,672,650</u>
Excess of revenues over expenditures	26,855	4,458,001	4,431,146
Other financing sources (uses):			
Operating transfers out	<u>(339,376)</u>	<u>(303,369)</u>	<u>36,007</u>
Total other financing sources (uses)	<u>(339,376)</u>	<u>(303,369)</u>	<u>36,007</u>
Excess of revenues and other sources over expenditures and other uses	(312,521)	4,154,632	4,467,153
Unreserved fund balance, beginning of year	13,913	13,913	-
Other changes in unreserved fund balance:			
Increase in reserve for related assets	-	(741,875)	(741,875)
Increase in reserve for continuing appropriations	<u> -</u>	<u>(50,000)</u>	<u>(50,000)</u>
Unreserved fund balance (deficit), end of year	<u>\$ (298,608)</u> =====	<u>\$3,376,670</u> =====	<u>\$3,675,278</u> =====

See accompanying notes to combined financial statements.

POHNPEI STATE GOVERNMENT
 Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit) -
 Budget and Actual, Budgetary Basis - Special Revenue Funds
 The year ended September 30, 1989

	Budget	Actual	Variance
Revenue:			
Compact - base grants	\$3,267,783	\$3,267,783	\$ -
Federal contributions	4,351,898	4,351,898	-
Other	-	431,553	431,553
Total revenues	7,619,681	8,051,234	431,553
Expenditures (budgetary basis):			
General government	415,233	152,006	263,227
Health services	838,528	1,046,723	(208,195)
Public Works	1,651,905	1,405,662	246,243
Education	4,359,883	3,913,638	446,245
Conservation and resources	1,277,236	1,558,637	(281,401)
Other	-	68,581	(68,581)
Total expenditures	8,542,785	8,145,247	397,538
Excess (deficiency) of revenues over expenditures	(923,104)	(94,013)	829,091
Other financing sources (uses):			
Recovery of prior year debts (Note 14)	-	707,155	(707,155)
Total other financing sources (uses)	-	707,155	(707,155)
Excess (deficiency) of revenues and other sources over expenditures and other uses	(923,104)	613,142	(1,536,246)
Unreserved fund balance, beginning of year	315,140	315,140	-
Other changes in unreserved fund balance:			
Increase in reserve for related assets	-	(69,376)	69,376
Increase in reserve for continuing appropriations	-	(820,318)	820,318
Unreserved fund balance (deficit), end of year	\$(607,964)	\$(38,588)	\$(646,552)

See accompanying notes to combined financial statements.

POHNPEI STATE GOVERNMENT
 Combined Statement of Revenues, Expenses and Changes in Fund
 Equity (Deficit) All Proprietary Fund Types
 The year ended September 30, 1989
 (With comparative totals for the year ended September 30, 1988)

	Enterprise Fund	Internal Service Fund	Total (Memorandum Only)	
			1989	1988
Revenues:				
Contract revenues	\$ -	\$ -	\$ -	\$ 251,107
Charges for services	372,714	26,786	399,500	408,625
Rental income	32,511	-	32,511	37,677
Other	<u>18,140</u>	<u>-</u>	<u>18,140</u>	<u>30,505</u>
Total revenues	<u>423,365</u>	<u>26,786</u>	<u>450,151</u>	<u>727,914</u>
Operating expenses:				
Personnel services	286,893	-	286,893	706,858
Travel	11,699	-	11,699	35,191
Supplies and materials	12,642	41,946	54,588	152,628
Fuel	2,390	-	2,390	59,810
Capital outlays	20,559	-	20,559	1,446
Contractual Services	1,358,004	-	1,358,004	-
Other	<u>1,019,153</u>	<u>-</u>	<u>1,019,153</u>	<u>369,501</u>
Total operating expenses	<u>2,711,340</u>	<u>41,946</u>	<u>2,753,286</u>	<u>1,325,434</u>
Operating income (loss)	<u>(2,287,975)</u>	<u>(15,160)</u>	<u>(2,303,135)</u>	<u>(597,520)</u>
Non-operating revenues (expenses):				
Operating transfers in (Note 9)	1,647,993	-	1,647,993	258,124
Others, interest expense	<u>(49,608)</u>	<u>-</u>	<u>(49,608)</u>	<u>59,091</u>
Total non-operating revenues (expenses), net	<u>1,598,385</u>	<u>-</u>	<u>1,598,385</u>	<u>317,215</u>
Net (loss)	(689,590)	(15,160)	(704,750)	(280,305)
Retained earnings, (deficit), beginning of year	<u>(56,648)</u>	<u>79,253</u>	<u>22,605</u>	<u>302,910</u>
Retained earning (deficit), end of year	\$ (746,238) =====	\$ 64,093 =====	\$ (682,145) =====	\$ 22,605 =====
Contributed Capital, beginning of year	\$ 833,615	\$ -	\$ 833,615	\$ -
Additions for the year	<u>2,427,702</u>	<u>-</u>	<u>2,427,702</u>	<u>833,615</u>
Contributed Capital, end of year	\$3,261,317 =====	\$ - =====	\$3,261,317 =====	\$833,615 =====

See accompanying notes to combined financial statements.

POHNPEI STATE GOVERNMENT
 Combined Statement of Changes in Financial Position
 All Proprietary Fund Types
 The year ended September 30, 1989
 (With comparative totals for the year ended September 30, 1988)

	Internal Service Fund	Total (Memorandum Only)	
		1989	1988
Sources (uses) of working capital:			
Net loss	\$(15,160)	\$(15,160)	\$(23,167)
 Net decrease in working capital	 \$(15,160) =====	 \$(15,160) =====	 \$(23,167) =====
 Elements of net increase (decrease) in working capital:			
Inventory	\$ -	\$ -	\$ 627
Accounts payable	(9,628)	(9,268)	5,300
Due to/from other funds	<u>(5,532)</u>	<u>(5,532)</u>	<u>(29,094)</u>
 Net decrease in working capital	 \$(15,160) =====	 \$(15,160) =====	 \$(23,167) =====

See accompanying notes to combined financial statements.

POHNPEI 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 Pohnpei.

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 a fiduciary fund. The Account Groups include General Fixed Assets and General Long-Term Debt.

The State of Pohnpei's governmental funds include:

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;
3. The Capital Projects Fund - used to account for the acquisition or construction of all major governmental general fixed assets.

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

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

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

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

(1) Significant Accounting Policies, Continued

The proprietary funds are accounted for on the accrual basis of accounting and at September 30, 1989, include the following:

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

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

The fiduciary fund includes only one Expendable Trust Fund which is 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. The only Expendable Trust Fund existing at September 30, 1989, is the Public Land Trust Fund which accounts for all revenues granted for the administration, management and disposition of public lands in the State.

C. Fixed Assets and Long-Term Liabilities

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

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

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

(1) Significant Accounting Policies, Continued

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

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

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

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

Fixed assets recorded in the Enterprise Funds are recorded at cost or estimated cost. They are being depreciated principally on a straightline basis over estimated useful lives ranging from 5 to 25 years. Fixed assets for Enterprise funds as of September 30, 1989, are as follows:

	<u>Pohnpei Economic Development Authority</u>
Building	\$ 12,833
Vehicles and Vessels	1,524,413
Central Office Assets	<u>33,922</u>
Less accumulated depreciation	<u>(176,394)</u>
Total Fixed Assets, Net	<u>\$1,394,774</u> =====

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

(1) Significant Accounting Policies, Continued

D. Budgetary Process

Legislation requires the Governor to present a proposed budget to the Legislature at the beginning of each annual session. The Legislature enacts the budget which details specific departmental appropriations, the sum of which may not exceed estimated revenues. Before signing the Appropriations Act, the Governor may veto or reduce any specific appropriation, subject to legislative override. Once passed and signed, the budget becomes the State's financial plan for the ensuing fiscal year.

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 certain Executive and Legislative branch approval.

Unencumbered appropriations normally lapse at the end of each fiscal year unless they are otherwise specifically designated by the Legislature.

E. Receivables

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

F. Interfund Transactions

The State of Pohnpei has two types of Interfund transactions:

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

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.

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

(1) Significant Accounting Policies, Continued

H. Actual Expenditures Contrasted With Budgetary Expenditures

1. Actual expenditures are charges which represent the total of all current year liabilities incurred which were attributable to the operations of the respective functional areas; such liabilities may represent liquidations of either current or prior year encumbrances.
2. In contrast, budgetary expenditures represent current charges against appropriations; current charges consist of all current year liquidated and unliquidated encumbrances. For each functional area, budgetary expenditures are determined by subtracting both current year liquidations of prior year encumbrances and unliquidated prior year encumbrances from the combined total of current year actual expenditures and all unliquidated encumbrances. 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.

I. Fund Balance Reserves and Designations

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

J. Totals - Memorandum Only

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

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

(1) Significant Accounting Policies, Continued

K. Deposits

Bank deposits are fully insured by federal depository insurance agencies. State statutes require all deposits to be with banking institutions that have at least \$500 million dollars of assets or are insured by the Federal Deposit Insurance Corporation (FDIC).

(2) Cash and Investments

The State has adopted the by-laws of 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 the accounting system and records necessary to account for investment funds placed with the Authority on behalf of Pohnpei 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 are:

1. Stock - 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 & 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%.

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

(2) Cash and Investments, Continued

- B. The equity portfolio shall be diversified among issues and industry classifications. No more than 25% of the equity portfolio may be invested in any single classification, as described by the Standard and Poors 500 Index, unless prior approval is received from the FSM Secretary of Finance.
- C. No investment may be made in a single corporate entity which exceeds 5% of the total assets of the fund at the time of purchase without prior approval of the Secretary of Finance.

Funds invested with Hawaiian Trust Co. on behalf of Pohnpei 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	\$ 1,566,427	\$ 1,566,427
	<u>1,566,427</u>	<u>1,566,427</u>
<u>Investments</u>		
Pooled Investment Securities	<u>15,889,183</u>	<u>15,842,130</u>
Total	<u>\$17,455,610</u>	<u>\$17,408,557</u>

The State is of the opinion that the \$47,053 reduction in market value is a temporary downturn in the market and not a permanent impairment of asset value.

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

General Fund

Certificate of deposit with FDIC insured bank	\$ 100,000
Cash deposited in Non-FDIC insured bank	21,474
Net bank overdraft in checking and savings accounts with FDIC insured banks	(448,533)
Cash on deposit with Hawaiian Trust Co.	<u>539,142</u>
Total General Fund Cash and Equivalents	<u>\$ 212,083</u>

Special Revenue Fund

Cash on deposit with Hawaiian Trust Co.	<u>\$1,027,285</u>
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POHNPEI STATE GOVERNMENT
 Notes to Combined Financial Statements, Continued
 September 30, 1989

(2) Cash and Investments, Continued

Enterprise Funds

Pohnpei Economic Development Authority (EDA):	
Cash in checking and savings accounts with FDIC insured banks	\$ 23,319
Certificate of deposit with FDIC insured bank	<u>35,437</u>
Total EDA cash and equivalents	<u>58,756</u>
Pohnpei State Housing Authority (PSHA):	
Cash in checking and savings accounts with FDIC insured banks	251,487
Certificate of deposit with FDIC insured bank	<u>197,000</u>
Total PSHA cash and equivalents	<u>448,487</u>
Total Enterprise Fund cash and equivalents	\$ 507,243 =====

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 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.

The State's demand and time deposits are non-categorized investments in accordance with Governmental Accounting Standards Board (GASB) Statement #3. All other 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 in its role as the primary grant recipient of U.S. federal assistance programs, Congress of the Federated States of Micronesia public project grants, and U.S. Department of Interior capital project grants through the Trust Territory Government.

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

(4) General Receivables and Advances

A summary of General Fund receivables against which an allowance for doubtful accounts has been recorded as of September 30, 1989, is presented below:

<u>General Receivables</u>	<u>Balance</u>	<u>Allowance</u>	<u>Net</u>
Utilities	\$1,469,200	\$1,057,824	\$ 411,376
Delinquent taxes	250,176	182,628	67,548
Miscellaneous	107,446	69,058	38,388
	<u>\$1,826,822</u>	<u>\$1,309,510</u>	<u>\$ 517,312</u>

The Pohnpei State Economic Development Authority (Enterprise Fund) has a \$34,910 general receivable net of a \$38,582 allowance for doubtful accounts. Various Special Revenue revolving funds and the Expendable Trust Fund have general receivable balances aggregating \$68,118 and \$1,851, respectively. These balance are fully reserved for within the reserve for related assets component of fund balance in the applicable funds.

Advances

The General Fund has \$239,494 of advances made to State government employees and medical referral patients for travel related expenditures. These advances are to be liquidated by submission of an expense voucher following the completion of travel.

The Pohnpei State Economic Development Authority (EDA) entered into a long term capital improvement contract with a foreign contractor. The contract called for a \$1,198,500 advance payment. The payment was made on behalf of the EDA by an appropriation from the State's Compact 211(a) Capital account fund and was accounted for as contributed capital by EDA.

(5) Inventory of Supplies

The Internal Service fund has general operational and office supplies of \$43,292 as of September 30, 1989. The Pohnpei State Economic Development Authority and Housing Authority (Enterprise Funds) have \$109,710 and \$26,119, respectively of general merchandise and construction materials on hand. The Agriculture Revolving fund (Special Revenue Fund) has \$41,645 of agriculture production supplies of which the entire balance is reserved for within the reserve for related assets component of fund balance.

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

(6) Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

	Balance October 1, 1988	Additions	Deletions	Balance September 30, 1989
Building	\$ 9,743,710	\$ 311,740	\$ -	\$10,055,450
Infrastructure	52,299,865	222,421	-	52,552,286
Equipment	<u>1,802,371</u>	<u>2,471,217</u>	<u>(291,623)</u>	<u>3,981,965</u>
	<u>\$63,845,946</u>	<u>\$ 3,005,378</u>	<u>\$ (291,623)</u>	<u>\$66,559,701</u>

Investment in general fixed assets as of September 30, 1989, by source, is summarized below:

General Fund	\$ 3,306,139
U.S. Federal Grants	1,315,470
Department of the Interior - Capital Projects	61,179,838
Department of the Interior - O & M	23,081
FSM Congressional Fund	630,999
Other	<u>104,174</u>
	<u>\$66,559,701</u>

(7) Notes Payable - Enterprise Fund

The Pohnpei State Economic Development Authority (EDA) borrowed funds under various note agreements to finance the purchase of four fishing vessels and other fishing equipment. The agreements are detailed as follows:

	<u>Current</u>	<u>Non-current</u>
Federated States of Micronesia		
Development Bank, Principal: \$250,000	\$ 48,330	\$ 201,670
Interest: 5% per annum		
Collateral: Assignment of income from the capital project and chattel mortgage on vessels.		
Copenhagen Handles Bank:		
2-Year term loan, Principal: \$900,000	-	900,000
Interest: 10.8125% per annum		
Principal and interest due at maturity, June 22, 1991		
Collateral: nil		
Temporary demand note, principal: \$81,495	81,495	-
interest: 10.8125% per annum		
Bank of Guam, principal: \$17,832		
interest: 10% per annum		
principal and interest due at maturity, November 16, 1989	<u>18,278</u>	<u>-</u>
	<u>\$ 148,103</u>	<u>\$1,101,670</u>

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

(8) Continuing Appropriations

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

General Fund

Graduate assistance loan fund	\$ 10,181
Scholarship fund	44,000
Kapinga illegal fishing fee	20,394
Codification of Pohnpei State laws	<u>50,000</u>

Total General Fund continuing appropriations \$124,575

Compact of Free Association - Special Revenue,
Title Two, Article 1, Section 221b

Various State approved projects \$ 88,437

Compact of Free Association - Capital Projects,
Title Two, Article 1, Section 211

Various State approved projects \$291,231

(9) Transfers

General fund and Capital Projects Fund transfers to the Enterprise funds for the year ended September 30, 1989, are as follows:

Pohnpei State Transportation Authority	\$ 44,070
Pohnpei State Economic Development Authority	140,412
Pohnpei State Housing Authority	<u>105,507</u>
Total General Fund transfers	289,989

Compact Capital Projects Fund transfers to the Pohnpei State Transportation Authority for performance on various capital improvement contracts 1,358,000

Total General Funds and Capital Projects Fund transfers \$1,647,993

(10) Contingencies

Federal Program Questioned Costs

The State participates in a number of U.S. federally assisted grant programs. These programs are subject to financial and compliance audits to ascertain if Federal laws and guidelines have been followed. Currently, \$271,650 in questioned costs exist for the operation of fiscal year 1984

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

(10) Contingencies, Continued

through 1989 grants. If these questioned costs are ultimately disallowed, the General Fund may bear responsibility for absorbing the amount so disallowed. Pursuant to Title I, Section 105 of United States Public Law 99-239 the Government of the Federated States of Micronesia (FSM) is no longer liable for debts to U.S. federal agencies arising prior to the date of the implementation of the Compact of Free Association. This matter has not yet been officially resolved with the U.S. Government.

Sick Leave

It is the policy of the State of Pohnpei 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, is not available.

Litigation

The State of Pohnpei is party to numerous legal proceedings, many of which are normal recurrences in governmental operations. The State Attorney of Pohnpei is of the opinion that the probable outcome of suits existing at September 30, 1989, is not predictable but could have a material impact on the accompanying financial statements.

(11) Enterprise fund - segment data

Selected financial data for enterprise funds as of and for the year ended September 30, 1989, is as follows:

	<u>Pohnpei Transportation Authority</u>	<u>Pohnpei Economic Deve- lopment Authority</u>	<u>Pohnpei State Housing Authority</u>
Total assets	\$ - =====	\$2,893,114 =====	\$1,393,524 =====
Total equity (deficit)	\$ (352,519) =====	\$1,543,386 =====	\$1,324,212 =====
1989 net earnings (loss)	\$ (46,286) =====	\$ (492,757) =====	\$ (150,547) =====
1989 non-operating revenue	\$1,402,074 =====	\$ 90,804 =====	\$ 105,507 =====
1989 bad debt expense	\$ - =====	\$ 16,949 =====	\$ 176,075 =====
Allowance for doubtful accounts	\$ - =====	\$ 38,582 =====	\$ 289,656 =====

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

(12) Contributed Capital - Enterprise Funds

During the year, contributed capital increased by the following amounts:

	<u>Pohnpei Economic Development Authority</u>	<u>Pohnpei State Housing Authority</u>	<u>Total</u>
Contribution from the State for capital expenditures	\$1,498,500	\$ -	\$1,498,500
Contribution from the State to fund a housing loan program	-	739,557	739,557
In-kind contribution from a Foreign Government	89,645	-	89,645
Contribution from FSM Congress	<u>-</u>	<u>100,000</u>	<u>100,000</u>
Total contributed capital received	<u>\$1,588,145</u>	<u>\$ 839,557</u>	<u>\$2,427,702</u>

(13) Material fund deficits

The following presents 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.

U.S. Federal Assistance Fund - Special Revenue Fund	<u>\$161,579</u>
Pohnpei Transportation Authority - Enterprise Fund	<u>\$352,519</u>
Other Direct Assistance Fund	<u>\$ 63,814</u>
CFSM Special Revenue Fund	<u>\$ 37,783</u>

(14) Recovery of Prior Year Debts

Compact Special Block Fund Section 122 (b)

An authorization exists in the Compact of Free Association which relieves the State of all unpaid medical referral obligations incurred prior to the inception of the Compact Agreement, November 3, 1986. The State is of the opinion that these obligations are no longer valid obligations of the State and has reversed the prior liability and recorded this amount as an other source of income, recovery of prior year debts.

\$707,155

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

(15) Reclassification of CFSM Project Fund

Based on the nature of the transactions involved, the State has reclassified the CFSM Project Fund from the Capital Project Funds to the Special Revenue Funds for fiscal year 1989. Pursuant to this reclassification, memorandum totals for fiscal year 1988 have been restated to reflect this reclassification.

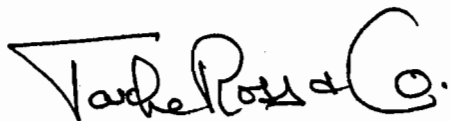
(16) Subsequent Event

Subsequent to September 30, 1989, the State borrowed \$5.1 million through a medium term note program to fund economic development projects in the State. The repayment of the notes is secured by future Compact of Free Association cash flows. The interest rate on the notes is 9.57% and the maturity is in October, 1995.

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 Pohnpei 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 Pohnpei 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 16, 1990, on the general purpose financial statements of the State of Pohnpei 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 a whole.

March 16, 1990



Certified Public Accountants

POHNPEI STATE GOVERNMENT
 Combining Schedule of Expenditures by Account -
 All Governmental Fund Types and Expendable Trust Fund
 The 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>
Expenditures:						
Personnel services	\$ 7,968,705	\$4,036,277	\$ 164,618	\$ -	\$12,169,600	\$11,677,602
Travel	625,215	262,215	36,880	-	924,310	618,279
Supplies and materials	993,828	2,147,096	266,658	-	3,407,582	2,926,285
Fuel	844,051	855,850	2,985	-	1,702,886	1,452,249
Equipment	352,714	557,062	175,966	-	1,085,742	1,059,027
Contractual Services	1,009,163	717,829	6,799,878	-	8,526,870	4,625,794
Other	<u>1,389,552</u>	<u>312,971</u>	<u>-</u>	<u>-</u>	<u>1,702,523</u>	<u>1,897,917</u>
Total expenditures	<u>\$13,183,228</u>	<u>\$8,889,300</u>	<u>\$7,446,985</u>	<u>\$ -</u>	<u>\$29,519,513</u>	<u>\$24,257,153</u>

STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA
GENERAL FUND
SEPTEMBER 30, 1989

General Fund

The general fund is used to account for resources traditionally associated with governments which are not required to be accounted for in another fund. The United States Compact of Free Association current account and inflation adjustment funds associated with the current account are accounted for in this fund in addition to local tax and other revenues.

STATE OF POHNPEI
 FEDERATED STATES OF MICRONESIA
 Balance Sheet - General Fund
 September 30, 1989
 (With Comparative Totals as of September 30, 1988)

	1989	1988
<u>Assets</u>		
Cash and equivalents	\$ 212,083	\$ 402,901
Investments	3,504,039	1,252,645
Receivables from other governments	117,314	137,212
General receivables	517,312	522,311
Advances	239,494	134,459
Due from other funds	1,121,529	626,560
Total assets	<u>\$5,711,771</u>	<u>\$3,076,088</u>
 <u>Liabilities and Fund Balance</u>		
Liabilities:		
Accounts payable	\$ 205,019	\$ 446,874
Accrued payroll and others	698,206	817,973
Due to other funds	14,640	1,197,956
Total liabilities	917,865	2,462,803
Fund balance:		
Reserved for related assets	741,875	-
Encumbrances	550,786	524,797
Continuing appropriations	124,575	74,575
Unreserved	3,376,670	13,913
Total fund balance	4,793,906	613,285
Total liabilities and fund balance	<u>\$5,711,771</u>	<u>\$3,076,088</u>

POHNPEI STATE GOVERNMENT
 Statement of Revenues, Expenditures by Account and
 Changes in Fund Balance - General Fund
 The year ended September 30, 1989
 (With comparative totals for the year ended September 30, 1988)

	1989	1988
Revenues:		
Compact of Free Association:		
Base grant	\$ 8,478,000	\$ 8,478,000
Inflation adjustment	2,289,060	2,034,720
Department of the Interior grants	-	-
Revenue sharing	2,330,712	1,986,517
Taxes and licenses	787,052	808,509
Fines and penalties	26,792	84,142
Investment income	2,652,149	612,527
Other	1,090,073	1,260,230
Total revenues	17,653,838	15,264,645
Program expenditures:		
Personnel services	7,968,705	9,427,304
Travel	625,215	465,548
Supplies and materials	993,828	974,866
Fuel	844,051	656,637
Equipment	352,714	355,812
Contractual Services	1,009,163	987,864
Other	1,389,552	130,186
Total program expenditures	13,183,228	12,998,217
Revenues over expenditures	4,470,610	2,266,428
Other sources (uses):		
Operating transfers out	(289,989)	(258,124)
Total sources (uses)	(289,989)	(258,124)
Excess of revenues and other sources over expenditures and other uses	4,180,621	2,008,304
Fund balance (deficit), beginning of year	613,285	(1,395,019)
Fund balance, end of year	\$ 4,793,960	\$ 613,285

POHNPEI STATE GOVERNMENT
Statement of Revenues, Expenditures by Function and Department
General Fund
The year ended September 30, 1989
(With comparative totals for the year ended September 30, 1988)

	1989	1988
Revenues:		
Compact of Free Association:		
Base grant	\$8,478,000	\$8,478,000
Inflation adjustment	2,289,060	2,034,720
Revenue sharing	2,330,712	1,986,517
Investment income	2,652,149	612,527
State taxes and licenses:		
Beer and malt beverages	\$ 283,373	\$ 293,881
Cigarette	78,701	87,600
Motor vehicle sales tax	102,518	86,903
General merchandise sales tax	77,376	59,710
Hotel	44,620	39,803
Petroleum and fuel sales tax	24,838	29,010
Use tax	165,351	96,018
Others	<u>10,275</u>	<u>115,584</u>
	787,052	808,509
Public service charges:		
Utilities	633,130	736,383
Hospital and dental	209,697	187,534
Transportation	<u>101,553</u>	<u>40,960</u>
	944,380	964,877
Fines and penalties	26,792	84,142
Other	<u>145,693</u>	<u>295,353</u>
	1,116,864	1,344,371
Total revenues	<u>17,653,838</u>	<u>15,264,645</u>
Expenditures:		
General government:		
Governor and staff	254,331	232,299
Special assistants and miscellaneous	747,836	489,620
Director of Treasury	511,295	560,376
Public auditor	47,687	61,141
Public broadcast station	157,707	215,669
Judiciary	568,354	507,014
Legislative operations	<u>1,334,657</u>	<u>1,188,990</u>
	3,621,867	3,255,109
Sub-total	<u>3,621,867</u>	<u>3,255,109</u>
Department of Land:		
Administration	73,020	60,023
Surveys and mapping	302,470	244,425
Historic preservation	25,796	21,071
Parks and recreation	16,152	14,486
Management of public lands	<u>104,343</u>	<u>74,279</u>
	521,781	414,284
Sub-total	<u>521,781</u>	<u>414,284</u>
Total General Government	<u>4,143,648</u>	<u>3,669,393</u>

POHNPEI STATE GOVERNMENT
 Statement of Revenues, Expenditures by Function and Department -
 General Fund, Continued
 The year ended September 30, 1989
 (With comparative totals for the year ended September 30, 1988)

	1989	1988
Department of Health Services:		
Administration	\$ 523,936	\$1,472,442
Medical services	955,284	-
Dental services	261,293	241,871
Medical supplies	464,462	-
Public health	152,974	128,187
Medical referrals	166,806	122,681
Total Health Services	2,524,755	1,965,181
Department of Education:		
Administration	103,449	99,936
Education services and development	292,406	-
Elementary	-	1,975,417
Secondary	683,836	538,158
Aid to non public school	100,000	-
Vocational rehabilitation	27,606	-
Headstart	108,016	-
PICS	6,178	12,500
Total Education	1,321,491	2,626,011
Department of Conservation and Resource Development:		
Administration	57,706	93,847
Marine resources	122,865	117,273
Agriculture	387,703	335,311
Forestry	95,252	101,824
Economic Planning	25,578	32,332
Energy	50,302	45,058
Other	1,911	15,000
Total Resources and Development	741,317	740,645
Department of Public Works:		
Administration	65,996	55,119
Operations and maintenance	226,397	252,793
Utility services	1,282,392	1,160,283
Construction management	83,559	57,123
Other	9,800	15,387
Total Public Works	1,668,144	1,540,705
Department of Transportation:		
Micro Glory	335,680	388,490
Transportation office	91,729	83,816
Total Transportation	427,409	472,306

POHNPEI STATE GOVERNMENT
 Statement of Revenues, Expenditures by Function and Department -
 General Fund, Continued
 The year ended September 30, 1989
 (With comparative totals for the year ended September 30, 1988)

	1989	1988
Boards, commissions and other appropriations:		
Public Lands Authority	\$ 8,646	\$ -
Tourist commission	42,731	31,407
Micronesia Legal Services	39,326	37,000
Public land board	-	32,779
Sports council	56,241	67,566
Farmers Home Administration	77,935	116,797
MTAP	5,723	-
Traditional affairs	3,680	3,030
Women's Program	28,567	31,165
Foreign investment board	35,597	25,887
Pohnpei Public Library	16,566	-
Aramas Kapw	-	13,480
ALMS fund	4,941	8,427
88 Inaugural ceremony	-	5,000
Renovation Government housing	12,288	20,032
South Pacific Arts Festival	642	44,944
Guam Island fair	17,751	17,039
Migrant worker	-	26,478
Palau-Guam Tournament	21,400	-
Pohnpei Senior League Team	25,328	-
Other	4,833	-
Total boards, commissions and other	402,195	481,031
Department of Justice:		
Administration	84,057	77,403
Public safety	493,449	423,631
Correction and rehabilitation	104,259	103,635
Fire and disaster	73,160	62,854
Legal affairs	106,800	127,087
Total Public Safety	861,725	794,610
Municipal Governments:		
Sokehs	86,240	96,067
Kitti	110,000	114,340
Madolenihmw	93,600	153,370
Uh	61,610	68,897
Kolonias	68,800	83,742
Balance forward	420,250	516,416

POHNPEI STATE GOVERNMENT
 Statement of Revenues, Expenditures by Function and Department -
 General Fund, Continued
 The year ended September 30, 1989
 (With comparative totals for the year ended September 30, 1988)

	1989	1988
Balance forwarded	\$ 420,250	\$ 516,416
Municipal Governments, continued:		
Pingilap	17,539	36,000
Nett	70,987	50,470
Kapingamarangi	18,778	28,890
Ngatik	6,728	21,622
Mokil	15,000	25,545
Nukuoro	30,000	14,750
Total Municipal Governments	579,282	693,693
Other:		
other expenditures	513,262	14,642
Total expenditures	13,183,228	12,998,217
Revenues over expenditures	4,470,610	2,266,428
Other sources (uses):		
Operating transfers out	(289,989)	(258,124)
Total other sources (uses)	(289,989)	(258,124)
Excess of revenue and other sources over expenditures and other uses	4,180,621	2,008,304
Fund balance (deficit), beginning of year	613,285	(1,395,019)
Fund balance, end of year	\$4,793,906	\$ 613,285

POHNPEI STATE GOVERNMENT



Statement of Revenues and Expenditures by Function and Changes in
Fund Balance - Budget and Actual, Budgetary Basis - General Fund
The year ended September 30, 1989

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenue:			
Compact - current	\$10,669,128	\$10,767,060	\$ 97,932
Local revenues	4,226,214	4,234,629	8,415
Investment income	<u>-</u>	<u>2,652,149</u>	<u>2,652,149</u>
Total revenues	<u>14,895,342</u>	<u>17,653,838</u>	<u>2,758,496</u>
Expenditures by function and department:			
General Government:			
Executive Branch:			
Governor and staff	245,000	238,492	6,508
Special assistants	225,400	209,606	15,794
Treasury	548,815	513,179	35,636
Budget	291,700	246,917	44,783
Personnel	157,930	162,269	(4,339)
Public affairs	171,993	163,862	8,131
Prior year obligation	300,000	-	300,000
Land	604,979	521,765	83,214
National Health Insurance	<u>300,000</u>	<u>116,557</u>	<u>183,443</u>
	<u>2,845,817</u>	<u>2,172,647</u>	<u>673,170</u>
Legislative Branch:			
Legislative operations	497,200	483,610	13,590
Standing committees	117,000	79,345	18,474
Office of the speaker	46,000	36,063	9,937
Division of legislative clerk	112,404	114,243	(1,839)
Division of administrative services	141,257	132,265	8,992
Division of legislative counsel	371,748	259,933	111,815
Codification of Pohnpei State Law	50,000	-	50,000
Other	<u>170,000</u>	<u>185,898</u>	<u>3,283</u>
	<u>1,505,609</u>	<u>1,291,357</u>	<u>214,252</u>
Judicial Branch:			
Supreme court	287,348	278,277	9,071
Chief Justice Configency	3,000	2,912	88
Municipal judges	85,600	86,577	(977)
Public land commission	<u>190,900</u>	<u>185,753</u>	<u>5,147</u>
	<u>566,848</u>	<u>553,519</u>	<u>13,329</u>
Public auditor	83,300	32,315	50,985
Special Audit	2,500	-	2,500
Uniform accounting system	-	(679)	679
Single Audit	<u>60,000</u>	<u>-</u>	<u>60,000</u>
	<u>145,800</u>	<u>31,636</u>	<u>114,164</u>
Total General Government	<u>5,064,074</u>	<u>4,049,159</u>	<u>1,014,915</u>

POHNPEI STATE GOVERNMENT

Statement of Revenues and Expenditures by Function and Changes in
Fund Balance - Budget and Actual, Budgetary Basis - General Fund,
Continued

The year ended September 30, 1989

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Health Services:			
Hospital and dispensaries	\$2,280,339	\$2,059,982	\$220,357
Dental	301,738	246,529	55,209
Medical referrals	114,424	142,276	(27,852)
Public health	<u>227,300</u>	<u>158,513</u>	<u>68,787</u>
Total Health Services	<u>2,923,801</u>	<u>2,607,300</u>	<u>316,501</u>
Education:			
Administration	130,840	103,563	27,277
Headstart	108,000	108,016	(16)
Secondary	757,960	685,078	72,882
PICS meal program	20,000	6,616	13,384
AID To Non Public School	100,000	100,000	-
Vocational rehabilitation program	24,500	27,606	(3,106)
Education Services and Development	<u>371,400</u>	<u>292,407</u>	<u>78,993</u>
Total Education	<u>1,512,700</u>	<u>1,323,286</u>	<u>189,414</u>
Conservation and Resources:			
Administration	65,428	57,362	8,066
Marine resources	159,220	151,744	7,476
Agriculture	389,967	386,810	3,157
Forestry	138,000	98,410	39,590
Economic planning	22,400	25,568	(3,168)
Energy	53,248	42,567	10,681
Purchase of Solar Equipment	<u>4,000</u>	<u>1,911</u>	<u>2,089</u>
Total Conservation and Resources	<u>832,263</u>	<u>764,372</u>	<u>67,891</u>
Public Works:			
Administration	69,700	68,762	938
Operations and maintenance	275,000	229,043	45,957
Utility services	673,060	660,061	12,999
Construction management	104,600	84,041	20,559
CAT program	14,000	9,800	4,200
Fuel for Power Plant	750,000	623,004	126,996
Purchase of Electrical Meters	<u>8,000</u>	<u>7,945</u>	<u>55</u>
Total Public Works	<u>1,894,360</u>	<u>1,682,656</u>	<u>211,704</u>
Transportation:			
Sea and air	104,000	102,276	1,724
Micro glory	<u>387,680</u>	<u>349,748</u>	<u>37,932</u>
Total Transportation	<u>491,680</u>	<u>452,024</u>	<u>39,656</u>

POHNPEI STATE GOVERNMENT

Statement of Revenues and Expenditures by Function and Changes in
Fund Balance - Budget and Actual, Budgetary Basis - General Fund,
Continued

The year ended September 30, 1989

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Justice:			
Administration	88,300	82,822	5,478
Legal affairs	137,000	107,671	29,329
Public safety	529,654	499,425	30,229
Corrections and rehabilitation	104,500	103,302	1,198
Fire and disaster	<u>74,570</u>	<u>73,467</u>	<u>1,103</u>
Total Justice	<u>934,024</u>	<u>866,687</u>	<u>67,337</u>
Boards and Commissions:			
Public Lands Board	5,000	8,377	(3,377)
South Pacific Festival	-	(2,702)	2,702
Micronesia Island Fair	19,059	17,863	1,196
Women's program of PCAA	35,700	28,304	7,396
Pohnpei Public Library	50,000	33,131	16,869
Tourist commission	57,100	44,480	12,620
Micronesian Legal Services	39,326	39,326	-
Renovation of Government Houses	-	1,010	(1,010)
Sports council	87,000	57,476	29,524
Farmers Home Administration	70,000	72,029	(2,029)
MTAP	6,500	5,723	777
Palau and Guam Tournament	21,400	21,400	-
Foreign investment board	57,000	35,051	21,949
Board of residential properties	500	427	73
Traditional affairs	3,000	3,680	(680)
Alms fund	5,000	4,941	59
Senior League Tournament	32,000	25,328	6,672
Leadership Conference	7,000	5,658	1,342
Migrant worker contingency fund	-	(1,593)	1,593
Benedictine Sister Housing	<u>90,000</u>	<u>-</u>	<u>90,000</u>
Total Boards and Commissions	<u>585,585</u>	<u>399,909</u>	<u>185,676</u>
Municipal Government:			
Sokehs	104,000	86,216	17,784
Kitti	110,000	110,000	-
Madolenihmw	104,000	93,600	10,400
Uh	60,000	61,561	(1,561)
Kolonia	68,000	68,800	(800)
Pingilap	<u>31,000</u>	<u>17,539</u>	<u>13,461</u>
Balance forward	<u>477,000</u>	<u>437,716</u>	<u>39,284</u>

POHNPEI STATE GOVERNMENT
 Statement of Revenues and Expenditures by Function and Changes in
 Fund Balance - Budget and Actual, Budgetary Basis - General Fund,
 Continued
 The year ended September 30, 1989

	Budget	Actual	Variance
Balance forwarded	\$ 477,000	\$ 437,716	\$ 39,284
Municipal Government, continued:			
Nett	73,000	73,318	(318)
Sapwauhfik	20,000	5,841	14,159
Mokil	20,000	15,000	5,000
Kapingamarangi	20,000	18,433	1,567
Nukuoro	20,000	30,000	(10,000)
Total Municipal Governments	630,000	580,308	49,692
Other	-	470,136	(470,136)
Total expenditures	14,868,487	13,195,837	1,672,650
Excess of revenues over expenditures	26,855	4,458,001	4,431,146
Other financing sources (uses):			
Operating transfers out	(339,376)	(303,369)	36,007
Total other financing sources (uses)	(339,376)	(303,369)	36,007
Excess (deficiency) of revenues and other sources over expenditures and other uses	(312,521)	4,154,632	4,467,153
Unreserved fund balance, beginning of year	13,913	13,913	-
Other changes in unreserved fund balance:			
Increase in reserve for related assets	-	(741,875)	(741,875)
Increase in reserve for continuing appropriations	-	(50,000)	(50,000)
Unreserved fund balance (deficit), end of year	\$(298,608)	\$3,376,670	\$3,675,278

POHNPEI 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 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. These funds specifically restricted for health and education programs.

Compact Other Grants Fund

This fund accounts for funds granted under the Compact of Free Association with the United States. These funds are specifically restricted for energy programs, health and medical referral, post secondary education scholarship, and special development assistant programs.

U.S. Federal Assistance Fund

This fund accounts for all financial transactions related to United States federal assistance grants utilized by the State of Pohnpei to finance general governmental operations.

Other Federal and Direct Assistance Fund

This fund, accounts for all financial transactions related to United States and other countries federal assistance received directly by the State of Pohnpei.

Seaport Revolving Fund

This fund accounts for the financial activity of the State seaport.

Airport Revolving Fund

This fund accounts for the financial activity of the State airport.

POHNPEI STATE GOVERNMENT
Special Revenue Funds, Continued
September 30, 1989

Agriculture Revolving Fund

This fund accounts for livestock and supplies purchased and resold to local farmers. Funding for this activity was originally established through legislative appropriation.

Student Vocational Arts Program (SVAP) Revolving Fund

This fund accounts for the financial activity of PICS High School special accounts.

CFSM State Projects Fund

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

POHNPEI STATE GOVERNMENT

SPECIAL REVENUE FUNDS

Combining Balance Sheet

September 30, 1989

(With comparative totals as of September 30, 1988)

Assets	Compact Health & Education Fund	Compact Other Grants Fund	U.S. Federal Assistance Fund	Other Federal and Direct Assistance Fund	Seaport Revolving Fund	Airport Revolving Fund	Agriculture Revolving Fund	SVAP Revolving Fund	Airport Maintenance Fund	CFSM Project Fund	Totals	
											1989	1988
Cash and equivalents	\$1,027,285	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$1,027,285	\$ -
Investments	-	360,000	-	-	-	-	-	-	-	-	360,000	1,852,113
Receivables from:												
Federal agencies - FSM National Government	-	-	739,481	-	-	-	-	-	-	-	739,481	1,384,923
Federal agencies, direct, other government	-	38,003	-	-	-	-	-	-	-	475,832	513,835	319,385
General	-	-	-	-	25,000	1,040	42,078	-	-	-	68,118	68,118
Due from other funds	530,495	106,809	-	-	55,956	-	27,870	5,242	81,750	-	808,122	1,611,584
Inventories	-	-	-	-	-	-	41,645	-	-	-	41,645	22,977
Total assets	\$1,557,780	\$504,812	\$739,481	\$ -	\$ 80,956	\$ 1,040	\$111,593	\$5,242	\$81,750	\$475,832	\$3,558,486	\$5,259,100
Liabilities and Fund Balance												
Liabilities:												
Accounts payable	\$ 136,547	\$ 86,464	\$103,302	\$ 2,945	\$ (3,844)	\$ (148)	\$21,400	\$ (491)	\$ -	\$26,104	\$ 372,279	\$2,158,213
Accrued payroll	51,507	-	16,356	338	-	-	-	-	-	864	69,065	33,199
Due to other funds	-	-	781,402	30,885	-	20,205	-	-	-	486,647	1,319,139	1,086,874
Intergovernmental payables	-	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	29,646	-	-	-	-	-	-	29,646	81,546
Total liabilities	188,054	86,464	901,060	63,814	(3,844)	20,057	21,400	(491)	-	513,615	1,790,129	3,359,832
Fund balance:												
Reserved for:												
Related assets	-	-	-	-	25,000	-	83,723	-	-	-	108,723	47,977
Encumbrances	68,298	23,097	667,678	26,357	176	8,817	10,670	8,818	-	63,993	877,904	1,607,542
Continuing appropriations	88,437	-	-	-	-	-	-	-	-	-	88,437	-
Unreserved	1,212,991	395,251	(829,257)	(90,171)	59,624	(27,834)	(4,200)	(3,085)	81,750	(101,776)	693,293	243,749
Total fund balance (deficit)	1,369,726	418,348	(161,579)	(63,814)	84,800	(19,017)	90,193	5,733	81,750	(37,783)	1,768,357	1,899,268
Total liabilities and fund balance	\$1,557,780	\$504,812	\$739,481	\$ -	\$ 80,956	\$ 1,040	\$111,593	\$5,242	\$81,750	\$475,832	\$3,558,486	\$5,259,100

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

	Compact Health & Education Fund	Compact Other Grants Fund	U.S. Federal Assistance Fund	Other Federal and Direct Assistance Fund	Seaport Revolving Fund	Airport Revolving Fund	Agriculture Revolving Fund	SVAP Revolving Fund	Airport Maintenance Fund	CFSM Project Fund	Totals	
											1989	1988
Revenues:												
Compact of Free Association:												
Base grant	\$1,890,000	\$1,107,783	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$2,997,783	\$3,297,783
Inflation adjustment	-	270,000	-	-	-	-	-	-	-	-	270,000	240,000
Federal contributions												
FSM National Government	-	288,003	3,541,907	-	-	-	-	-	-	521,988	4,351,898	4,065,001
Other	-	-	-	73,886	18,953	8,409	226,015	22,540	81,750	-	431,553	755,569
Total revenues	<u>1,890,000</u>	<u>1,665,786</u>	<u>3,541,907</u>	<u>73,886</u>	<u>18,953</u>	<u>8,409</u>	<u>226,015</u>	<u>22,540</u>	<u>81,750</u>	<u>521,988</u>	<u>8,051,234</u>	<u>8,358,356</u>
Expenditures:												
General government	-	-	69,423	3,850	-	-	-	-	-	-	73,273	1,461,935
Health services	143,385	393,562	454,667	70,690	-	-	-	-	-	-	1,062,304	1,646,602
Education	2,663,009	248,692	1,616,479	-	-	-	-	-	-	-	4,528,180	2,457,816
Resources and development	-	-	812,028	8,455	-	-	230,619	-	-	521,988	1,573,090	542,962
Public works	-	828,220	589,310	174,845	-	-	-	-	-	-	1,592,375	1,452,151
Others	-	-	-	-	15,807	25,273	-	18,998	-	-	60,078	53,803
Total expenditures	<u>2,806,394</u>	<u>1,470,474</u>	<u>3,541,907</u>	<u>257,840</u>	<u>15,807</u>	<u>25,273</u>	<u>230,619</u>	<u>18,998</u>	<u>-</u>	<u>521,988</u>	<u>8,889,300</u>	<u>7,615,269</u>
Revenues over (under) expenditures	(916,394)	195,312	-	(183,954)	3,146	(16,864)	(4,604)	3,542	81,750	-	(838,066)	743,084
Other sources (uses):												
Recovery of prior year debt	707,155	-	-	-	-	-	-	-	-	-	707,155	-
Excess (deficiency) of revenue and other sources over expenditures and other uses	(209,239)	195,312	-	(183,954)	3,146	(16,864)	(4,604)	3,542	81,750	-	(130,911)	743,084
Fund balance (deficit), beginning of year	1,578,965	223,036	(161,579)	120,140	81,654	(2,153)	94,797	2,191	-	(37,783)	1,899,268	1,156,184
Fund balance (deficit), end of year	<u>\$1,369,726</u>	<u>\$ 418,348</u>	<u>\$ (161,579)</u>	<u>\$(63,814)</u>	<u>\$ 84,800</u>	<u>\$(19,017)</u>	<u>\$ 90,193</u>	<u>\$ 5,733</u>	<u>\$ 81,750</u>	<u>\$(37,783)</u>	<u>\$1,768,357</u>	<u>\$1,899,268</u>

POHNPEI STATE GOVERNMENT
SPECIAL REVENUE FUNDS
Combining Statement of Revenues, Expenditures
by Account and Changes in Fund Balance
For the year ended September 30, 1989

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

	Compact Health & Education Fund	Compact Other Grants Fund	U.S. Federal Assistance Fund	Other Federal and Direct Assistance Fund	Seaport Revolving Fund	Airport Revolving Fund	Agriculture Revolving Fund	SVAP Revolving Fund	Airport Main- tenance Fund	CFSM Project Fund	1989	Totals	1988
Revenues:													
Compact of Free Association:													
Base grant	\$1,890,000	\$1,107,783	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$2,997,783	\$3,297,783	
Inflation adjustment	-	270,000	-	-	-	-	-	-	-	-	270,000	240,000	
Federal contributions													
FSM National Government	-	288,003	3,541,907	-	-	-	-	-	-	521,988	4,351,898	4,065,001	
Other	-	-	-	73,886	18,953	8,409	226,015	22,540	81,750	-	431,553	755,569	
Total revenues	1,890,000	1,665,786	3,541,907	73,886	18,953	8,409	226,015	22,540	81,750	521,988	8,051,234	8,358,353	
Expenditures:													
Personnel services	2,416,111	-	1,555,803	16,030	182	3,865	-	-	-	44,286	4,036,277	2,107,763	
Travel	55	99,704	106,566	27,477	-	1,790	-	-	-	26,623	262,215	144,329	
Supplies and materials	278,226	24,568	1,360,601	174,696	3,003	5,573	212,381	8,884	-	79,164	2,147,096	1,827,665	
Fuel	2,783	828,221	11,693	643	76	629	-	-	-	11,805	855,850	795,612	
Equipment	32,779	-	295,393	72	11,484	1,362	-	3,454	-	212,518	557,062	470,773	
Contractual services	75,573	517,756	93,610	3,981	-	8,671	18,238	-	-	-	717,829	609,222	
Others	867	225	118,241	34,941	1,062	3,383	-	6,660	-	147,592	312,971	1,659,905	
Total expenditures	2,806,394	1,470,474	3,541,907	257,840	15,807	25,273	230,619	18,998	-	521,988	8,889,300	7,615,269	
Revenues over (under) expenditures	(916,394)	195,312	-	(183,954)	3,146	(16,864)	(4,604)	3,542	81,750	-	(838,066)	743,084	
Other sources (uses):													
Recovery of prior year debt	707,155	-	-	-	-	-	-	-	-	-	707,155	-	
Excess (deficiency) of revenue and other sources over expenditures and other uses	(209,239)	195,312	-	(183,954)	3,146	(16,864)	(4,604)	3,542	81,750	-	(130,911)	743,084	
Fund balance (deficit), beginning of year	1,578,965	223,036	(161,579)	120,140	81,654	(2,153)	94,797	2,191	-	(37,783)	1,899,268	1,156,184	
Fund balance (deficit), end of year	\$1,369,726	\$ 418,348	\$ (161,579)	\$ (63,814)	\$ 84,800	\$ (19,017)	\$ 90,193	\$ 5,733	\$ 81,750	\$ (37,783)	\$1,768,357	\$1,899,268	

POHNPEI STATE GOVERNMENT
Capital Projects Funds
September 30, 1989

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

Compact - Capital Projects Fund

This fund accounts for various capital projects funded by the Compact of Free Association with the United States, Title Two, Article I, Section 211.

TTG - Capital Projects Fund

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

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

<u>Assets</u>	Compact	TTG	<u>Total</u>	
	Capital Projects Fund	Capital Projects Fund	1989	1988
Cash and equivalents	\$ -	\$ -	\$ -	\$ -
Investments	12,025,144	-	12,025,144	11,017,984
Receivables from:				
Dept. of the Interior				
grants - TTG	-	-	-	418,834
FSM National Government	-	43,910	43,910	-
Due from other funds	-	-	-	1,113,875
 Total assets	 <u>\$12,025,144</u>	 <u>\$ 43,910</u>	 <u>\$12,069,054</u>	 <u>\$12,550,693</u>

Liabilities and Fund Balance

Liabilities:				
Accounts payable	\$ 120,901	\$ 253	\$ 121,154	\$ 68,169
Accrued payroll	4,328	-	4,328	-
Due to other funds	718,179	43,657	761,836	387,834
 Total liabilities	 <u>843,408</u>	 <u>43,910</u>	 <u>887,318</u>	 <u>456,003</u>
 Fund balance:				
Reserved for:				
Encumbrances	4,995,198	47,844	5,043,042	1,238,722
Continuing appropriations	291,231	-	291,231	1,988,330
Unreserved	5,895,307	(47,844)	5,847,463	8,867,638
 Total fund balance	 <u>11,181,736</u>	 <u>-</u>	 <u>11,181,736</u>	 <u>12,094,690</u>
 Total liabilities and fund balance	 <u>\$12,025,144</u>	 <u>\$ 43,910</u>	 <u>\$12,069,054</u>	 <u>\$12,550,693</u>

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

	Compact Capital Projects Fund	TTG Capital Projects Fund	<u>Total</u>	
			<u>1989</u>	<u>1988</u>
Revenues:				
Compact of Free Association:				
Base grant	\$ 6,108,000	\$ -	\$ 6,108,000	\$ 6,108,000
Inflation adjustment	1,649,160	-	1,649,160	1,465,920
Department of the Interior grants	<u>-</u>	<u>134,875</u>	<u>134,875</u>	<u>1,046,321</u>
Total revenues	<u>7,757,160</u>	<u>134,875</u>	<u>7,892,035</u>	<u>8,620,241</u>
Expenditures:				
Capital projects	<u>7,312,110</u>	<u>134,875</u>	<u>7,446,985</u>	<u>3,535,841</u>
Total expenditures	<u>7,312,110</u>	<u>134,875</u>	<u>7,446,985</u>	<u>3,535,841</u>
Revenues over expenditures	445,050	-	445,050	5,084,400
Other uses:				
Transfer out	<u>(1,358,004)</u>	<u>-</u>	<u>(1,358,004)</u>	<u>-</u>
Excess of revenues and other sources over expenditures and other uses	(912,954)	-	(912,954)	5,084,400
Fund balance, beginning of year	<u>12,094,690</u>	<u>-</u>	<u>12,094,690</u>	<u>7,010,290</u>
Fund balance, end of year	<u>\$11,181,736</u>	<u>\$ -</u>	<u>\$11,181,736</u>	<u>\$12,094,690</u>

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

	Compact Capital Projects Fund	TTG Capital Projects Fund	Total	
			1989	1988
Revenues:				
Compact of Free Association:				
Base grant	\$ 6,108,000	\$ -	\$ 6,108,000	\$ 6,108,000
Inflation adjustment	1,649,160	-	1,649,160	1,465,920
Department of the Interior grants	-	134,875	134,875	1,046,321
Total revenues	7,757,160	134,875	7,892,035	8,620,241
Expenditures:				
Personnel services	164,618	-	164,618	142,535
Travel	28,926	7,954	36,880	8,402
Supplies and materials	219,729	46,929	266,658	123,754
Fuel	2,985	-	2,985	-
Equipment	172,915	3,051	175,966	232,442
Contractual Services	6,722,937	76,941	6,799,878	3,028,708
Other	-	-	-	-
Total expenditures	7,312,110	134,875	7,446,985	3,535,841
Revenues over expenditures	445,050	-	445,050	5,084,400
Other uses:				
Transfer out	(1,358,004)	-	(1,358,004)	-
Excess of revenues and other sources over expenditures and other uses	(912,954)	-	(912,954)	5,084,400
Fund balance, beginning of year	12,094,690	-	12,094,690	7,010,290
Fund balance, end of year	\$11,181,736	\$ -	\$11,181,736	\$12,094,690

POHNPEI STATE GOVERNMENT
ENTERPRISE FUNDS
SEPTEMBER 30, 1989

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

Pohnpei State Transportation Authority (PTA) was initially established by the State Legislature to construct the circumferential road for the island of Pohnpei. Currently, Pohnpei Transportation Authority contracts with the State Municipal governments to construct secondary farm roads, performs other construction maintenance on a user charge basis and has been contracted by the State to begin paving the island circumferential road.

Pohnpei State Economic Development Authority (EDA) was established pursuant to Pohnpei State Law 41-159-78 in 1978. The purpose of the Authority is to promote economic development projects within the State of Pohnpei.

Pohnpei State Housing Authority (PSHA) was established by State Public Law 5-37. The Authority's primary purpose is to facilitate through low interest loans the construction of site and sanitary residential housing for low income families of Pohnpei State.

POHNPEI STATE GOVERNMENT
 ENTERPRISE FUNDS
 Combining Balance Sheet
 September 30, 1989

	Pohnpei Transportation Authority	Pohnpei Economic Development Authority	Pohnpei State Housing Authority	Total	
<u>Assets</u>				1989	1988
Cash & equivalents	\$ -	\$ 23,319	\$ 251,487	\$ 274,806	\$ 103,939
Time certificates of deposit	-	35,437	197,000	232,437	103,014
Advance	-	1,198,500	-	1,198,500	-
General receivables, net	-	34,910	-	34,910	184,257
Loan receivable, net	-	96,464	918,918	1,015,382	775,154
Inventory	-	109,710	26,119	135,829	181,275
Fixed assets, net	-	1,394,774	-	1,394,774	23,709
Total assets	\$ -	\$2,893,114	\$1,393,524	\$4,286,638	\$1,371,348
<u>Liabilities and Fund Equity (Deficit)</u>					
Accounts payable	\$ 163,634	\$ 26,949	\$ 59,095	\$ 249,678	\$ 92,310
Accrued liabilities	25,976	49,749	10,217	85,942	35,144
Deferred revenue	-	23,257	-	23,257	-
Other fund liabilities	162,909	-	-	162,909	466,927
Notes payable	-	148,103	-	148,103	-
Total current liabilities	352,519	248,058	69,312	669,889	594,381
Long-term debt	-	1,101,670	-	1,101,670	-
Total liabilities	352,519	1,349,728	69,312	1,771,559	594,381
Fund equity:					
Contributed capital	-	1,761,546	1,499,771	3,261,317	833,615
Retained earnings (deficit)	(352,519)	(218,160)	(175,559)	(746,238)	(56,648)
Total fund equity (deficit)	(352,519)	1,543,386	1,324,212	2,515,079	776,967
Total liabilities and fund equity (deficit)	\$ -	\$2,893,114	\$1,393,524	\$4,286,638	\$1,371,348

POHNPEI STATE GOVERNMENT
 ENTERPRISE FUNDS
 Combining Statement of Revenues and Expenses and
 Changes in Fund Equity
 The Year Ended September 30, 1989

	Pohnpei	Pohnpei	Pohnpei	Total	
	Transportation Authority	Economic Development Authority	State Housing Authority	1989	1988
Revenues:					
Contract revenue	\$ -	\$ -	\$ -	\$ -	\$ 251,107
Charges for service	99,777	265,225	7,712	372,714	332,095
Rental income	32,511	-	-	32,511	37,677
Other	<u>324</u>	<u>-</u>	<u>17,816</u>	<u>18,140</u>	<u>30,505</u>
Total revenues	<u>132,612</u>	<u>265,225</u>	<u>25,528</u>	<u>423,365</u>	<u>651,384</u>
Operating expenses:					
Personnel services	44,070	166,451	76,372	286,893	706,858
Travel	3,417	8,022	260	11,699	35,191
Supplies and materials	-	8,748	3,894	12,642	72,785
Fuel	-	2,362	28	2,390	59,810
Capital outlays	-	-	20,559	20,559	1,446
Contractual services	1,358,004	-	-	1,358,004	-
Other	<u>175,481</u>	<u>663,203</u>	<u>180,469</u>	<u>1,019,153</u>	<u>349,647</u>
Total operating expenses	<u>1,580,972</u>	<u>848,786</u>	<u>281,582</u>	<u>2,711,340</u>	<u>1,225,737</u>
Operating income (loss)	<u>(1,448,360)</u>	<u>(583,561)</u>	<u>(256,054)</u>	<u>(2,287,975)</u>	<u>(574,353)</u>
Non-operating revenues (expenses)					
Operating transfers-in	1,402,074	140,412	105,507	1,647,993	258,124
Others interest expense	<u>-</u>	<u>(49,608)</u>	<u>-</u>	<u>(49,608)</u>	<u>59,091</u>
Total non-operating revenues (expenses)	<u>1,402,074</u>	<u>90,804</u>	<u>105,507</u>	<u>1,598,385</u>	<u>317,215</u>
Net income (loss)	<u>(46,286)</u>	<u>(492,757)</u>	<u>(150,547)</u>	<u>(689,590)</u>	<u>(257,138)</u>
Retained earnings (deficit), beginning of year	<u>(306,233)</u>	<u>274,597</u>	<u>(25,012)</u>	<u>(56,648)</u>	<u>200,490</u>
Retained earnings (deficit), end of year	<u><u>\$(352,519)</u></u>	<u><u>\$(218,160)</u></u>	<u><u>\$(175,559)</u></u>	<u><u>\$(746,238)</u></u>	<u><u>\$(56,648)</u></u>
Contributed Capital, beginning of the year	\$ -	\$ 173,401	\$ 660,214	\$ 833,615	\$ -
Additions for the year	<u>-</u>	<u>1,588,145</u>	<u>839,557</u>	<u>2,427,702</u>	<u>833,615</u>
Contributed Capital, end of year	<u><u>\$ -</u></u>	<u><u>\$1,761,546</u></u>	<u><u>\$1,499,771</u></u>	<u><u>\$3,261,317</u></u>	<u><u>\$ 833,615</u></u>

POHNPEI STATE GOVERNMENT
Expendable Trust Funds
September 30, 1989

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

Public Land Trust Fund

This fund accounts for all revenues generated from the administration, management and disposition of public lands in Pohnpei State.

POHNPEI STATE GOVERNMENT
 EXPENDABLE TRUST FUND
 Combining Balance Sheet
 September 30, 1989



(With comparative totals as of September 30, 1988)

<u>Assets</u>	Public Land <u>Trust Fund</u>	<u>Total</u>	
		<u>1989</u>	<u>1988</u>
Cash and equivalents	\$ -	\$ -	\$ -
General receivables	1,851	1,851	1,851
Due from other funds	<u>294,793</u>	<u>294,793</u>	<u>185,674</u>
Total assets	<u>\$ 296,644</u>	<u>\$ 296,644</u>	<u>\$ 187,525</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
Deferred revenue	<u>37,462</u>	<u>37,462</u>	<u>46,827</u>
Total liabilities	<u>37,462</u>	<u>37,462</u>	<u>46,827</u>
Fund balance:			
Reserved for:			
Related assets	-	-	-
Encumbrances	-	-	-
Unreserved	<u>259,182</u>	<u>259,182</u>	<u>140,698</u>
Total fund balance	<u>259,182</u>	<u>259,182</u>	<u>140,698</u>
Total liabilities and fund balance	<u>\$ 296,644</u>	<u>\$ 296,644</u>	<u>\$ 187,525</u>

POHNPEI STATE GOVERNMENT
EXPENDABLE TRUST FUND
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance

The year ended September 30, 1989

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

	Public Land Trust Fund	Total	
		1989	1988
Revenues:			
Rental	\$ 118,484	\$ 118,484	\$ 127,698
Interest	-	-	-
Total revenues	<u>118,484</u>	<u>118,484</u>	<u>127,698</u>
Expenditures:			
Central government	-	-	-
Culture and recreation	-	-	-
Other	-	-	107,826
Total expenditures	<u>-</u>	<u>-</u>	<u>107,826</u>
Revenues over expenditures	118,484	118,484	19,872
Other sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other sources over expenditures and other uses	-	-	19,872
Fund balance, beginning of year	<u>140,698</u>	<u>140,698</u>	<u>120,826</u>
Fund balance, end of year	<u>\$ 259,182</u>	<u>\$ 259,182</u>	<u>\$ 140,698</u>

POHNPEI STATE GOVERNMENT
 EXPENDABLE TRUST FUND
 Combining Statement of Revenues, Expenditures by Account
 and Changes in Fund Balance
 The year ended September 30, 1989
 (With comparative totals for the year ended September 30, 1988)

	Public Land Trust Fund	Total	
		1989	1988
Revenues:			
Rental	\$ 118,484	\$ 118,484	\$ 127,698
Interest	-	-	-
Total revenues	<u>118,484</u>	<u>118,484</u>	<u>127,698</u>
Expenditures:			
Personnel services	-	-	-
Travel	-	-	-
Supplies and materials	-	-	-
Fuel	-	-	-
Equipment	-	-	-
Other	-	-	107,826
Total expenditures	-	-	<u>107,826</u>
Revenues over expenditures	118,484	118,484	19,872
Other sources (uses)	-	-	-
Excess of revenues and other sources over expenditures and other uses	-	-	19,872
Fund balance, beginning of year	<u>140,698</u>	<u>140,698</u>	<u>120,826</u>
Fund balance, end of year	<u>\$ 259,182</u>	<u>\$ 259,182</u>	<u>\$ 140,698</u>