

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

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

YEAR ENDED SEPTEMBER 30, 1991

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA
FOR THE YEAR ENDED SEPTEMBER 30, 1991**

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**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

YEAR ENDED SEPTEMBER 30, 1991

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**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

YEAR ENDED SEPTEMBER 30, 1991

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**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

YEAR ENDED SEPTEMBER 30, 1991

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**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

YEAR ENDED SEPTEMBER 30, 1991

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**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA
INDEPENDENT AUDITORS' REPORT AND
GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 1991**



INDEPENDENT AUDITORS' REPORT

Honorable Johnny David
Governor, State of Pohnpei
Federated States of Micronesia

We were engaged to audit the accompanying general purpose financial statements of the State of Pohnpei, as of September 30, 1991, and for the year then ended. These general purpose financial statements are the responsibility of Pohnpei State management.

We were unable to satisfy ourselves through the application of normal audit procedures and were unable to determine through the use of alternative auditing procedures whether Governmental Type fund expenditures, cash in bank, and accounts payable were properly stated as of September 30, 1991. We found such accounts misstated as of September 30, 1991, due to financial data being inadvertently deleted from the automated accounting system.

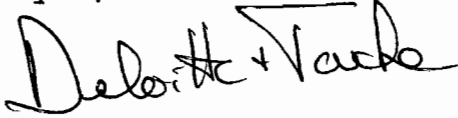
The State has not adequately updated its General Fixed Assets Account Group during the year ended September 30, 1991, nor were we able to apply sufficient alternative procedures to assure ourselves as to the correctness of the balances set forth in the accompanying financial statements. Accordingly, a statement of changes in general fixed assets has not been included within the accompanying general purpose financial statements. However a summary of changes in general fixed assets compiled by the State's management is included in Note 6.

The financial statements for Pohnpei Economic Development Authority were audited by the Office of the Pohnpei Public Auditor. An opinion qualification was rendered with respect to accounts receivable and accounts payable. For Pohnpei State Housing Authority, financial statements were compiled by the Office of the Pohnpei State Public Auditor.

Due to the matters specified in the preceding paragraphs, we are unable to express, and we do not express an opinion on the financial statements indicated in the first paragraph.

As discussed in Note 10 to the financial statements, the State participates in various U.S. federal assistance programs. Currently, \$2,263,877 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.

May 5, 1992

A handwritten signature in cursive script that reads "Deloitte + Touche". The signature is written in dark ink and is positioned above the printed name of the firm.

Certified Public Accountants

STATE OF PONPEI
 FEDERATED STATES OF MICRONESIA
 Combined Balance Sheet - All Fund Types and Account Groups
 September 30, 1991
 (With comparative totals as of September 30, 1990)

	Governmental Fund Types			Proprietary Funds		Fiduciary Fund	Account Groups		Totals	
	General Fund	Special Revenue Funds	Capital Projects Funds	Enterprise Funds	Internal Service	Expendable Trust Fund	General Fixed Assets	General Long-Term Debt	(Memorandum Only)	
									1991	1990
Assets										
Cash and equivalents (Note 2)	\$ 2,454,221	\$1,035,027	\$ 4,612,651	\$ 55,450	\$ -	\$ -	\$ -	\$ -	\$ 8,157,349	\$ 3,380,317
Cash - restricted (Note 2)	-	-	500,000	-	-	-	-	-	500,000	-
Investments (Note 2)	5,322,430	192,784	8,086,801	-	-	-	-	-	13,602,015	16,626,105
Investment in stock (Note 7)	-	-	350,000	730,223	-	-	-	-	1,080,223	1,882,319
Receivables from other governments (Note 3)	158,905	978,331	665,298	-	-	-	-	-	1,802,534	709,863
Receivables, federal agencies (Note 3)	-	1,582,926	-	-	-	-	-	-	1,582,926	1,341,522
General receivables (Note 4)	667,833	43,118	-	128,404	-	1,851	-	-	841,206	747,613
Advances (Note 4)	25,155	112,992	-	2,375	-	8,466	-	-	148,988	37,670
Loans receivable, net (Note 8)	-	-	4,750,000	2,236,258	-	-	-	-	6,986,258	8,859,872
Due from other funds (Note 15)	2,326,656	1,094,096	1,394,331	-	-	377,813	-	-	5,192,896	3,271,527
Inventory, at cost (Note 5)	-	41,645	-	383,764	43,292	-	-	-	468,701	229,808
Prepaid expense	-	-	-	3,416	-	-	-	-	3,416	-
Investment in fixed assets (Notes 1 and 6)	-	-	-	1,283,848	-	-	66,559,701	-	67,843,549	67,870,401
Amount to be provided for retirement of long-term debt (Notes 1 and 14)	-	-	-	-	-	-	-	19,868,840	19,868,840	14,927,660
Total assets	\$10,955,200	\$5,080,919	\$20,359,081	\$4,823,738	\$43,292	\$388,130	\$66,559,701	\$19,868,840	\$128,078,901	\$119,884,677

See accompanying notes to combined financial statements.

STATE OF Pohnpei
FEDERATED STATES OF MICRONESIA
Combined Balance Sheet - All Fund Types and Account Groups, Continued
September 30, 1991
(With comparative totals as of September 30, 1990)

	<u>Governmental Fund Types</u>			<u>Proprietary Funds</u>		<u>Fiduciary Fund</u>	<u>Account Groups</u>		<u>Totals</u>	
	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Enterprise Funds</u>	<u>Internal Service</u>	<u>Expendable Trust Fund</u>	<u>General Fixed Assets</u>	<u>General Long-Term Debt</u>	<u>(Memorandum Only)</u>	<u>1990</u>
<u>Liabilities and Fund Equity</u>										
Liabilities:										
Accounts payable	\$ 441,518	\$ 280,884	\$ -	\$ 165,388	\$ -	\$ 900	\$ -	\$ -	\$ 888,690	\$ 1,024,494
Accrued payroll and others	1,198,025	65,688	6,872	81,933	-	92	-	-	1,352,610	912,118
Due to other funds (Note 15)	1,362,969	2,664,709	665,051	480,731	19,436	-	-	-	5,192,896	3,271,527
Deferred revenue	-	29,646	-	34,630	-	18,731	-	-	83,007	85,068
Notes payable	-	-	-	-	-	-	-	-	-	-
	<u>3,002,512</u>	<u>3,040,927</u>	<u>671,923</u>	<u>762,682</u>	<u>19,436</u>	<u>19,723</u>	<u>-</u>	<u>-</u>	<u>7,517,203</u>	<u>5,293,207</u>
Long-term notes payable (Note 14)	-	-	-	-	-	-	-	18,850,000	18,850,000	14,650,000
Vacation leave accrual	-	-	-	-	-	-	-	1,018,840	1,018,840	277,660
Total liabilities	<u>3,002,512</u>	<u>3,040,927</u>	<u>671,923</u>	<u>762,682</u>	<u>19,436</u>	<u>19,723</u>	<u>-</u>	<u>19,868,840</u>	<u>27,386,043</u>	<u>20,220,867</u>
Contingencies and commitments (Note 10)										
Fund equity:										
Investment in general fixed assets	-	-	-	-	-	-	66,559,701	-	66,559,701	66,559,701
Retained earnings (deficit)	-	-	-	(2,709,887)	-	-	-	-	(2,709,887)	(1,458,914)
Contributed capital	-	-	-	6,770,943	-	-	-	-	6,770,943	5,794,312
Fund balance:										
Reserved for:										
Diminution of investments	262,542	-	-	-	-	-	-	-	262,542	894,999
Long-term loan (Note 8)	-	-	4,750,000	-	-	-	-	-	4,750,000	3,750,000
Related assets	692,988	197,755	350,000	-	43,292	10,317	-	-	1,294,352	624,449
Encumbrances	788,833	786,621	6,443,293	-	8,793	795	-	-	8,028,335	4,300,810
Continuing appropriations (Note 16)	104,067	-	3,755,555	-	-	-	-	-	3,859,622	5,681,905
Unreserved (deficit)	<u>6,104,258</u>	<u>1,055,616</u>	<u>4,388,310</u>	<u>-</u>	<u>(28,229)</u>	<u>357,295</u>	<u>-</u>	<u>-</u>	<u>11,877,250</u>	<u>13,516,548</u>
Total fund equity	<u>7,952,688</u>	<u>2,039,992</u>	<u>19,687,158</u>	<u>4,061,056</u>	<u>23,856</u>	<u>368,407</u>	<u>66,559,701</u>	<u>-</u>	<u>100,692,858</u>	<u>99,663,810</u>
Total liabilities and fund equity	<u>\$10,955,200</u>	<u>\$5,080,919</u>	<u>\$20,359,081</u>	<u>\$4,823,738</u>	<u>\$43,292</u>	<u>\$388,130</u>	<u>\$66,559,701</u>	<u>\$19,868,840</u>	<u>\$128,078,901</u>	<u>\$119,884,677</u>

See accompanying notes to combined financial statements.

STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA
Combined Statement of Revenues, Expenditures and
Changes in Fund Balance

All Governmental Fund Types and Expendable Trust Funds

The year ended September 30, 1991

(With comparative totals for the year ended September 30, 1990)

	<u>Governmental Fund Types</u>				<u>Totals</u>	
	<u>General</u>	<u>Special</u>	<u>Capital</u>	<u>Expendable</u>	<u>(Memorandum Only)</u>	
	<u>Fund</u>	<u>Revenue</u>	<u>Projects</u>		<u>Trust Fund</u>	<u>1991</u>
Revenues:						
U.S. Compact of Free Association:						
Base grant	\$ 8,478,000	\$ 4,304,800	\$ 6,108,000	\$ -	\$18,890,800	\$17,583,783
Inflation adjustment	2,882,520	340,000	2,076,720	-	5,299,240	4,675,800
Department of the Interior grants	-	-	571,287	-	571,287	50,100
Revenue sharing	2,720,616	-	-	-	2,720,616	2,419,908
Federal contributions	-	3,086,099	-	-	3,086,099	2,750,267
Taxes and licenses	957,177	-	-	-	957,177	688,427
Fines and penalties	34,756	-	-	-	34,756	14,938
Investment income	1,552,584	-	-	-	1,552,584	1,122,849
Other	<u>1,545,783</u>	<u>272,653</u>	<u>1,079</u>	<u>109,721</u>	<u>1,929,236</u>	<u>2,020,739</u>
Total revenues	<u>18,171,436</u>	<u>8,003,552</u>	<u>8,757,086</u>	<u>109,721</u>	<u>35,041,795</u>	<u>31,326,811</u>
Program expenditures:						
General government	4,656,482	692,625	-	32,986	5,382,093	5,373,655
Health services	2,857,858	2,642,107	-	-	5,499,965	3,640,482
Education	2,546,194	1,468,671	-	-	4,014,865	5,309,299
Resources and development	740,114	576,577	-	-	1,316,691	1,110,651
Public works	2,504,741	1,165,080	-	-	3,669,821	3,499,387
Transportation	524,780	-	-	-	524,780	490,518
Boards, commissions and other						
appropriations	327,631	-	-	-	327,631	340,255
Public safety	1,005,623	-	-	-	1,005,623	890,316
Capital projects	-	-	10,748,818	-	10,748,818	7,589,067
Municipal government	883,747	-	-	-	883,747	839,275
Other	<u>562,807</u>	<u>379,548</u>	<u>-</u>	<u>-</u>	<u>942,355</u>	<u>176,473</u>
Total program expenditures	<u>16,609,977</u>	<u>6,924,608</u>	<u>10,748,818</u>	<u>32,986</u>	<u>34,316,389</u>	<u>29,259,378</u>
Revenues over (under)						
expenditures	<u>1,561,459</u>	<u>1,078,944</u>	<u>(1,991,732)</u>	<u>76,735</u>	<u>725,406</u>	<u>2,067,433</u>
Other sources (uses):						
Bond proceeds (Note 14)	-	-	5,200,000	-	5,200,000	14,650,000
Loan repayment	-	-	(1,000,000)	-	(1,000,000)	-
Interest expense, net	-	-	(1,263,468)	-	(1,263,468)	-
Other income	-	-	223,438	-	223,438	-
Operating transfers out (Note 9)	<u>(362,220)</u>	<u>-</u>	<u>(2,243,622)</u>	<u>-</u>	<u>(2,605,842)</u>	<u>(5,951,903)</u>
Total other sources (uses)	<u>(362,220)</u>	<u>-</u>	<u>916,348</u>	<u>-</u>	<u>554,128</u>	<u>8,698,097</u>
Excess (deficiency) of						
revenues and other sources over						
expenditures and other uses	1,199,239	1,078,944	(1,075,384)	76,735	1,279,534	10,765,530
Fund balance, beginning of year	<u>6,753,449</u>	<u>961,048</u>	<u>20,762,542</u>	<u>291,672</u>	<u>28,768,711</u>	<u>18,003,181</u>
Fund balance, end of year	<u>\$ 7,952,688</u>	<u>\$ 2,039,992</u>	<u>\$19,687,158</u>	<u>\$368,407</u>	<u>\$30,048,245</u>	<u>\$28,768,711</u>

See accompanying notes to combined financial statements.

STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual, Budgetary Basis - General Fund
The year ended September 30, 1991

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenue:			
Compact - current	\$ 11,360,520	\$ 11,360,520	\$ -
Local revenues	4,540,167	5,258,332	718,165
Investment income	<u>-</u>	<u>1,552,584</u>	<u>1,552,584</u>
Total revenues	<u>15,900,687</u>	<u>18,171,436</u>	<u>2,270,749</u>
Expenditures (budgetary basis):			
General government	5,241,017	4,686,636	554,381
Health services	3,119,893	2,755,716	364,177
Education	2,866,073	2,547,928	318,145
Justice	936,600	998,201	(61,601)
Transportation	603,100	552,845	50,255
Public works	2,732,300	2,487,332	244,968
Conservation and resources	742,120	769,401	(27,281)
Boards, commissions and other			
external appropriations	352,109	359,322	(7,213)
Municipal governments and projects	1,010,181	900,726	109,455
Other	<u>-</u>	<u>569,625</u>	<u>(569,625)</u>
Total expenditures	<u>17,603,393</u>	<u>16,627,732</u>	<u>975,661</u>
Excess of revenues over			
expenditures	(1,702,706)	1,543,704	3,246,410
Other financing sources (uses):			
Operating transfers out	<u>(413,397)</u>	<u>(355,532)</u>	<u>57,865</u>
Total other financing			
sources (uses)	<u>(413,397)</u>	<u>(355,532)</u>	<u>57,865</u>
Excess (deficiency) of			
revenues and other sources			
over expenditures and other			
uses	(2,116,103)	1,188,172	3,304,275
Unreserved fund balance, beginning			
of year	4,454,571	4,454,571	-
Other changes in unreserved fund			
balance:			
Decrease/(Increase) in reserve			
for related assets	-	(170,942)	(170,942)
Decrease/(Increase) in reserve			
for continuing appropriations	-	-	-
Decrease/(Increase) in reserve			
for diminution of investments	<u>-</u>	<u>632,457</u>	<u>632,457</u>
Unreserved fund balance,			
end of year	<u>\$ 2,338,468</u>	<u>\$ 6,104,258</u>	<u>\$ 3,765,790</u>

See accompanying notes to combined financial statements.

STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA
Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit) -
Budget and Actual, Budgetary Basis - Special Revenue Funds
The year ended September 30, 1991

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenue:			
Compact - base grants	\$ 4,644,800	\$ 4,644,800	\$ -
Federal contributions	3,086,099	3,086,099	-
Other	<u>-</u>	<u>272,653</u>	<u>272,653</u>
Total revenues	<u>7,730,899</u>	<u>8,003,552</u>	<u>272,653</u>
Expenditures (budgetary basis):			
General government	685,727	814,051	(128,324)
Health services	541,383	825,491	(284,108)
Public Works	1,053,000	1,324,178	(271,178)
Education	2,900,327	3,031,716	(131,389)
Conservation and resources	335,000	553,726	(218,726)
Other	<u>-</u>	<u>492,797</u>	<u>(492,797)</u>
Total expenditures	<u>5,515,437</u>	<u>7,041,959</u>	<u>(1,526,522)</u>
Deficiency of revenues over expenditures	2,215,462	961,593	(1,253,869)
Unreserved fund balance, beginning of year	160,544	160,544	-
Other changes in unreserved fund balance:			
Decrease/Increase in reserve for related assets	-	(98,593)	(98,593)
Decrease/Increase in reserve for continuing appropriations	<u>-</u>	<u>32,072</u>	<u>32,072</u>
Unreserved fund balance (deficit), end of year	<u>\$ 2,376,006</u>	<u>\$ 1,055,616</u>	<u>\$ (1,320,390)</u>

See accompanying notes to combined financial statements.

STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA
Combined Statement of Revenues, Expenses and Changes in Fund
Equity (Deficit) All Proprietary Fund Types
The year ended September 30, 1991
(With comparative totals for the year ended September 30, 1990)

	Enterprise Funds	Internal Service Fund	Totals	
			(Memorandum Only)	
			1991	1990
Revenues:				
Charges for services	\$ 707,818	\$ 32,852	\$ 740,670	\$ 809,157
Rental income	-	-	-	32,857
Other	<u>336,653</u>	<u>-</u>	<u>336,653</u>	<u>73,516</u>
Total revenues	<u>1,044,471</u>	<u>32,852</u>	<u>1,077,323</u>	<u>915,530</u>
Operating expenses:				
Personnel services	433,577	-	433,577	651,815
Travel	15,272	-	15,272	55,441
Supplies and materials	113,712	48,367	162,079	310,673
Fuel	28,341	451	28,792	58,681
Capital outlays	5,556	-	5,556	86,188
Contractual services	2,259,723	-	2,259,723	1,680,706
Other	<u>338,848</u>	<u>6,440</u>	<u>345,288</u>	<u>915,048</u>
Total operating expenses	<u>3,195,029</u>	<u>55,258</u>	<u>3,250,287</u>	<u>3,758,552</u>
Operating (loss)	<u>(2,150,558)</u>	<u>(22,406)</u>	<u>(2,172,964)</u>	<u>(2,843,022)</u>
Non-operating revenues				
(expenses):				
Equity loss on investment (Note 7)	(1,152,096)	-	(1,152,096)	(117,681)
Operating transfers in (Note 9)	1,951,638	-	1,951,638	2,220,408
Interest expense	-	-	-	(78,589)
Others	<u>146,305</u>	<u>-</u>	<u>146,305</u>	<u>42,115</u>
Total non-operating revenues net	<u>945,847</u>	<u>-</u>	<u>945,847</u>	<u>2,066,253</u>
Net (loss)	(1,204,711)	(22,406)	(1,227,117)	(776,769)
Retained earnings (deficit), beginning of year	<u>(1,505,176)</u>	<u>46,262</u>	<u>(1,458,914)</u>	<u>(682,145)</u>
Retained earning (deficit), end of year	<u>\$(2,709,887)</u>	<u>\$ 23,856</u>	<u>\$(2,686,031)</u>	<u>\$(1,458,914)</u>
Contributed capital, beginning of year	\$ 5,794,312	\$ -	\$ 5,794,312	\$ 3,216,317
Less opening balance adjustment	-	-	-	(1,198,500)
Additions for the year (Note 9)	<u>976,631</u>	<u>-</u>	<u>976,631</u>	<u>3,731,495</u>
Contributed capital, end of year	<u>\$ 6,770,943</u>	<u>\$ -</u>	<u>\$ 6,770,943</u>	<u>\$ 5,794,312</u>

See accompanying notes to combined financial statements.

STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA
Combined Statement of Cash Flows
All Proprietary Fund Types
The year ended September 30, 1991

(With comparative totals for the year ended September 30, 1990)

	Enterprise Funds	Internal Service Fund	Totals (Memorandum Only)	
			1991	1990
Operating Activities:				
Net income (loss)	\$(1,204,711)	\$ (22,406)	\$(1,227,117)	\$ (356,883)
Add back items not affecting cash:				
Depreciation	93,308	-	93,308	89,060
Equity loss on investment	<u>1,152,096</u>	<u>-</u>	<u>1,152,096</u>	<u>117,681</u>
	<u>40,693</u>	<u>(22,406)</u>	<u>18,287</u>	<u>(150,142)</u>
Changes in Working Capital Sources (Uses):				
Time certificates of deposit	-	-	-	232,437
Advances	(3,576)	-	(3,576)	1,198,500
Inventory	(238,893)	-	(238,893)	(9,042)
General receivables	78,808	-	78,808	(165,355)
Loans receivable	(876,386)	-	(876,386)	(344,490)
Interfund receivable	229,798	28,276	258,074	25,240
Accounts payable	(371,801)	(5,870)	(377,671)	271,751
Accrued liabilities	25,008	-	25,008	(32,316)
Deferred revenue	<u>358</u>	<u>-</u>	<u>358</u>	<u>4,068</u>
	<u>(1,156,684)</u>	<u>22,406</u>	<u>(1,134,278)</u>	<u>1,180,793</u>
Cash used by operating activities	<u>(1,115,991)</u>	<u>-</u>	<u>(1,115,991)</u>	<u>1,030,651</u>
Investing Activities				
Sources (Uses):				
Investment additions	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,000,000)</u>
Cash used by investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,000,000)</u>
Capital and Related Financing Activities:				
Cash payments for acquisition of capital assets	<u>(66,456)</u>	<u>-</u>	<u>(66,456)</u>	<u>(1,254,759)</u>
Cash used by capital and related financing activities	<u>(66,456)</u>	<u>-</u>	<u>(66,456)</u>	<u>(1,254,759)</u>

See accompanying notes to combined financial statements

STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA
Combined Statement of Cash Flows, Continued
All Proprietary Fund Types
The year ended September 30, 1991
 (With comparative totals for the year ended September 30, 1990)

	<u>Enterprise</u>	<u>Internal</u>	<u>Totals</u>	
	<u>Funds</u>	<u>Service</u>	<u>(Memorandum Only)</u>	
		<u>Fund</u>	<u>1991</u>	<u>1990</u>
Non-Capital Related				
Financing Activities				
Sources (Uses):				
Contributed capital	\$ 654,204	\$ -	\$ 654,204	\$3,731,495
Adjustment to contributed capital	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,198,500)</u>
Cash used by non-capital related financing activities	<u>654,204</u>	<u>-</u>	<u>654,204</u>	<u>2,532,995</u>
Net decrease in cash and equivalents	(528,243)	-	(528,243)	308,887
Cash and equivalents, beginning of year	<u>583,693</u>	<u>-</u>	<u>583,693</u>	<u>274,806</u>
Cash and equivalents, end of year	<u>\$ 55,450</u>	<u>\$ -</u>	<u>\$ 55,450</u>	<u>\$ 583,693</u>

Disclosure of Non-cash transaction

During the year ended September 30, 1991, one enterprise fund (Pohnpei Transportation Authority) recorded an increase in contributed capital of \$322,427 which was offset by a decrease in interfund payables.

See accompanying notes to combined financial statements

STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 1991

(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.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities.

Based on application of the above, the State of Pohnpei has determined that the following component units should also be included in the accompanying general purpose financial statements.

Enterprise Funds

- Pohnpei Economic Development Authority
- Pohnpei State Housing Authority
- Pohnpei Transportation Authority

STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 1991

(1) SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

The proprietary funds are accounted for on the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Pohnpei State Government proprietary funds include the following:

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 1991

(1) SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 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, 1991, 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.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 1991

(1) SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

C. Fixed Assets and Long-Term Liabilities, 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. The State policy is to capitalize infrastructure costs. However, the State has not updated its General Fixed Assets Account Group to reflect this policy in recent years. 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 (GLTDAG), 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.

Long term notes payable recorded in the GLTDAG relate to the State's participation in a medium term note program through the FSM National Government (See Note 14).

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 straight line basis over estimated useful lives ranging from 5 to 25 years. Fixed assets for Enterprise funds as of September 30, 1991, are as follows:

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
September 30, 1991

(1) SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

C. Fixed Assets and Long-Term Liabilities, Continued

	<u>Pohnpei Economic Development Authority</u>
Building	\$ 12,833
Vehicles and other equipment	1,577,799
Central office assets	51,978
Less accumulated depreciation	<u>(358,762)</u>
Total Fixed Assets, Net	<u>\$ 1,283,848</u>

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 inter-departmental transfers of an administrative nature, may be effected with certain Executive and Legislative branch approval. Supplemental appropriations for the year are enacted for both operating and capital purposes, reflecting the State's evolving priorities.

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

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 1991**

(1) SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

F. Interfund Transactions

The State of Pohnpei has two types of potential 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.

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.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 1991**

(1) SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 information purposes and does not represent consolidated financial information.

K. Deposits

Bank deposits are subject to 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). However, the State does not require the collateralization of its deposits by the banks.

L. Cash and Equivalents

For purposes of the balance sheet and the statement of cash flows, cash and equivalents is defined as cash on hand, in bank checking and savings accounts, time certificates of deposit and investment grade commercial paper and U.S. governmental securities with initial maturities of ninety days or less.

STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 1991

(2) **CASH AND 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 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. Stocks - A "B" rating by a national rating service. Non-rated stocks such as banks or insurance companies must be equal in quality or higher.
 2. Bonds - Confined to issues rated "A" or higher by a national rating service, except in the case of U.S. Treasury or Agency Securities which are not rated.
 3. Cash equivalents - The manager may engage in all normally accepted short-term investment practices including, but not limited to: U.S. Treasury and Agency securities, bankers acceptances, certificates of deposit, commercial paper and repurchase agreements using any of the foregoing as collateral. The following restrictions apply:
 - a. Commercial paper must be rated A-1/P-1 or higher by Standard & 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%.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 1991**

(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 held with Hawaiian Trust Co. and invested on behalf of Pohnpei State as of September 30, 1991, are summarized below:

<u>Cash and Equivalents</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Cash Management Fund	\$ 2,736,824	\$ 2,736,824
	<u>2,736,824</u>	<u>2,736,824</u>
<u>Investments</u>		
Pooled Investment Securities	<u>13,602,015</u>	<u>13,395,184</u>
Total	<u>\$ 16,338,839</u>	<u>\$16,132,008</u>

The State is of the opinion that the \$206,831 reduction in market value is a temporary downturn in the market and not a permanent impairment of asset value. Management is of the opinion that this is reasonable given that at December 31, 1990, the market had recovered so that market closely approximated carrying value. At September 30, 1991, the diminution in market value of \$262,542 was fully reserved as a component of Fund Balance within the General Fund. This reserve represents Pohnpei State's share of the carrying value of the Seibel #2 fund's pooled investment in Colorado Utility Electric Association Inc. as of March 1990, being the date of Colorado Utility's declaration of default on debt repayments. Colorado Utility is currently in liquidation and is undergoing a reorganization via a trustee. From the latest financial information available, management is unable to quantify an appropriate carrying value of the State's investment in Colorado Utility due to the uncertainty of the Utility's current and future financial position, and has therefore fully reserved for the carrying value of this investment.

At September 30, 1991, the State had deposits and cash on hand as follows (in each situation cost approximates market value):

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 1991**

(2) CASH AND INVESTMENTS, CONTINUED

General Fund

Net bank balance in checking and savings accounts with FDIC insured banks	\$1,395,931
Cash on deposit with Hawaiian Trust Co.	<u>1,058,290</u>
Total General Fund cash and equivalents	<u>\$2,454,221</u>

Special Revenue Funds

Cash on deposit with Hawaiian Trust Co.	\$1,035,027
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Capital Project Funds

Cash on deposit with Hawaiian Trust Co.	\$ 643,508
Net bank balance in savings accounts with FDIC insured bank	<u>\$3,969,143</u>
Total Capital Projects Funds cash and equivalents	<u>\$4,612,651</u>

Enterprise Funds

Pohnpei Economic Development Authority (EDA):	
Cash in checking and savings accounts with FDIC insured banks	\$ 37,248
Certificate of deposit with FDIC insured bank	<u>4,785</u>
Total EDA cash and equivalents	<u>42,033</u>

Pohnpei State Housing Authority (PSHA):	
Cash in checking and savings accounts with FDIC insured banks	13,417
Total PSHA cash and equivalents	<u>13,417</u>

Total Enterprise Fund cash and equivalents	\$ <u>55,450</u>
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Cash - Restricted (Loan Guarantee Escrow Account): The Pohnpei State Legislature appropriated a total of \$500,000 through a continuing appropriation for the sole purpose of securing loans made through the U.S. Farmers Home Administration. The escrow account may be drawn down in the event of a borrower's default on the obligation under the terms of the promissory note and the deed of trust security instrument securing such note and for which such note is guaranteed by the Pohnpei State Housing Authority, the trustee of the Loan Guarantee Escrow Account.

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.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 1991**

(2) CASH AND INVESTMENTS, CONTINUED

- 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 GASB #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 the Interior capital project grants through the Trust Territory Government.

(4) GENERAL RECEIVABLES AND ADVANCES

A summary of General Fund receivables against which allowances for doubtful accounts have been recorded as of September 30, 1991, is presented below:

<u>General Receivables</u>	<u>Balance</u>	<u>Allowance</u>	<u>Net</u>
Utilities	\$ 1,253,371	\$ 905,506	\$ 347,865
Delinquent taxes	250,176	182,628	67,548
Miscellaneous	313,345	226,377	86,968
Interest receivable	<u>165,452</u>	<u>-</u>	<u>165,452</u>
	<u>\$ 1,982,344</u>	<u>\$ 1,314,511</u>	<u>\$ 667,833</u>

The Pohnpei State Economic Development Authority (EDA) (an Enterprise Fund) has a \$261,270 general receivable net of a \$151,743 allowance for doubtful accounts. Various Special Revenue Funds and the Expendable Trust Fund have general receivable balances aggregating \$43,118 and \$1,851, respectively. These balances are fully reserved for within the reserve for related assets component of fund balance in the applicable funds.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 1991**

(4) GENERAL RECEIVABLES AND ADVANCES, CONTINUED

Advances

The General Fund has \$25,155 of advances made to State government employees, medical referral patients and other travel related expenditures. The travel related advances are to be liquidated by submission of an expense voucher following the completion of travel.

(5) INVENTORY OF SUPPLIES

The Internal Service Fund has general operational and office supplies of \$43,292 as of September 30, 1991. The Pohnpei State Economic Development Authority and Pohnpei State Housing Authority (Enterprise Funds) have \$116,511 and \$267,253, respectively of general merchandise and construction materials on hand. The Agriculture Revolving fund (a Special Revenue Fund) had \$41,645 of agriculture production supplies on hand at September 30, 1991.

(6) CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance October <u>1, 1990</u>	<u>Additions</u>	<u>Deletions</u>	Balance September <u>30, 1991</u>
Building	\$10,055,450	\$ -	\$ -	\$10,055,450
Infrastructure	52,522,286	-	-	52,522,286
Equipment	<u>3,981,965</u>	<u>-</u>	<u>-</u>	<u>3,981,965</u>
	<u>\$66,559,701</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$66,559,701</u>

The State's investment in general fixed assets as of September 30, 1991, 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>

**STATE OF POHNPEI
 FEDERATED STATES OF MICRONESIA
 NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
 SEPTEMBER 30, 1991**

(7) OTHER INVESTMENTS

During 1990, the Pohnpei State Economic Development Authority (EDA) (an Enterprise Fund) invested \$2,000,000 for a 1/3 interest in the Caroline Fishing Corporation Inc., (CFC), a company incorporated in the FSM. The CFC commenced fishing operations during the 1990 financial year. The financial statements for the CFC for the year ending September 30, 1991, reflected EDA's pro rata share of CFC's net loss as \$1,152,096. Under the equity method of accounting, which has been adopted for EDA's investment in CFC, this 1991 loss (plus \$117,681 of EDA's share of loss for 1990) has been deducted from the original value of the investment as follows:

Carrying value (\$2,000,000 less \$117,681)	\$1,882,319
Less 1/3 equity share of operating loss (1991)	<u>(1,152,096)</u>
Recorded book value of investment	<u>\$ 730,223</u>

Additionally, the State holds 32% of the shares in the Pacific Islands Development Bank in the amount of \$350,000, carried at cost. The investment is recorded in the Capital Improvement Projects Fund. The market value of these shares is difficult to assess as they are not publicly traded so a market versus cost analysis could not be performed. This investment in stock has therefore been recorded at cost. The State's pro rata share of losses incurred on this investment as of September 30, 1991, approximates \$45,861. These losses have not been recorded in the accompanying financial statements due to their immateriality and due to the investment being fully reserved for as a related asset within the capital improvement projects fund balance.

(8) LOANS RECEIVABLE - RELATED PARTY

As of September 30, 1991, two notes totaling \$4,750,000 were outstanding as loans receivable from the Caroline Fishing Corporation Inc., (CFC) (See Note 7), which were recorded in the Capital Project Fund. The first loan for \$3,750,000 matures on October 15, 1997, with interest being paid semi-annually at rates ranging from 9.11% to 9.44% per annum. Five equal principal payments of \$750,000 will occur annually commencing on October 15, 1993. The second loan, for \$1,000,000 matures on April 15, 1994, with interest being paid semi-annually at 8.5% per annum.

STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 1991

(8) LOANS RECEIVABLE - RELATED PARTY, CONTINUED

Collateral for the loan is in the form of mortgages over CFC's fishing vessels and guarantees by the two other equity holders in CFC, being the National Fisheries Corp. (NFC), an Enterprise Fund of the FSM National Government, and Tuna Development Company Pty. Ltd. (TDC), an Australian owned private company.

TDC's guarantee is further supported by a separate security agreement executed by the three equity participants of TDC, all of whom are Australian citizens.

CFC has defaulted on one interest payment to Pohnpei State, representing a total of \$172,500. This amount raises doubts as to the collectibility of these loans from CFC. The whole \$4,750,000 of loans receivable has therefore been reserved for in fund balance of the Capital Project Funds.

The Pohnpei State Economic Development Authority has loans receivable of \$92,653 net of an allowance of \$ 90,714 for doubtful accounts. The Pohnpei State Housing Authority (PSHA) has loans receivable of \$2,234,319. These loans represent amounts borrowed by qualified applicants for purposes of the construction and improvement of housing.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 1991**

(9) TRANSFERS

Operating transfers out were made from the General Fund and the Compact Capital Project Fund and recorded as both operating transfers in and contributed capital in the three Enterprise Funds of the State. (Refer Note 12) A reconciliation of the transfers out from these two governmental funds to the Enterprise Funds is as follows:

	<u>Enterprise Fund Operating Transfers-in</u>	<u>Enterprise Fund Contributed Capital</u>	<u>Total</u>
General Fund			
transfers-out:			
Pohnpei State			
Transportation Authority	\$ 85,200	\$ -	\$ 85,200
Pohnpei Economic			
Development Authority	168,863	-	168,863
Pohnpei State Housing			
Authority	<u>97,006</u>	<u>11,151</u>	<u>108,157</u>
Total General Fund	<u>351,069</u>	<u>11,151</u>	<u>362,220</u>
Compact Capital Project Fund			
transfers-out:			
Pohnpei State			
Transportation Authority for performance on various capital improvement contracts	1,600,569	322,427	1,922,996
Pohnpei State Economic			
Development Authority - Various Projects	-	-	-
Pohnpei State Housing			
Authority Loan Fund	<u>-</u>	<u>643,053</u>	<u>643,053</u>
Total CIP Fund	<u>1,600,569</u>	<u>965,480</u>	<u>2,566,049</u>
	<u>\$ 1,951,638</u>	<u>\$ 976,631</u>	<u>\$2,928,269</u>

STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 1991

(10) CONTINGENCIES AND COMMITMENTS

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, \$2,257,877 in questioned costs exist for the operation of fiscal year 1985 through 1991 grants, including \$62,193 relating to financial year 1991. If these questioned costs are ultimately disallowed, the General Fund may bear responsibility for absorbing the amount 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. Accordingly, no provision for any liability that may result from this matter has been recorded in the accompanying financial statements.

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, 1991, is not available.

Committed Compact Funding

Under Pohnpei State Law No. 2L-151-90, the Legislature has appropriated future cash flows of the Compact of Free Association. The amounts will be used by the State to repay current and future borrowings under the Medium Term Note program (Refer Note 14). The future appropriations have been made for two major capital projects. The first project is connected with the Economic Development Authority's investment in the Caroline Fishing Corporation Inc., a fishing joint venture. Appropriations totalling \$16,386,917 have been committed up to and including fiscal year 1998. \$14,186,917 has been appropriated from Compact Section 211(a) Capital Account Funds and \$2,200,000 from the Compact Section 214(b) Energy Account funds for this purpose.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 1991**

(10) CONTINGENCIES AND COMMITMENTS, CONTINUED

Committed Compact Funding, Continued

The second project is the Economic Development Authority Fish Processing Plant, with \$16,533,395 appropriated from Compact Section 211(a) Capital Account Funds and \$2,400,000 from Compact Section 214(b) Energy Account. (A total of \$18,933,395). Funds for this project have been appropriated up to and including the year 2001. In accordance with the modified accrual basis of accounting, these future year appropriations will be matched only against each respective years' Compact revenues.

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, 1991, 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, 1991, is as follows:

	<u>Pohnpei Transportation Authority</u>	<u>Pohnpei Economic Development Authority</u>	<u>Pohnpei State Housing Authority</u>
Total assets	<u>\$ 2,375</u>	<u>\$ 2,287,497</u>	<u>\$ 2,533,866</u>
Total equity (deficit)	<u>\$ (544,019)</u>	<u>\$ 2,116,119</u>	<u>\$ 2,488,956</u>
1991 net earnings (loss)	<u>\$ (94,041)</u>	<u>\$(1,092,611)</u>	<u>\$ (18,059)</u>
1991 non-operating revenue	<u>\$1,685,769</u>	<u>\$ 315,168</u>	<u>\$ 97,006</u>
1991 bad debt expense	<u>\$ -</u>	<u>\$ 19,192</u>	<u>\$ -</u>
Allowance for doubtful accounts	<u>\$ -</u>	<u>\$ 242,969</u>	<u>\$ -</u>
Revenues	<u>\$ 562,968</u>	<u>\$ 469,033</u>	<u>\$ 12,470</u>
Contributed Capital	<u>\$ 322,427</u>	<u>\$ 3,794,541</u>	<u>\$ 2,653,975</u>
Depreciation	<u>\$ -</u>	<u>\$ 93,308</u>	<u>\$ -</u>
Retained Deficit	<u>\$ (806,446)</u>	<u>\$(1,678,422)</u>	<u>\$ (165,019)</u>

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 1991**

(12) CONTRIBUTED CAPITAL - ENTERPRISE FUNDS

During the year ended September 30, 1991, contributed capital increased by the following amounts:

	<u>Pohnpei State Transportation Authority</u>	<u>Pohnpei State Housing Authority</u>
Contribution from the State to fund a housing loan program	\$ -	\$643,053
Contribution from the State's general fund	322,427	-
Contribution from the State's general fund for the unexpended balance of PSHA's FY 91 budget	<u>-</u>	<u>11,151</u>
Total contributed capital received	<u>\$322,427</u>	<u>\$654,204</u>

(13) MATERIAL FUND DEFICITS

The following presents material fund deficits as of September 30, 1991. If operations of these funds cannot recover prior losses, the State's General Fund may have to absorb these amounts or a portion thereof.

Special Revenue Funds

U.S. Federal Assistance Fund	\$161,579
Other Direct Assistance Fund	67,437
CFSM Project Fund	<u>37,783</u>
	<u>\$266,799</u>

Enterprise Funds (Deficit Retained Earnings)

Pohnpei Transportation Authority	\$ 866,446
Pohnpei Economic Development Authority	1,678,422
Pohnpei State Housing Authority	<u>165,019</u>
	<u>\$2,709,887</u>

(14) BONDS PAYABLE

During the year ending September 30, 1991, Pohnpei State undertook two separate issues of notes payable under the Medium Term Note (MTN) program entered into by the FSM National Government on behalf of itself and the four FSM states.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 1991

(14) BONDS PAYABLE, CONTINUED

On April 26, 1990, the first issue of \$5,100,000 was made to assist in financing the construction of a Fish Processing Plant by Pohnpei State. The borrowing consists of one note for \$5,100,000 maturing on October 15, 1995. Interest is payable semi-annually, commencing on October 15, 1990, at a fixed rate of 9.57% per annum. Total interest paid on this \$5,100,000 note at maturity will be \$2,669,472.

The second issue occurred on July 17, 1990, for a total of \$9,550,000 which was made to finance Pohnpei State's \$2,000,000 equity investment in and a \$7,500,000 loan to a fishing joint venture, the Caroline Fishing Corp. Inc. (CFC)). The first note repayment of \$1,000,000 was made on April 15, 1991, therefore the outstanding balance as of September 30, 1991 was comprised of several notes with varying amounts of principal, interest and maturities as follows:

<u>Maturity</u>	<u>Interest Rate % P.A</u>	<u>Principal Amount</u>	<u>Total Interest</u>
10/15/91	8.90%	\$2,550,000	\$ 282,427
10/15/92	9.02%	1,000,000	202,449
10/15/93	9.14%	1,000,000	296,542
10/15/94	9.25%	1,000,000	392,611
10/15/95	9.30%	1,000,000	487,733
10/15/96	9.35%	1,000,000	583,856
10/15/97	9.49%	<u>1,000,000</u>	<u>687,498</u>
Total		<u>\$8,550,000</u>	<u>\$2,933,116</u>

Interest is payable semi-annually, beginning on October 15, 1990.

The third issue was made on December 26, 1990 for a total of \$5,200,00 as additional borrowing for the two projects specified above. The borrowing consists of various notes with varying amounts of principal, interest, and maturities:

<u>Maturity</u>	<u>Interest Rate % P.A</u>	<u>Principal Amount</u>	<u>Total Interest</u>
10/15/96	8.90%	\$1,200,000	\$ 512,937
10/15/97	9.05%	1,000,000	525,151
10/15/92	9.10%	1,000,000	619,053
10/15/99	9.125%	1,000,000	712,003
10/15/2000	9.125%	<u>1,000,000</u>	<u>803,760</u>
Total		<u>\$5,200,000</u>	<u>\$3,172,904</u>

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 1991**

(14) BONDS PAYABLE, CONTINUED

Payments of principal and interest are entrusted to Citibank, N.A., as Trustee. The FSM has pledged, as security for payments by the Trustee, a first priority lien on, and security interest in, all Compact of Free Association payments from the U.S. Government.

Upon receipt of Compact payments, the Trustee is responsible for withdrawal of amounts necessary for payments of principal and interest. Various other restrictive covenants exist and are detailed in the Trust Agreement dated January 4, 1990. Management is of the opinion that it has complied with such covenants thru September 30, 1991.

Activity in the General Long-Term Debt Account Group bonds payable account for the year ended September 30, 1991, occurred as follows:

Balance as of September 30, 1990	\$14,650,000
Proceeds from \$5,200,000 debt issue dated 12/26/90	5,200,000
Loan repayment made on 4/15/90	<u>(1,000,000)</u>
Balance as of September 30, 1991	<u>\$18,850,000</u>

(15) INTERFUND RECEIVABLE AND PAYABLES

As of September 30, 1991, interfund receivables and payables resulting from various interfund transactions are as follows:

	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>
General Fund	\$1,362,969	\$2,326,656
Special Revenue Funds:		
Compact Health & Education	-	542,855
Compact Other Grants	-	203,774
U.S. Federal Assistance	1,623,156	-
Other Federal and Direct Assistance	34,406	-
Seaport Revolving	-	88,726
Airport Revolving	-	71,965
Agriculture Revolving	-	29,925
SVAP Revolving	909	-
Airport Maintenance	-	152,237
CFSM Projects	1,006,238	-
Recycling Fund	-	4,614
Capital Projects Funds:		
Compact Capital Projects	-	1,394,331
TTG Capital Projects	665,051	-
Expendable Trust Funds:		
Public Land Trust	-	377,813
Enterprise Funds:		
Pohnpei State Transportation Authority	480,731	-
Internal Service Fund	19,436	-
	<u>\$5,192,896</u>	<u>\$5,192,896</u>

STATE OF POHNPEI
 FEDERATED STATES OF MICRONESIA
 NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
 SEPTEMBER 30, 1991

(16) CONTINUING APPROPRIATIONS

Continuing appropriations as of September 30, 1991, 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>29,492</u>
	<u>\$ 104,067</u>

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

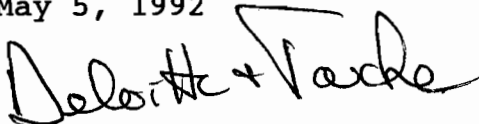
Airport Terminal Project	\$ 184,887
Pohnpei Development Bank loan	192,000
Expansion of PICS	100,000
Escrow Account	500,000
Architectural/Engineering Study - Road & Bridge	150,000
Maintenance & Improvement of Kolonia Sewer	235,765
Pohnpei Light Industrial Park	348,111
Land fill:	
Construction of Parem Elementary School	150,000
Construction of Sokehs Pah School	150,000
Purchase of Stocks (Bank of the FSM)	250,000
Construction of Daumwokot Bridge	109,250
Secondary Power Distribution	450,000
Various other State approved projects	<u>935,542</u>
	<u>\$3,755,555</u>

INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

Honorable Johnny David
Governor, State of Pohnpei
Kolonia, Pohnpei 96941

The additional information presented in the following pages which has been taken primarily from accounting and other records of the State of Pohnpei is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Due to the deficiencies specified in our report on the general purpose financial statements of the State of Pohnpei as of and for the year ended September 30, 1991, dated May 5, 1992, the scope of our work was not sufficient to enable us to express an opinion on the general purpose financial statements. Similarly, we are unable to express, and do not express, an opinion on the accompanying additional information.

May 5, 1992

A handwritten signature in cursive script that reads "Deloitte + Touche".

Certified Public Accountants

STATE OF POHNPEI
 FEDERATED STATES OF MICRONESIA
Combining Schedule of Expenditures by Account -
All Governmental Fund Types and Expendable Trust Fund
The year ended September 30, 1991
 (With comparative totals for the year ended September 30, 1990)

	<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>1991</u>	<u>1990</u>
	<u>Fund</u>	<u>Revenue</u>	<u>Projects</u>	<u>Trust</u>		
	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Fund</u>		
Expenditures:						
Personnel services	\$10,616,718	\$2,843,588	\$ 353,553	\$ 3,845	\$13,817,704	\$12,762,499
Travel	403,075	355,448	58,614	18,202	835,339	950,108
Supplies and materials	613,520	765,965	775,513	1,303	2,156,301	1,296,605
Fuel	1,581,859	797,948	6,290	-	2,386,097	1,991,045
Equipment	352,710	258,565	506,121	4,085	1,121,481	1,283,003
Contractual services	249,338	556,278	7,931,280	-	8,736,896	6,504,302
Other	<u>2,792,757</u>	<u>1,346,816</u>	<u>1,117,447</u>	<u>5,551</u>	<u>5,262,571</u>	<u>4,471,816</u>
Total expenditures	<u>\$16,609,977</u>	<u>\$6,924,608</u>	<u>\$10,748,818</u>	<u>\$ 32,986</u>	<u>\$34,316,389</u>	<u>\$29,259,378</u>

STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA
GENERAL FUND
September 30, 1991

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 taxes and other revenues.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA
Balance Sheet - General Fund
September 30, 1991**

(With Comparative Totals as of September 30, 1990)

<u>Assets</u>	<u>1991</u>	<u>1990</u>
Cash and equivalents	\$ 2,454,221	\$ 948,095
Investments	5,322,430	4,482,778
Receivables from other governments	158,905	117,314
General receivables	667,833	502,379
Advances	25,155	19,666
Due from other funds	<u>2,326,656</u>	<u>1,772,036</u>
 Total assets	 <u>\$10,955,200</u>	 <u>\$7,842,268</u>
 <u>Liabilities and Fund Balance</u>		
Liabilities:		
Accounts payable	\$ 441,518	\$ 44,892
Accrued payroll and others	1,198,025	803,800
Due to other funds	<u>1,362,969</u>	<u>240,127</u>
 Total liabilities	 <u>3,002,512</u>	 <u>1,088,819</u>
Fund balance:		
Reserved:		
Reserve for diminution of investments	262,542	894,999
Reserved for related assets	692,988	522,046
Encumbrances	788,833	777,766
Continuing appropriations	104,067	104,067
Unreserved	<u>6,104,258</u>	<u>4,454,571</u>
 Total fund balance	 <u>7,952,688</u>	 <u>6,753,449</u>
 Total liabilities and fund balance	 <u>\$10,955,200</u>	 <u>\$7,842,268</u>

STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA
Statement of Revenues, Expenditures by Account and
Changes in Fund Balance - General Fund
The year ended September 30, 1991

(With comparative totals for the year ended September 30, 1990)

	<u>1991</u>	<u>1990</u>
Revenues:		
Compact of Free Association:		
Base grant	\$ 8,478,000	\$ 8,478,000
Inflation adjustment	2,882,520	2,543,408
Revenue sharing	2,720,616	2,419,908
Taxes and licenses	957,177	688,427
Fines and penalties	34,756	14,938
Investment income	1,552,584	1,122,849
Other	<u>1,545,783</u>	<u>1,429,107</u>
Total revenues	<u>18,171,436</u>	<u>16,696,629</u>
Program expenditures:		
Personnel services	10,616,718	9,688,767
Travel	403,075	432,475
Supplies and materials	613,520	550,479
Fuel	1,581,859	657,169
Equipment	352,710	380,135
Contractual services	249,338	267,693
Other	<u>2,792,757</u>	<u>2,376,488</u>
Total program expenditures	<u>16,609,977</u>	<u>14,353,206</u>
Revenues over expenditures	<u>1,561,459</u>	<u>2,343,423</u>
Other sources (uses):		
Operating transfers out	<u>(362,220)</u>	<u>(383,880)</u>
Total sources (uses)	<u>(362,220)</u>	<u>(383,880)</u>
Excess of revenues and other sources over expenditures and other uses	1,199,239	1,959,543
Fund balance, beginning of year	<u>6,753,449</u>	<u>4,793,906</u>
Fund balance, end of year	<u>\$ 7,952,688</u>	<u>\$ 6,753,449</u>

STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA
Statement of Revenues, Expenditures by Function and Department
General Fund
The year ended September 30, 1991
(With comparative totals for the year ended September 30, 1990)

	1991	1990
Revenues:		
Compact of Free Association:		
Base grant	\$ 8,478,000	\$ 8,478,000
Inflation adjustment	2,882,520	2,543,400
Revenue sharing	2,720,616	2,419,908
Investment income	1,552,584	1,122,849
State taxes and licenses:		
Beer and malt beverages	\$ 328,666	\$ 221,265
Cigarettes	187,577	37,181
Motor vehicle sales tax	130,099	101,863
General merchandise sales tax	103,341	104,676
Hotel	70,344	61,456
Petroleum and fuel sales tax	46,864	34,873
Use tax	90,286	92,848
Others	-	34,265
	957,177	688,427
Public service charges:		
Utilities	951,036	1,061,875
Hospital and dental	467,235	303,913
Transportation	56,733	50,342
Fines and penalties	34,756	14,938
Other	70,779	12,977
	1,475,004	1,416,130
Total revenues	18,171,436	16,696,629
Expenditures:		
General government:		
Governor and staff	492,742	294,564
Special assistants and miscellaneous	825,942	826,022
Director of Treasury	556,081	764,851
Public Auditor	115,790	67,026
Public Affairs	172,914	181,874
Judiciary	509,016	550,589
Legislative operations	1,458,867	1,503,554
Sub-total	4,131,352	4,188,480
Department of Land:		
Administration	77,462	118,173
Surveys and mapping	288,732	274,969
Historic preservation	27,408	29,901
Parks and recreation	27,015	13,143
Management of public lands	104,513	92,588
Sub-total	525,130	528,774
Total General Government	4,656,482	4,717,254

STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA
Statement of Revenues, Expenditures by Function and Department -
General Fund, Continued
The year ended September 30, 1991
(With comparative totals for the year ended September 30, 1990)

	1991	1990
Department of Health Services:		
Administration	\$ 544,920	\$ 519,266
Medical services	1,006,816	996,281
Dental services	274,326	245,989
Medical supplies	513,102	500,749
Public health	457,751	426,479
Medical referrals	<u>60,943</u>	<u>(4,155)</u>
Total Health Services	<u>2,857,858</u>	<u>2,685,269</u>
Department of Education:		
Administration	175,281	101,966
Preschool and elementary	2,235,299	1,816,830
Secondary	6,475	4,880
Aid to non-public schools	100,000	-
PICS	<u>29,139</u>	<u>19,553</u>
Total Education	<u>2,546,194</u>	<u>1,943,229</u>
Department of Conservation and Resource Development:		
Administration	53,252	60,812
Marine resources	123,840	116,563
Agriculture	342,247	382,925
Forestry	112,831	113,696
Economic Planning	26,619	28,523
Energy	<u>81,325</u>	<u>47,389</u>
Total Resources and Development	<u>740,114</u>	<u>749,908</u>
Department of Public Works:		
Administration	101,668	129,157
Operations and maintenance	137,505	174,825
Utility services	2,166,571	1,291,867
Construction management	92,998	86,045
Other	<u>5,999</u>	<u>15,279</u>
Total Public Works	<u>2,504,741</u>	<u>1,697,173</u>
Department of Transportation:		
Micro Glory	401,593	398,765
Transportation office	<u>123,187</u>	<u>91,753</u>
Total Transportation	<u>524,780</u>	<u>490,518</u>

STATE OF POHNPEI
 FEDERATED STATES OF MICRONESIA
Statement of Revenues, Expenditures by Function and Department -
General Fund, Continued
The year ended September 30, 1991
 (With comparative totals for the year ended September 30, 1990)

	1991	1990
Boards, commissions and other appropriations:		
Tourist Commission	\$ 95,745	\$ 59,506
Micronesian Legal Services	39,300	41,300
Public Land Board	-	320
Sports Council	27,429	44,982
Farmers Home Administration	62,116	67,227
Traditional affairs	-	2,980
Utility Board	17	-
Foreign Investment Board	66	52,093
Pohnpei Public Library	40,652	52,430
Pohnpei Leadership Conference	-	9,945
ALMS Fund	-	6,874
South Pacific Forum	24,000	-
Guam Island Fair	9,545	2,598
Pacific Women's Conference	9,866	-
Recycling Project	18,895	-
Total boards, commissions and other	327,631	340,255
Department of Justice:		
Administration	81,000	88,170
Public safety	577,162	504,307
Correction and rehabilitation	112,757	101,825
Fire and disaster	86,405	79,843
Legal affairs	138,253	109,801
Search and rescue	10,046	6,370
Total Public Safety	1,005,623	890,316
Municipal Governments:		
Sokehs	150,173	105,421
Kitti	152,455	156,884
Madolenihmw	168,878	154,306
Uh	91,489	72,552
Kolonia	111,927	100,022
Balance forward	674,922	589,185

STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA
Statement of Revenues, Expenditures by Function and Department -
General Fund, Continued
The year ended September 30, 1991
 (With comparative totals for the year ended September 30, 1990)

	1991	1990
Balance forwarded	\$ 674,922	\$ 589,185
Municipal Governments, continued:		
Pingilap	53,309	57,856
Nett	58,320	94,737
Kapingamarangi	30,859	19,997
Ngatik	27,910	36,254
Mokil	17,637	24,759
Nukuoro	20,790	16,487
Total Municipal Governments	883,747	839,275
Other:	562,807	-
Total expenditures	16,609,977	14,353,206
Revenues over expenditures	1,561,459	2,343,423
Other (uses):		
Operating transfers out	(362,220)	(383,880)
Total other (uses)	(362,220)	(383,880)
Excess of revenues over expenditures and other uses	1,199,239	1,959,543
Fund balance, beginning of year	6,753,449	4,793,906
Fund balance, end of year	\$ 7,952,688	\$ 6,753,449

STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA
SPECIAL REVENUE FUNDS
September 30, 1991

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 are 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 other 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's seaport.

Airport Revolving Fund

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

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA
SPECIAL REVENUE FUNDS, CONTINUED
September 30, 1991**

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.

Airport Maintenance Fund

This fund accounts for the collection of the \$5.00 per person airport departure tax, which is to be used to provide for the general maintenance and upkeep of Pohnpei International Airport.

CFSM State Projects Fund

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

Recycling Fund

This fund accounts for the financial activity of the aluminum can recycling project.

STATE OF Pohnpei
FEDERATED STATES OF MICRONESIA
SPECIAL REVENUE FUNDS
Combining Balance Sheet
September 30, 1991

(With comparative totals for the year ended September 30, 1990)

	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	Recycling Fund	Totals	
												1991	1990
Assets													
Cash and equivalents	\$ 1,007,527	\$ 27,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,035,027	\$ 1,017,527
Investments	-	192,784	-	-	-	-	-	-	-	-	-	192,784	227,783
Receivables from:													
Federal agencies - FSM National Government	-	-	1,582,926	-	-	-	-	-	-	-	-	1,582,923	1,341,522
Federal agencies, direct, other government	-	-	-	-	-	-	-	-	-	978,331	-	978,331	498,538
General	-	-	-	-	-	1,040	42,078	-	-	-	-	43,118	43,118
Advances	-	23,095	55,060	1,003	200	4,550	-	-	-	29,084	-	112,992	14,399
Due from other funds	542,855	203,774	-	-	88,726	71,965	29,925	-	152,237	-	4,614	1,094,096	600,975
Inventories	-	-	-	-	-	-	41,645	-	-	-	-	41,645	41,645
Total assets	\$ 1,550,382	\$ 447,153	\$ 1,637,986	\$ 1,003	\$ 88,926	\$ 77,555	\$ 113,648	\$ -	\$ 152,237	\$ 1,007,415	\$ 4,614	\$ 5,080,919	\$ 3,785,507
Liabilities and Fund Balance (Deficit)													
Liabilities:													
Accounts payable	\$ 51,015	\$ 33,292	\$ 152,123	\$ 3,989	\$ 65	\$ 2,120	\$ -	\$ -	\$ -	\$ 38,280	\$ -	\$ 280,884	\$ 382,027
Accrued payroll	39,181	1,142	24,286	399	-	-	-	-	-	680	-	65,688	48,757
Due to other funds	-	-	1,623,156	34,406	-	-	-	909	-	1,006,238	-	2,664,709	2,364,029
Intergovernmental payables	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	29,646	-	-	-	-	-	-	-	29,646	29,646
Total liabilities	90,196	34,434	1,799,565	68,440	65	2,120	-	909	1,045,198	-	-	3,040,927	2,824,459
Fund balance:													
Reserved for:													
Related assets	-	23,095	55,060	1,003	200	5,590	83,723	-	-	29,084	-	197,755	99,162
Encumbrances	32,271	15,694	391,773	4,813	2,674	5,253	-	-	-	334,143	-	786,621	669,270
Continuing appropriations	-	-	-	-	-	-	-	-	-	-	-	-	32,072
Unreserved	1,427,915	373,930	(608,412)	(73,253)	85,987	64,592	29,925	(909)	152,237	(401,010)	4,614	1,055,616	160,544
Total fund balance (deficit)	1,460,186	412,719	(161,579)	(67,437)	88,861	75,435	113,648	(909)	152,237	(37,783)	4,614	2,039,992	961,048
Total liabilities and fund balance	\$ 1,550,382	\$ 447,153	\$ 1,637,986	\$ 1,003	\$ 88,926	\$ 77,555	\$ 113,648	\$ -	\$ 152,237	\$ 1,007,415	\$ 4,614	\$ 5,080,919	\$ 3,785,507

STATE OF Pohnpei
 FEDERATED STATES OF MICRONESIA
 SPECIAL REVENUE FUNDS
 Combining Statement of Revenue, Expenditures
 and Changes in Fund Balance (Deficit)
 The year ended September 30, 1991
 (With comparative totals for the year ended September 30, 1990)

	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	Recycling Fund	Totals		
												1991	1990	
Revenues:														
Compact of Free Association:														
Base grant	\$1,890,000	\$2,414,800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$4,304,800	\$2,997,783
Inflation adjustment	-	340,000	-	-	-	-	-	-	-	-	-	-	340,000	300,000
Federal contributions -														
FSM National Government	-	-	2,302,937	-	-	-	-	-	-	783,162	-	-	3,086,099	2,750,267
Other	-	-	-	18,830	35,605	132,100	74,055	7,449	-	-	4,614	-	272,653	442,612
Total revenues	1,890,000	2,754,800	2,302,937	18,830	35,605	132,100	74,055	7,449	-	783,162	4,614	-	8,003,552	6,490,662
Expenditures:														
General government	-	-	471,033	1,069	-	-	-	-	-	218,545	-	-	690,647	637,267
Health services	2,134	357,048	364,112	59,682	-	-	-	-	-	116,990	-	-	899,966	955,213
Education	1,744,275	493,475	787,206	-	-	-	-	-	-	185,790	-	-	3,210,746	3,366,061
Resources and development	-	326,076	171,467	3,701	-	-	65,944	-	-	9,455	-	-	576,643	360,743
Public works	-	736,905	233,382	255	-	-	-	-	-	194,538	-	-	1,165,080	1,802,214
Others	-	-	275,737	-	6,516	38,321	-	3,108	-	57,844	-	-	381,526	176,473
Total expenditures	1,746,409	1,913,504	2,302,937	64,707	6,516	38,321	65,944	3,108	-	783,162	-	-	6,924,608	7,297,971
Revenues over (under) expenditures	143,591	841,296	-	(45,877)	29,089	93,779	8,111	4,341	-	-	4,614	-	1,078,944	(807,309)
Other sources (uses):														
Recovery of prior year debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of revenue and other sources over expenditures and other uses	143,591	841,296	-	(45,877)	29,089	93,779	8,111	4,341	-	-	4,614	-	1,078,944	(807,309)
Fund balance (deficit), beginning of year	1,316,595	(428,577)	(161,579)	(21,560)	59,772	(18,344)	105,537	(5,250)	152,237	(37,783)	-	-	961,048	1,768,357
Fund balance (deficit), end of year	\$1,460,186	\$ 412,719	(\$161,579)	(\$67,437)	\$88,861	\$ 75,435	\$113,648	(\$ 909)	\$152,237	(\$37,783)	\$4,614	-	\$2,039,992	\$ 961,048

STATE OF Pohnpei
 FEDERATED STATES OF MICRONESIA
 SPECIAL REVENUE FUNDS

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

For the year ended September 30, 1991

(With comparative totals for the year ended September 30, 1990)

	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	Recyc- ling Fund	Totals		
												1991	1990	
Revenues:														
Compact of Free Association:														
Base grant	\$1,890,000	\$2,414,800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$4,304,800	\$2,997,783
Inflation adjustment	-	340,000	-	-	-	-	-	-	-	-	-	-	340,000	300,000
Federal contributions -														
FSM National Government	-	-	2,302,937	-	-	-	-	-	-	783,162	-	-	3,086,099	2,750,267
Other	-	-	-	18,830	35,605	132,100	74,055	7,449	-	-	4,614	-	272,653	442,612
Total revenues	<u>1,890,000</u>	<u>2,754,800</u>	<u>2,302,937</u>	<u>18,830</u>	<u>35,605</u>	<u>132,100</u>	<u>74,055</u>	<u>7,449</u>	<u>-</u>	<u>783,162</u>	<u>4,614</u>	<u>-</u>	<u>8,003,552</u>	<u>6,490,662</u>
Expenditures:														
Personnel services	1,639,390	53,311	1,010,177	12,305	328	57	-	-	-	128,020	-	-	2,843,588	2,961,949
Travel	4,761	138,320	118,965	8,804	200	10,348	-	-	-	74,050	-	-	355,448	381,991
Supplies and materials	70,716	7,897	479,974	5,291	4,140	15,489	43,043	562	-	138,853	-	-	765,965	507,349
Fuel	8,270	741,986	17,603	8,947	926	506	-	-	-	19,710	-	-	797,948	1,332,773
Equipment	5,655	4,640	191,655	19,693	834	813	-	-	-	35,275	-	-	258,565	357,001
Contractual services	-	250,000	156,250	-	-	10,000	-	-	-	140,028	-	-	556,278	443,727
Others	17,617	717,350	328,313	9,667	88	1,108	22,901	2,546	-	247,226	-	-	1,346,816	1,313,181
Total expenditures	<u>1,746,409</u>	<u>1,913,504</u>	<u>2,302,937</u>	<u>64,707</u>	<u>6,516</u>	<u>38,321</u>	<u>65,944</u>	<u>3,108</u>	<u>-</u>	<u>783,162</u>	<u>-</u>	<u>-</u>	<u>6,924,608</u>	<u>7,297,971</u>
Revenues over (under) expenditures	143,591	841,296	-	(45,877)	29,089	93,779	8,111	4,341	-	-	4,614	-	1,078,944	(807,309)
Other sources (uses):														
Recovery of prior year debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of revenue and other sources over expenditures and other uses	143,591	841,296	-	(45,877)	29,089	93,779	8,111	4,341	-	-	4,614	-	1,078,944	(807,309)
Fund balance (deficit), beginning of year	1,316,595	(428,577)	(161,579)	(21,560)	59,772	(18,344)	105,537	(5,250)	152,237	(37,783)	-	-	961,048	1,768,357
Fund balance (deficit), end of year	<u>\$1,460,186</u>	<u>\$ 412,719</u>	<u>\$ (161,579)</u>	<u>\$(67,437)</u>	<u>\$88,861</u>	<u>\$ 75,435</u>	<u>\$113,648</u>	<u>\$ (909)</u>	<u>\$152,237</u>	<u>\$(37,783)</u>	<u>\$4,614</u>	<u>-</u>	<u>\$2,039,992</u>	<u>\$ 961,048</u>

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA
CAPITAL PROJECTS FUNDS
September 30, 1991**

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.

STATE OF POHNPEI
 FEDERATED STATES OF MICRONESIA
CAPITAL PROJECTS FUNDS
Combining Balance Sheet
September 30, 1991
 (With comparative totals as of September 30, 1990)

<u>Assets</u>	Compact Capital Projects Fund	TTG Capital Projects Fund	<u>Totals</u>	
	Fund	Fund	1991	1990
Cash and equivalents	\$ 5,112,651	\$ -	\$ 5,112,651	\$ 831,002
Investments	8,086,801	-	8,086,801	11,915,544
Investment - Others	350,000	-	350,000	-
Receivables from:				
Dept. of the Interior				
grants - TTG	-	665,298	665,298	94,011
Loans receivable	4,750,000	-	4,750,000	7,500,000
Due from other funds	<u>1,394,331</u>	<u>-</u>	<u>1,394,331</u>	<u>572,419</u>
 Total assets	 <u>\$19,693,783</u>	 <u>\$ 665,298</u>	 <u>\$20,359,081</u>	 <u>\$20,912,976</u>
 <u>Liabilities and Fund Balance</u>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 53,785
Accrued payroll	6,625	247	6,872	2,638
Due to other funds	<u>-</u>	<u>665,051</u>	<u>665,051</u>	<u>94,011</u>
 Total liabilities	 <u>6,625</u>	 <u>665,298</u>	 <u>671,923</u>	 <u>150,434</u>
 Fund balance:				
Reserved for:				
Related assets	350,000	-	350,000	-
Long-term loan	4,750,000	-	4,750,000	3,750,000
Encumbrances	6,191,164	252,129	6,443,293	2,842,043
Continuing				
appropriations	3,755,555	-	3,755,555	5,545,766
Unreserved	<u>4,640,439</u>	<u>(252,129)</u>	<u>4,388,310</u>	<u>8,624,733</u>
 Total fund balance	 <u>19,687,158</u>	 <u>-</u>	 <u>19,687,158</u>	 <u>20,762,542</u>
 Total liabilities and fund balance	 <u>\$19,693,783</u>	 <u>\$ 665,298</u>	 <u>\$20,359,081</u>	 <u>\$20,912,976</u>

STATE OF POHNPEI
 FEDERATED STATES OF MICRONESIA
 CAPITAL PROJECTS FUNDS
Combining Statement of Revenues,
Expenditures and Changes in Fund Balance
The year ended September 30, 1991

(With comparative totals for the year ended September 30, 1990)

	Compact Capital Projects Fund	TTG Capital Projects Fund	<u>Totals</u>	
			<u>1991</u>	<u>1990</u>
Revenues:				
Compact of Free Association:				
Base grant	\$ 6,108,000	\$ -	\$ 6,108,000	\$ 6,108,000
Inflation adjustment	2,076,720	-	2,076,720	1,832,400
Department of the Interior grants	-	571,287	571,287	50,100
Other	<u>1,079</u>	<u>-</u>	<u>1,079</u>	<u>97,396</u>
Total revenues	<u>8,185,799</u>	<u>571,287</u>	<u>8,757,086</u>	<u>8,087,896</u>
Expenditures:				
Capital projects	<u>10,177,531</u>	<u>571,287</u>	<u>10,748,818</u>	<u>7,589,067</u>
Total expenditures	<u>10,177,531</u>	<u>571,287</u>	<u>10,748,818</u>	<u>7,589,067</u>
Revenues over (under) expenditures	(1,991,732)	-	(1,991,732)	498,829
Other sources (uses):				
Bond proceeds	5,200,000	-	5,200,000	14,650,000
Bond payment	(1,000,000)	-	(1,000,000)	-
Interest expense	(1,263,468)	-	(1,263,468)	-
Other income	223,438	-	223,438	-
Transfer out	<u>(2,243,622)</u>	<u>-</u>	<u>(2,243,622)</u>	<u>(5,568,023)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(1,075,384)	-	(1,075,384)	9,580,806
Fund balance, beginning of year	<u>20,762,542</u>	<u>-</u>	<u>20,762,542</u>	<u>11,181,736</u>
Fund balance, end of year	<u>\$19,687,158</u>	<u>\$ -</u>	<u>\$19,687,158</u>	<u>\$20,762,542</u>

STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA
CAPITAL PROJECTS FUNDS
Combining Statement of Revenues,
Expenditures by Account and Changes in Fund Balance
The year ended September 30, 1991
(With comparative totals for the year ended September 30, 1990)

	Compact Capital Projects Fund	TTG Capital Projects Fund	<u>Totals</u>	
			<u>1991</u>	<u>1990</u>
Revenues:				
Compact of Free Association:				
Base grant	\$ 6,108,000	\$ -	\$ 6,108,000	\$ 6,108,000
Inflation adjustment	2,076,720	-	2,076,720	1,832,400
Department of the Interior grants	-	571,287	571,287	50,100
Other	<u>1,079</u>	<u>-</u>	<u>1,079</u>	<u>97,396</u>
Total revenues	<u>8,185,799</u>	<u>571,287</u>	<u>8,757,086</u>	<u>8,087,896</u>
Expenditures:				
Personnel services	343,961	9,592	353,553	110,757
Travel	56,478	2,136	58,614	132,187
Supplies and materials	728,320	47,193	775,513	238,169
Fuel	4,806	1,484	6,290	739
Equipment	444,189	61,932	506,121	545,867
Contractual Services	7,485,068	446,212	7,931,280	5,792,882
Other	<u>1,114,709</u>	<u>2,738</u>	<u>1,117,447</u>	<u>768,466</u>
Total expenditures	<u>10,177,531</u>	<u>571,287</u>	<u>10,748,818</u>	<u>7,589,067</u>
Revenues over (under) expenditures	(1,991,732)	-	(1,991,732)	498,829
Other sources (uses):				
Bond proceeds	5,200,000	-	5,200,000	14,650,000
Loan repayment	(1,000,000)	-	(1,000,000)	-
Interest expense	(1,263,468)	-	(1,263,468)	-
Other income	223,438	-	223,438	-
Transfers out	<u>(2,243,622)</u>	<u>-</u>	<u>(2,243,622)</u>	<u>(5,568,023)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(1,075,384)	-	(1,075,384)	(9,580,806)
Fund balance, beginning of year	<u>20,762,542</u>	<u>-</u>	<u>20,762,542</u>	<u>11,181,736</u>
Fund balance, end of year	<u>\$19,687,158</u>	<u>\$ -</u>	<u>\$19,687,158</u>	<u>\$20,762,542</u>

STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA
ENTERPRISE FUNDS
September 30, 1991

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 pave 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 safe and sanitary residential housing for low income families of Pohnpei State.

STATE OF Pohnpei
 FEDERATED STATES OF MICRONESIA
 ENTERPRISE FUNDS
 Combining Balance Sheet
 September 30, 1991

<u>Assets</u>	<u>Pohnpei Transportation Authority</u>	<u>Pohnpei Economic Development Authority</u>	<u>Pohnpei State Housing Authority</u>	<u>Totals</u>	
				<u>1991</u>	<u>1990</u>
Cash & equivalents	\$ -	\$ 42,033	\$ 13,417	\$ 55,450	\$ 583,693
Investments	-	730,223	-	730,223	1,882,319
Advance	2,375	-	-	2,375	2,215
General receivables, net	-	109,527	18,877	128,404	200,265
Loan receivable, net	-	1,939	2,234,319	2,236,258	1,359,872
Inventory	-	116,511	267,253	383,764	144,871
Prepaid expense	-	3,416	-	3,416	-
Fixed assets, net	<u>-</u>	<u>1,283,848</u>	<u>-</u>	<u>1,283,848</u>	<u>1,310,700</u>
 Total assets	 <u>\$ 2,375</u>	 <u>\$2,287,497</u>	 <u>\$2,533,866</u>	 <u>\$4,823,738</u>	 <u>\$5,483,935</u>
 <u>Liabilities and Fund Equity (Deficit)</u>					
Accounts payable	\$ 10,161	\$ 120,275	\$ 34,952	\$ 165,388	\$ 537,191
Accrued liabilities	55,502	23,420	3,011	81,933	56,923
Deferred revenue	-	27,683	6,947	34,630	27,325
Other fund liabilities	<u>480,731</u>	<u>-</u>	<u>-</u>	<u>480,731</u>	<u>573,360</u>
 Total liabilities	 <u>546,394</u>	 <u>171,378</u>	 <u>44,910</u>	 <u>762,682</u>	 <u>1,194,799</u>
 Fund equity:					
Contributed capital	322,427	3,794,541	2,653,975	6,770,943	5,794,312
Retained earnings (deficit)	<u>(866,446)</u>	<u>(1,678,422)</u>	<u>(165,019)</u>	<u>(2,709,887)</u>	<u>(1,505,176)</u>
 Total fund equity (deficit)	 <u>(544,019)</u>	 <u>2,116,119</u>	 <u>2,488,956</u>	 <u>4,061,056</u>	 <u>4,289,136</u>
 Total liabilities and fund equity (deficit)	 <u>\$ 2,375</u>	 <u>\$2,287,497</u>	 <u>\$2,533,866</u>	 <u>\$4,823,738</u>	 <u>\$5,483,935</u>

STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA
ENTERPRISE FUNDS
Combining Statement of Revenues and Expenses and
Changes in Fund Equity (Deficit)
The year ended September 30, 1991

	<u>Pohnpei Transportation Authority</u>	<u>Pohnpei Economic Development Authority</u>	<u>Pohnpei State Housing Authority</u>	<u>Totals</u>	
				<u>1991</u>	<u>1990</u>
Revenues:					
Charges for service	\$ 238,785	\$ 469,033	\$ -	\$ 707,818	\$ 727,953
Rental income	-	-	-	-	32,857
Other	<u>324,183</u>	<u>-</u>	<u>12,470</u>	<u>336,653</u>	<u>73,516</u>
Total revenues	<u>562,968</u>	<u>469,033</u>	<u>12,470</u>	<u>1,044,471</u>	<u>834,326</u>
Operating expenses:					
Personnel services	18,179	320,285	95,113	433,577	651,815
Travel	-	14,582	690	15,272	55,441
Supplies and materials	47,086	58,141	8,485	113,712	211,638
Fuel	12,229	13,046	3,066	28,341	58,681
Capital outlays	-	-	5,556	5,556	86,188
Contractual services	2,257,578	-	2,145	2,259,723	1,680,706
Other	<u>7,706</u>	<u>318,662</u>	<u>12,480</u>	<u>338,848</u>	<u>915,048</u>
Total operating expenses	<u>2,342,778</u>	<u>724,716</u>	<u>127,535</u>	<u>3,195,029</u>	<u>3,659,517</u>
Operating income (loss)	<u>(1,779,810)</u>	<u>(255,683)</u>	<u>(115,065)</u>	<u>(2,150,558)</u>	<u>(2,825,191)</u>
Non-operating revenues					
(expenses):					
Operating transfers in	1,685,769	168,863	97,006	1,951,638	2,220,408
Equity loss on investment	-	(1,152,096)	-	(1,152,096)	(117,681)
Interest expense	-	-	-	-	(78,589)
Others	<u>-</u>	<u>146,305</u>	<u>-</u>	<u>146,305</u>	<u>42,115</u>
Total non-operating revenues (expenses), net	<u>1,685,769</u>	<u>(836,928)</u>	<u>97,006</u>	<u>945,847</u>	<u>2,066,253</u>
Net income (loss)	(94,041)	(1,092,611)	(18,059)	(1,204,711)	(758,938)
Retained earnings (deficit), beginning of year	<u>(772,405)</u>	<u>(585,811)</u>	<u>(146,960)</u>	<u>(1,505,176)</u>	<u>(746,238)</u>
Retained earnings (deficit), end of year	<u>\$ (866,446)</u>	<u>\$ (1,678,422)</u>	<u>\$ (165,019)</u>	<u>\$ (2,709,887)</u>	<u>\$ (1,505,176)</u>
Contributed capital, beginning of the year	\$ -	\$ 3,794,541	\$ 1,999,771	\$ 5,794,312	\$ 3,261,317
Less opening balance adjustment	-	-	-	-	(1,198,500)
Other additions for the year	<u>322,427</u>	<u>-</u>	<u>654,204</u>	<u>976,631</u>	<u>3,731,495</u>
Contributed capital, end of year	<u>\$ 322,427</u>	<u>\$ 3,794,541</u>	<u>\$ 2,653,975</u>	<u>\$ 6,770,943</u>	<u>\$ 5,794,312</u>

STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA
ENTERPRISE FUNDS
Combining Statement of Cash Flows
The year ended September 30, 1991

	<u>Pohnpei State Transportation Authority</u>	<u>Pohnpei Economic Development Authority</u>	<u>Pohnpei State Housing Authority</u>	<u>Totals 1991</u>
Operating Activities:				
Net income (loss)	\$(94,041)	\$(1,092,611)	\$ (18,059)	\$(1,204,711)
Add back items not affecting Cash:				
Depreciation	-	93,308	-	93,308
Equity loss on investment	-	1,152,096	-	1,152,096
	<u>(94,041)</u>	<u>152,793</u>	<u>(18,059)</u>	<u>40,693</u>
 Changes in Working Capital Sources (Uses):				
Advances	(160)	(3,416)	-	(3,576)
Inventory	-	(25,259)	(213,634)	(238,893)
General receivables	-	90,738	(11,930)	78,808
Loans receivable	-	2,714	(879,100)	(876,386)
Accounts payable	(161,826)	(134,927)	(75,048)	(371,801)
Accrued liabilities	26,229	2,695	(3,916)	25,008
Deferred revenue	-	358	-	358
Interfund Payable	<u>229,798</u>	<u>-</u>	<u>-</u>	<u>229,798</u>
	<u>94,041</u>	<u>(67,097)</u>	<u>(1,183,628)</u>	<u>(1,156,684)</u>
 Cash used by operating activities	<u>-</u>	<u>85,696</u>	<u>(1,201,687)</u>	<u>(1,115,991)</u>
 Capital and Related Financing Activities:				
Cash payments for acquisition of capital assets	<u>-</u>	<u>(66,456)</u>	<u>-</u>	<u>(66,456)</u>
 Cash used by capital and related financing activities	<u>-</u>	<u>(66,456)</u>	<u>-</u>	<u>(66,456)</u>

STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA
Combining Statement of Cash Flows, Continued
All Proprietary Fund Types
The year ended September 30, 1991

	<u>Pohnpei State Transportation Authority</u>	<u>Pohnpei Economic Development Authority</u>	<u>Pohnpei State Housing Authority</u>	<u>Totals</u> <u>1991</u>
Non-Capital Related Financing Activities Sources (Uses):				
Contributed capital	\$ -	\$ -	\$ 654,204	\$ 654,204
Cash provided by non-capital related financing activities	<u>-</u>	<u>-</u>	<u>654,204</u>	<u>654,204</u>
Net increase/(decrease) in cash and equivalents	-	19,240	(547,483)	(528,243)
Cash and equivalents, beginning of year	<u>-</u>	<u>22,793</u>	<u>560,900</u>	<u>583,693</u>
Cash and equivalents, end of year	<u>\$ -</u>	<u>\$ 42,033</u>	<u>\$ 13,417</u>	<u>\$ 55,450</u>

Disclosure of non-cash transaction

During the year ended September 30, 1991, one enterprise fund (Pohnpei Transportation Authority) recorded an increase in contributed capital of \$322,427 which was offset by a decrease in interfund payables.

STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA
EXPENDABLE TRUST FUND
September 30, 1991

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.

STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA
EXPENDABLE TRUST FUND
Combining Balance Sheet
September 30, 1991

(With comparative totals as of September 30, 1990)

	Public Land Trust Fund	<u>Totals</u>	
		<u>1991</u>	<u>1990</u>
 <u>Assets</u>			
General receivables	\$ 1,851	\$ 1,851	\$ 1,851
Advances	8,466	8,466	1,390
Due from other funds	<u>377,813</u>	<u>377,813</u>	<u>317,257</u>
 Total assets	 <u>\$ 388,130</u>	 <u>\$ 388,130</u>	 <u>\$ 320,498</u>
 <u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 900	\$ 900	\$ 729
Accrued Payroll	92	92	-
Deferred revenue	<u>18,731</u>	<u>18,731</u>	<u>28,097</u>
 Total liabilities	 <u>19,723</u>	 <u>19,723</u>	 <u>28,826</u>
 Fund balance:			
Reserved for:			
Related assets	10,317	10,317	3,241
Encumbrances	795	795	11,731
Unreserved	<u>357,295</u>	<u>357,295</u>	<u>276,700</u>
 Total fund balance	 <u>368,407</u>	 <u>368,407</u>	 <u>291,672</u>
 Total liabilities and fund balance	 <u>\$ 388,130</u>	 <u>\$ 388,130</u>	 <u>\$ 320,498</u>

STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA
EXPENDABLE TRUST FUND
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
The year ended September 30, 1991
 (With comparative totals for the year ended September 30, 1990)

	<u>Public Land Trust Fund</u>	<u>Totals</u>	
		<u>1991</u>	<u>1990</u>
Revenues:			
Rental	\$ 109,721	\$ 109,721	\$ 51,624
Total revenues	<u>109,721</u>	<u>109,721</u>	<u>51,624</u>
Expenditures:			
Central government	<u>32,986</u>	<u>32,986</u>	<u>19,134</u>
Total expenditures	<u>32,986</u>	<u>32,986</u>	<u>19,134</u>
Revenues over expenditures	76,735	76,735	32,490
Fund balance, beginning of year	<u>291,672</u>	<u>291,672</u>	<u>259,182</u>
Fund balance, end of year	<u>\$ 368,407</u>	<u>\$ 368,407</u>	<u>\$ 291,672</u>

STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA
EXPENDABLE TRUST FUND
Combining Statement of Revenues, Expenditures by Account
and Changes in Fund Balance
The year ended September 30, 1991
 (With comparative totals for the year ended September 30, 1990)

	Public Land Trust Fund	Totals	
		<u>1991</u>	<u>1990</u>
Revenues:			
Rental	\$ <u>109,721</u>	\$ <u>109,721</u>	\$ <u>51,624</u>
Total revenues	<u>109,721</u>	<u>109,721</u>	<u>51,624</u>
Expenditures:			
Personnel services	3,845	3,845	1,026
Travel	18,202	18,202	3,455
Supplies and materials	1,303	1,303	608
Fuel	-	-	364
Equipment	4,085	4,085	-
Other	<u>5,551</u>	<u>5,551</u>	<u>13,681</u>
Total expenditures	<u>32,986</u>	<u>32,986</u>	<u>19,134</u>
Revenues over expenditures	76,735	76,735	32,490
Fund balance, beginning of year	<u>291,672</u>	<u>291,672</u>	<u>259,182</u>
Fund balance, end of year	<u>\$ 368,407</u>	<u>\$ 368,407</u>	<u>\$ 291,672</u>

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

SINGLE AUDIT REPORTS

YEAR ENDED SEPTEMBER 30, 1991



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AS A RESULT OF AN AUDIT PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

Honorable Johnny David
Governor, State of Pohnpei
Federated States of Micronesia

We were engaged to audit the general purpose financial statements of the State of Pohnpei as of and for the year ended September 30, 1991, and have issued our report thereon dated May 5, 1992.

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

The results of our tests indicate that, with respect to the items tested, the State of Pohnpei complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the State of Pohnpei has not complied, in all material respects, with those provisions.

This report is intended for the information of the State of Pohnpei and the cognizant audit and other federal agencies and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

May 5, 1992

Certified Public Accountants



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

Honorable Johnny David
Governor, State of Pohnpei
Federated States of Micronesia

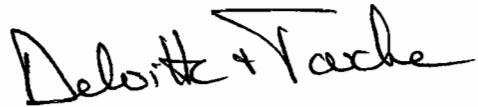
We were engaged to audit the State of Pohnpei's compliance with the requirements governing the Compact of Free Association, types of services allowed or unallowed; eligibility; level of effort, or earmarking; reporting; and claims for advances and reimbursements that are applicable to each of its major federal financial assistance programs, which are identified in the accompanying schedule on page 88, for the year ended September 30, 1991. The management of the State of Pohnpei is responsible for the State's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

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

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying schedule of findings and questioned costs. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the State of Pohnpei complied, in all material respects, with the requirements governing the Compact of Free Association, types of services allowed or unallowed; eligibility; level of effort or earmarking; reporting; claims for advances and reimbursements and funds matching requirements that are applicable to each of its major federal financial assistance programs for the year ended September 30, 1991.

May 5, 1992

A handwritten signature in cursive script that reads "Deloitte + Touche". The signature is written in black ink and is positioned above the printed name of the firm.

Certified Public Accountants



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH GENERAL REQUIREMENTS

Honorable Johnny David
Governor, State of Pohnpei
Federated States of Micronesia

We have applied procedures to test the State of Pohnpei's compliance with the following requirements applicable to each of its major federal financial assistance programs, which are identified in the schedule of federal financial assistance, for the year ended September 30, 1991: cash management, federal financial reports, allowable costs/cost principles, Drug Free Workplace Act, and administrative requirements.

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

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the first paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the State of Pohnpei had not complied, in all material respects, with those requirements. However, the results of our procedures disclosed immaterial instances of noncompliance with those requirements, which are described in the accompanying schedule of findings and questioned costs.

This report is intended for the information of the State of Pohnpei and the cognizant audit and other federal agencies and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

May 5, 1992

Certified Public Accountants



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH LAWS AND REGULATIONS APPLICABLE
TO NONMAJOR PROGRAMS

Honorable Johnny David
Governor, State of Pohnpei
Federated States of Micronesia

In connection with our audit of the 1991 general purpose financial statements of the State of Pohnpei, and with our study and evaluation of the State's internal control systems used to administer federal financial assistance programs, as required by Office of Management and Budget Circular A-128, "Audits of State and Local Government," we selected certain transactions applicable to certain nonmajor federal financial assistance programs for the year ended September 30, 1991.

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

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the State of Pohnpei had not complied, in all material respects, with those requirements. However, the results of our procedures disclosed immaterial instances of non-compliance with those requirements, which are described in the accompanying schedule of findings and questioned costs.

This report is intended for the information of the State of Pohnpei and the cognizant audit and the other federal agencies and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

May 5, 1992

Certified Public Accountants



**INDEPENDENT AUDITORS' REPORT ON INTERNAL
(ACCOUNTING AND ADMINISTRATIVE) CONTROL**

Honorable Johnny David
Governor, State of Pohnpei
Federated States of Micronesia

We were engaged to audit the general purpose financial statements of the State of Pohnpei, for the year ended September 30, 1991, and have issued our report thereon dated May 5, 1992. As part of our audit, we made a study and evaluation of the internal control systems, including applicable internal administrative controls, used in administering federal financial assistance programs to the extent we considered necessary to evaluate the systems as required by generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, the Single Audit Act of 1984, and the provisions of Office of Management and Budget Circular A-128, "Audits of State and Local Government"

For the purpose of this report, we have classified the significant internal accounting and administrative controls used in administering federal financial assistance programs into the following categories: payroll, purchases/disbursements, treasury/cash management, revenues/receipts, external financial reporting, types of services, eligibility, the Compact of Free Association, cash management, federal financial reports, allowable costs/cost principle, Drug Free Workplace Act, and administrative requirements.

The management of Pohnpei State is responsible for establishing and maintaining internal control systems used in administering federal financial assistance programs. In fulfilling that responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures.

The objectives of internal control systems used in administering federal financial assistance programs are to provide management with reasonable, but not absolute, assurance that, with respect to federal financial assistance programs, resource use is consistent with laws, regulations, and policies; resources are safeguarded against waste, loss, and misuse; and reliable data are obtained, maintained, and fairly disclosed in reports.

Because of inherent limitations in any system of internal accounting and administrative controls used in administering federal financial assistance programs, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the systems to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study included all of the applicable control categories listed above. During the year ended September 30, 1991, Pohnpei State expended 92.0% of its total federal financial assistance under major federal financial assistance programs. With respect to internal control systems used in administering major federal financial assistance programs, our study and evaluation included considering the type of errors and irregularities that could occur, determining the internal control procedures that should prevent or detect such errors and irregularities, determining whether the necessary procedures are prescribed and are being followed satisfactorily, and evaluating any weaknesses.

With respect to the internal control systems used solely in administering nonmajor federal financial assistance programs of Pohnpei State, our study and evaluation was limited to a preliminary review of the systems to obtain an understanding of the control environment and the flow of transactions through the accounting system. Our study and evaluation of the internal control systems used solely in administering the nonmajor federal financial assistance programs of Pohnpei State did not extend beyond this preliminary review phase.

Our study and evaluation was more limited than would be necessary to express an opinion on the internal control systems used in administering the federal financial assistance programs of Pohnpei State. Accordingly, we do not express an opinion on the internal control systems used in administering the federal financial assistance programs of Pohnpei State. Further, we do not express an opinion on the internal control systems used in administering the major federal financial assistance programs of Pohnpei State.

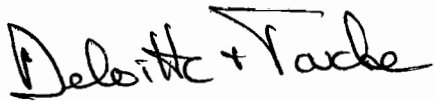
Also, our audit, made in accordance with the standards mentioned above, would not necessarily disclose material weaknesses in the internal control systems used solely in administering nonmajor federal financial assistance programs.

However, our study and evaluation and our audit disclosed the conditions specified in the following pages that we believe result in more than a relatively low risk that errors or irregularities in amounts that would be material to a federal financial assistance programs may occur and not be detected within a timely period.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in (1) our audit of the 1991 financial statements and (2) our audit and review of Pohnpei State's compliance with laws and regulations noncompliance with which we believe could have a material effect on the allowability of program expenditures for each major federal financial assistance program and nonmajor federal financial assistance programs. This report does not affect our reports on the general purpose financial statements and on Pohnpei State's compliance with the laws and regulations dated February 15, 1991.

This report is intended solely for the use of the State of Pohnpei, and the cognizant audit and other federal agencies and should not be used for any other purpose.

May 5, 1992

A handwritten signature in cursive script that reads "Deloitte + Touche". The signature is written in dark ink and is positioned above the printed name of the firm.

Certified Public Accountants



**INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY
INFORMATION - STATEMENT OF EXPENDITURES
AND QUESTIONED COSTS**

Honorable Johnny David
Governor, State of Pohnpei
Kolonia, Pohnpei 96941

We were engaged to audit the general purpose financial statements of the State of Pohnpei for the year ended September 30, 1991, and have issued our report thereon dated May 5, 1992. These general purpose financial statements are the responsibility of Pohnpei State's management.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements of the State of Pohnpei taken as a whole. The accompanying statement of expenditures and questioned costs is presented for purposes of additional analysis and is not a required part of the general purpose financial statements and, due to the matters specified in the aforementioned report, we do not express an opinion or any other form of assurance on the accompanying statements of expenditures and questioned costs.

May 5, 1992

Certified Public Accountants

STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA
INTRODUCTION TO COMPACT OF FREE ASSOCIATION
FUNDING, FEDERAL AND OTHER ASSISTANCE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 1991

Compact Funds

The FSM National Government and the Government of the United States implemented the Compact of Free Association during fiscal year 1987. The Compact funding replaced the Department of the Interior funding for general operations received through the TTPI Government in previous fiscal years. Based on the terms of the Compact agreement, the FSM National Government receives funding in five year increments over a fifteen year period. The Compact funding is received in four different account classifications; current operations, capital projects, block grants, and inflation adjustments. A mutually agreed upon financial institution was selected as the trustee of the Compact funding to facilitate the FSM National Governments' and its four State entities' drawdown requirements.

During fiscal year 1991, the State of Pohnpei Government submitted quarterly allocation requests to the FSM National Government for the current account. The current operation funds were transferred to State of Pohnpei's designated banking institution based on the quarterly allocation requests. The capital project funds, which must comprise at least 40 percent of the total annual allocation, remain with the trustee institution and are drawn down upon request by State of Pohnpei. Capital account funds are transferred in their annual base amounts on the first day of the fiscal year. Block grant funds are transferred with the initial quarterly current account allocation request and these funds were then appropriated by the Pohnpei State Legislature in accordance with the guidelines of the Compact. The United States Government annually adjusts Compact funding for inflation.

Pursuant to section 233 of the Compact of Free Association and paragraph 1(d), Article IV of the Agreement Concerning Procedures for the Implementation of U.S. Economic Assistance, Programs, and Services provided in the Compact of Free Association between the Government of the U.S. and the Government of the FSM, audits of Compact funding shall be performed in compliance with Government Auditing Standards, issued by the Comptroller General of the United States, and the Single Audit Act of 1984. The above states that audits shall be performed in accordance with Circular A-128, but compliance testing of Compact funding shall not include specific federal guidelines applicable to federal program assistance grants, but rather shall be in conformance with local laws and regulations and the program intent as provided in the Compact of Free Association.

Federal Funds

The State of Pohnpei Government remained the subrecipient of several federal grant programs from U.S. agencies, but with the implementation of the successor-in-interest agreements, the role of the primary recipient transferred from the TTPI government to the FSM National Government. The State of Pohnpei Government applies to the FSM National Government for grant funds, or receives an allocation of funds awarded to the FSM National Government. The award of the subrecipient grant typically comes in the form of an allotment advice, rather than a formal notice. The allotment advice specifies any imposed expenditure limitations. However, the limitations are normally represented solely by object code authorization totals and not by detailed budgets.

Revenues are recorded and recognized on the basis of expenditures. Drawdowns, typically occurring after expenditures are recorded, are made upon request by the State of Pohnpei Government to the FSM National Government.

Although program guidelines may not be specifically referenced in the allotment advice, subgrantees of federal programs other than Compact funding must adhere to the same cost principles as the grantee, as stated in the Office of Budget and Management Circular A-87. Additionally, beneficiaries and program objectives may not typically depart from the federal purpose, as may be determined by an Act of Congress, and in accordance with such program regulations which may be promulgated in the Code of Federal Regulations.

Introduction To Special Revenue and Capital Projects Funds

Receipt and use of monetary assistance from sources outside the general fund are accounted for in the following funds:

Special Revenue Funds:

- U.S. Federal Assistance Fund
- Other Direct Assistance Fund
- Compact 221 B Block Grant Fund
- Other Compact Block Grant Fund
- CFSM Special Revenue Fund

Capital Projects Funds:

- Compact 211A Capital Projects Funds
- TTPI Capital Projects Fund

As mentioned above, the Compact Major Block Grant, Compact Program and Compact Capital Project Funds are administered under the guidelines of the Compact of Free Association. With the exception of a few of the grants in the Other Direct Assistance Fund and the CFSM Special Revenue Fund, the revenue of the Special Revenue and Capital Projects Funds is derived through allotments from the TTPI or the FSM National Government for

specific purposes. All TTPI allotments are originally derived from U.S. Congressional appropriations. As the subrecipient, the State of Pohnpei reports to the FSM National Government. The CFSM Special Revenue Fund is funded by appropriations from the Congress of the Federated States of Micronesia, while grants recorded in the Other Direct Assistance Funds are received from various foreign governments and international organizations. The State of Pohnpei, through the Federated States of Micronesia, reports to the applicable grantor concerning other direct assistance grants.

STATE OF POHNPEI
 FEDERATED STATES OF MICRONESIA
 U.S. FEDERAL ASSISTANCE FUND
 STATEMENT OF EXPENDITURES AND QUESTIONED COSTS
 YEAR ENDED SEPTEMBER 30, 1991

<u>Grantor</u> <u>Account Title</u>	<u>Pohnpei</u> <u>Org.</u> <u>No.</u>	<u>CFDA No.</u>	<u>1991</u> <u>Fiscal Year</u> <u>Expenditures</u>	<u>Questioned Costs</u> <u>Amount</u>	<u>Detailed</u> <u>At Page</u>
<u>Department of Agriculture:</u>					
Forestry Project	3342	10.664	\$ 483	\$ -	
FY-86 Forestry Program	3343	10.664	6,271	-	
FY-87 Forestry Program	3344	10.664	3,097	-	
FY-89 Forestry Program	3345	10.664	1,187	-	
FY-91 Forestry Project	3346	10.664	2,539	-	
FY-89 Foods Services	3388	10.560	<u>157,890</u>	<u>-</u>	
			<u>171,467</u>	<u>-</u>	
 <u>Dept. of Education:</u>					
FY-88 Teacher Training	3073	84.124	1,107		
Chapter I Transition	3104	84.998	2,692	2,141	94
FY-88 Chapter I	3116	84.151	178,688	12,059	94
FY-88 Chapter II	3117	84.151	3,661	3,661	94
FY-89 Chapter I	3147	84.998	368,336	76	93
FY-89 Chapter II	3148	84.998	<u>232,721</u>	<u>-</u>	
			<u>787,205</u>	<u>17,937</u>	
 <u>Department of Housing and</u> <u>Urban Development:</u>					
Sokehs Multipurpose Courts	3162	14.219	4,413	-	
FY-83 Mand Water Extension	3170	14.219	2,000	-	
FY-84 Ball field Renovation	3171	14.219	2,964	-	
Awak Water Extension	3172	14.219	5,000	-	
FY-88 CDBG Administration	3188	14.219	3,295	-	
FY-88 CDBG Paies Water System	3189	14.219	6,360	-	
FY-89 Gymnasium Project	3190	14.219	2,483	-	
FY-87 Gymnasium Project	3191	14.219	19,857	-	
FY-83 Seinwar Court	3196	14.219	2,003	-	
Iपाल Water Project	3198	14.219	<u>7,000</u>	<u>-</u>	
			<u>55,375</u>	<u>-</u>	
Balance forward			1,014,047	17,937	

STATE OF POHNPEI
 FEDERATED STATES OF MICRONESIA
 U.S. FEDERAL ASSISTANCE FUND, CONTINUED
 STATEMENT OF EXPENDITURES AND QUESTIONED COSTS
 YEAR ENDED SEPTEMBER 30, 1991

<u>Grantor</u> <u>Account Title</u>	<u>Pohnpei</u> <u>Org.</u> <u>No.</u>	<u>CFDA No.</u>	<u>1991</u> <u>Fiscal Year</u> <u>Expenditures</u>	<u>Questioned Costs</u> <u>Amount</u>	<u>Detailed</u> <u>At Page</u>
Balance Forwarded			\$1,014,047	\$ 17,937	
 <u>Department of Health and</u>					
<u>Human Services:</u>					
FY-91 Sexually Transmitted	3680	13.224	2,291	-	
FY-91 Immunization Program	3681	13.224	6,870	-	
FY-91 AIDS Prevention	3682	13.224	5,478	-	
FY-90 Community Health Center	3687	13.224	64,173	-	
FY-91 Community Health Center	3688	13.224	91,740	-	
FY-90 Community Health Center	3687	13.224	(354)	-	
FY-87 Aging Supportive Services	3710	13.633	1,732	-	
FY-88 Preventive Health	3724	13.991	(1,038)	-	
FY-89 PH & PH	3726	13.991	848	-	
FY-89 PH & PH/Administration	3728	13.991	1,363	-	
Substance Abuse	3729	13.992	81,264	-	
FY-90 PH & PH	3730	13.991	11,999	-	
FY-88 CJ Primary Care	3748	13.994	1,751	1,751	94
FY-89 MCH	3760	13.994	(818)	-	
FY-90 MCH	3762	13.994	70,259	-	
FY-88 Supportive Services	3775	13.633	(712)	-	
FY-90 AIDS Program	3778	13.217	1,386	-	
FY-91 Family Planning	3785	13.217	19,774	-	
FY-92 Family Planning	3786	13.217	1,915	-	
FY-88 Preventive Health	3794	13.991	1,038	-	
FY-90 Immunization Program	3796	13.268	<u>110</u>	<u>-</u>	
			<u>361,069</u>	<u>1,751</u>	
 <u>Environmental Protection Agency:</u>					
Janitorial Services Contract	3547	66.600	<u>3,043</u>	<u>-</u>	
			<u>3,043</u>	<u>-</u>	
Balance Forward			1,378,159	19,688	

STATE OF POHNPEI
 FEDERATED STATES OF MICRONESIA
 U.S. FEDERAL ASSISTANCE FUND, CONTINUED
 STATEMENT OF EXPENDITURES AND QUESTIONED COSTS
 YEAR ENDED SEPTEMBER 30, 1991

<u>Grantor</u> <u>Account Title</u>	<u>Pohnpei</u> <u>Org.</u> <u>No.</u>	<u>CFDA No.</u>	<u>1991</u> <u>Fiscal Year</u> <u>Expenditures</u>	<u>Questioned Costs</u> <u>Amount</u>	<u>Detailed</u> <u>At Page</u>
Balance Forwarded			\$1,378,159	\$ 19,688	
<u>Department of the Interior:</u>					
FY-89 Historic Preservation	3462	15.904	1,108	-	
FY-90 Historic Preservation	3464	15.904	15,170	-	
Technical Training	3539	15.875	11,444	-	
Spare Parts MOU-7	3544	15.875	15,446	-	
Recruit & Procurement of Personnel	3546	15.875	23,892	-	
Renovation PICS School	3557	15.875	51,304	-	
Power Generation	3559	15.875	<u>75,921</u>	<u>-</u>	
			<u>194,285</u>	<u>-</u>	
<u>Department of Labor:</u>					
FY-88 JTPA Training	3245	17.250	(8)	-	
FY-89 JTPA Administration	3272	17.250	32,142	-	
FY-89 Adult Program	3273	17.250	70,651	-	
FY-89 JTPA Youth Program	3274	17.250	35,550	29,322	93
FY-90 JTPA Administration	3293	17.250	25,957	1,070	93
FY-90 JTPA Adult Program	3294	17.250	119,943	-	
FY-90 JTPA Youth Program	3295	17.250	<u>122,208</u>	<u>1,373</u>	93
			<u>406,443</u>	<u>31,765</u>	
<u>Department of Justice:</u>					
FY-86 JJDP Program Insular	3354	16.540	4,101	-	
FY-89 JJDP Insular	3377	16.540	3,888	-	
FY-88 JJDP Program Insular	3378	16.540	6,827	-	
PCASA (Substance Abuse)	3381	16.540	6,882	-	
FY-88 JJDP Program Formula	3383	16.540	2,391	-	
FY-86 JJDP Program Formula	3384	16.540	4,986	-	
FY-87 JJDP Program	3385	16.540	1,868	1,868	93
FY-86 Program Insular	3386	16.540	<u>17,370</u>	<u>-</u>	
			<u>48,313</u>	<u>1,868</u>	
Balance Forward			2,027,200	53,321	

STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA
U.S. FEDERAL ASSISTANCE FUND, CONTINUED
STATEMENT OF EXPENDITURES AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 1991

<u>Grantor</u> <u>Account Title</u>	<u>Pohnpei</u> <u>Org.</u> <u>No.</u>	<u>CFDA No.</u>	<u>1991</u> <u>Fiscal Year</u> <u>Expenditures</u>	<u>Questioned Costs</u>	
				<u>Amount</u>	<u>Detailed</u> <u>At Page</u>
Balance Forwarded			\$2,027,200	\$53,321	
<u>Federal Emergency Management Agency</u>					
<u>(FEMA) Grants:</u>					
Russ Individual Family Grant	3751	83.505	122,653	-	
Russ Public Assistance-Governor	3755	83.505	101,547	-	
Russ Public Assistance-Public Works	3757	83.505	42,359	-	
Russ Public Assistance-Agriculture	3759	83.505	8,872	8,872	94
Russ Public Assistance-Health Services	3764	83.505	<u>306</u>	<u>-</u>	
			<u>275,737</u>	<u>8,872</u>	
Total U.S. Federal Assistance Fund			<u>\$2,302,937</u>	<u>\$62,193</u>	

STATE OF POHNPEI
 FEDERATED STATES OF MICRONESIA
 OTHER DIRECT ASSISTANCE FUND
 STATEMENT OF EXPENDITURES AND QUESTIONED COSTS
 YEAR ENDED SEPTEMBER 30, 1991

<u>Grantor</u> <u>Account Title</u>	<u>Pohnpei</u> <u>Org.</u> <u>No.</u>	<u>1991</u> <u>Fiscal Year</u> <u>Expenditures</u>	<u>Questioned Costs</u> <u>Detailed</u> <u>Amount</u> <u>At Page</u>
<u>World Health Organization:</u>			
Family Planning UNFPA	3913	\$ 5,578	\$ -
		<u>5,578</u>	<u>-</u>
<u>South Pacific Commission Grants:</u>			
Environment Management & Sust.	3921	<u>22</u>	<u>-</u>
		<u>22</u>	<u>-</u>
<u>Other Non U.S. Grants:</u>			
Medical Officer Training	3982	7,698	-
Hospital Contribution Fund	3988	23,674	-
Pearl Shell Project	3991	3,701	-
Sports Council Contribution	3992	1,068	-
Airport Navigation Aid	3994	255	-
Hospital Equipment	3996	18,073	-
Environment and Policy	3997	154	-
Child Abuse/Neglect	3998	<u>4,484</u>	<u>-</u>
		<u>59,107</u>	<u>-</u>
 Total Other Direct Assistance Fund		 <u>\$ 64,707</u>	 <u>\$ -</u>

STATE OF POHNPEI
 FEDERATED STATES OF MICRONESIA
 CFSM SPECIAL REVENUE PROJECT FUND
 STATEMENT OF EXPENDITURES AND QUESTIONED COSTS
 YEAR ENDED SEPTEMBER 30, 1991

<u>Grantor</u> <u>Account Title</u>	<u>Pohnpei</u> <u>Org.</u> <u>No.</u>	<u>1991</u> <u>Fiscal Year</u> <u>Expenditures</u>	<u>Questioned Costs</u>	
			<u>Amount</u>	<u>Detailed</u> <u>At Page</u>
Nukuoro Municipality Operation	4703	\$ 4,078	\$ -	
Nukuoro Attorney General Pilot Program	4704	4,474	-	
Supreme Court Operations	4873	57,538	-	
Pohnpei Medical Supplies	4878	144	-	
National Law Enforcement	4880	3,368	-	
Nukuoro Taro Patch Project	4886	5,146	-	
Nukuoro Municipality Operation	4887	345	-	
Sapwuafik Airstrip	4894	71,207	-	
Pohnpei Rahn En Mweimwahu (Liberation Day)	4895	8,310	-	
Joint Law Enforcement C&R	4898	1	-	
Joint Law Public Safety	4899	4,018	-	
Joint Law Enforcement Legal Affairs	4900	750	-	
Correction And Rehabilitation	4901	2,744	-	
Joint Law Enforcement Public Safety	4903	450	-	
Medical Equipment and Supplies	4904	41,863	-	
Micro Glory Engine Parts	4905	35,000	-	
Pohnpei Medical Services	4906	61,078	-	
Dental Services	4907	13,906	-	
PICS High School	4908	35,000	-	
Aramas Kapw	4909	18,084	-	
Farmers Home Administration	4910	23,591	-	
Joint Law Enforcement Public Safety	4911	25,894	-	
Joint Law Enforcement Correction & Rehab	4912	84,359	-	
Nukuoro Youth Development	4913	2,144	-	
Pohnpei Recreation Facilities	4914	5,715	-	
Teacher Training Program	4916	44,141	-	
Pohnpei Cultural Education	4917	36,786	-	
Nukuoro Airstrip Project	4918	109,739	-	
Ohwa Christian School	4920	30,911	-	
CFSM CIP Administration	4921	13,592	-	
Elementary and Secondary Education Program	4922	38,952	-	
Marine Resources Trochus	4970	(166)	-	
 Total CFSM Special Revenue Project Fund		 <u>\$ 783,162</u>	 <u>\$ -</u>	

Note: The above grants are received based on appropriations made
 by the Congress of the Federated States of Micronesia.

STATE OF POHNPEI
 FEDERATED STATES OF MICRONESIA
TTPI CAPITAL PROJECTS FUND
STATEMENT OF EXPENDITURES AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 1991

<u>Grantor</u> <u>Account Title</u>	<u>Pohnpei</u> <u>Org.</u> <u>No.</u>	<u>CFDA No.</u>	<u>1991</u> <u>Fiscal Year</u> <u>Expenditures</u>	<u>Questioned Costs</u> <u>Amount</u>	<u>Detailed</u> <u>At Page</u>
Pohnpei Airport Administration	6322	15.875	\$ 12,338	\$ -	
Pohnpei Hospital Renovation	6323	15.875	95,127	-	
Pohnpei Airport Runway Repair	6325	15.875	441,462	-	
Pohnpei Water Resources	6331	15.875	<u>22,360</u>	<u>-</u>	
Total Department of the Interior TTPI Capital Projects Fund			<u>\$ 571,287</u>	<u>\$ -</u>	

Note: These funds are received by Pohnpei State through the FSM National Government in a sub-grantee capacity through the Trust Territory Government and carry CFDA # 15.875.

STATE OF POHNPEI
 FEDERATED STATES OF MICRONESIA
 COMPACT OF FREE ASSOCIATION BLOCK GRANT FUND - SECTION 221 (b)
 STATEMENT OF EXPENDITURES AND QUESTIONED COSTS
 YEAR ENDED SEPTEMBER 30, 1991

<u>Grantor</u> <u>Account Title</u>	<u>Pohnpei</u> <u>Org.</u> <u>No.</u>	<u>1991</u> <u>Fiscal Year</u> <u>Expenditures</u>	<u>Questioned Costs</u>	
			<u>Amount</u>	<u>At Page</u>
<u>Office of Territorial</u>				
<u>and International Affairs</u>				
<u>CFDA NO. 15.875:</u>				
Medical Supplies	2065	\$ 2,134	\$ -	
Pre-School and Elementary Supplies	2113	10,189	-	
Secondary Education School Supplies	2114	235	-	
FY-89 Vocational Education Improvement	2130	3,455	-	
FY-89 Vocational Education Program	2135	8,110	-	
Pre-School and Elementary	2138	664,057	-	
Secondary Education	2139	707,240	-	
Educational Services	2140	336,235	-	
FY-91 Vocational Education Improvement	2141	<u>14,754</u>	<u>-</u>	
Total Compact of Free Association				
Block Grant Fund - Section 221 (b)		<u>\$1,746,409</u>	<u>\$ -</u>	

(Note: These funds are made available by Title Two, Article I, Section 221 (b) of the Compact of Free Association).

These funds are disbursed through the Office of Territorial and International Affairs (OTIA), Department of the Interior and bear CFDA No. 15.875. The National Government of the FSM receives all grant awards on behalf of the FSM and then reallots such to the component States.

STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA
COMPACT OF FREE ASSOCIATION BLOCK GRANT FUND - SECTION 216 (a)(2)
HEALTH AND MEDICAL REFERRAL
STATEMENT OF EXPENDITURES AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 1991

<u>Grantor</u> <u>Account Title</u>	<u>Pohnpei</u> <u>Org.</u> <u>No.</u>	<u>1991</u> <u>Fiscal Year</u> <u>Expenditures</u>	<u>Questioned Costs</u>	
			<u>Amount</u>	<u>At Page</u>
<u>Office of Territorial</u>				
<u>and International Affairs</u>				
<u>CFDA NO. 15.875:</u>				
FY-90 Medical Referral	2353	\$ (428)	\$ -	
FY-91 Medical Referral	2354	<u>357,476</u>	<u>-</u>	
 Total Compact of Free Association Block Grant Fund - Section 216 (a)(2)		 <u>\$ 357,048</u>	 <u>\$ -</u>	

(Note: These funds are made available by Title Two, Article I, Section 216 (a)(2) of the Compact of Free Association).

These funds are disbursed through the Office of Territorial and International Affairs (OTIA), Department of the Interior and bear CFDA No. 15.875. The National Government of the FSM receives all grant awards on behalf of the FSM and then reallots such to the component States.

STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA
COMPACT OF FREE ASSOCIATION BLOCK GRANT FUND - SECTION 212 (a)
SPECIAL DEVELOPMENT GRANT
STATEMENT OF EXPENDITURES AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 1991

<u>Grantor</u> <u>Account Title</u>	<u>Pohnpei</u> <u>Org.</u> <u>No.</u>	<u>1991</u> <u>Fiscal Year</u> <u>Expenditures</u>	<u>Questioned Costs</u>	
			<u>Amount</u>	<u>Detailed</u> <u>At Page</u>
<u>Office of Territorial</u>				
<u>and International Affairs</u>				
<u>CFDA No. 15.875:</u>				
Constitutional Convention Delegation	2501	\$ (562)	\$ -	
Cultural Exchange	2502	1,769	-	
Third Guam/Micronesia Fair	2504	100	-	
Special Legislative Committee	2505	2,160	-	
Foreign Investment Board	2510	57,944	-	
Traditional Affairs	2511	2,940	-	
Alms Fund	2512	4,361	-	
CAT Training	2513	7,364	-	
Civic Action Team	-	<u>250,000</u>	<u>-</u>	
Total Compact of Free Association				
Block Grant Fund-Section 212 (a)		<u>\$ 326,076</u>	<u>\$ -</u>	

(Note: These funds are made available by Title Two, Article I, Section 212 (a) of the Compact of Free Association).

These funds are disbursed through the Office of Territorial and International Affairs (OTIA), Department of the Interior and bear CFDA No. 15.875. The National Government of the FSM receives all grant awards on behalf of the FSM and then reallots such to the component States.

STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA
COMPACT OF FREE ASSOCIATION BLOCK GRANT FUND - SECTION 214 (b)
ENERGY GRANT
STATEMENT OF EXPENDITURES AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 1991

<u>Grantor</u> <u>Account Title</u>	<u>Pohnpei</u> <u>Org.</u> <u>No.</u>	<u>1991</u> <u>Fiscal Year</u> <u>Expenditures</u>	<u>Questioned Costs</u>	
			<u>Amount</u>	<u>Detailed</u> <u>At Page</u>
<u>Office of Territorial</u>				
<u>and International Affairs</u>				
<u>CFDA NO. 15.875:</u>				
Purchase of Fuel for Power Plant	2776	\$ 736,905	\$ -	
Total Compact of Free Association Block Grant Fund - Section 214 (b)		<u>\$ 736,905</u>	<u>\$ -</u>	

(Note: These funds are made available by Title Two, Article I, Section 214 (b) of the Compact of Free Association).

These funds are disbursed through the Office of Territorial and International Affairs (OTIA), Department of the Interior and bear CFDA No. 15.875. The National Government of the FSM receives all grant awards on behalf of the FSM and then reallots such to the component States.

STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA
COMPACT OF FREE ASSOCIATION BLOCK GRANT FUND - SECTION 216 (a)(3)
POST SECONDARY EDUCATION
STATEMENT OF EXPENDITURES AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 1991

<u>Grantor</u> <u>Account Title</u>	<u>Pohnpei</u> <u>Org.</u> <u>No.</u>	<u>1991</u> <u>Fiscal Year</u> <u>Expenditures</u>	<u>Questioned Costs</u>	
			<u>Amount</u>	<u>Detailed</u> <u>At Page</u>
<u>Office of Territorial</u>				
<u>and International Affairs</u>				
<u>CFDA NO. 15.875:</u>				
FY-87 Scholarship Grant	2901	\$ 9,403	\$ -	
FY-89 Scholarship Grant	2905	(290)	-	
FY-90 Scholarship Grant	2906	243,168	-	
FY-91 Scholarship Grant	2907	<u>241,194</u>	<u>-</u>	
Total Compact of Free Association				
Block Grant Fund - Section 216 (a)(3)		<u>\$ 493,475</u>	<u>\$ -</u>	

(Note: These funds are made available by Title Two, Article I, Section 216 (a)(3) of the Compact of Free Association).

These funds are disbursed through the Office of Territorial and International Affairs (OTIA), Department of the Interior and bear CFDA No. 15.875. The National Government of the FSM receives all grant awards on behalf of the FSM and then reallots such to the component States.

STATE OF POHNPEI
 FEDERATED STATES OF MICRONESIA
 COMPACT OF FREE ASSOCIATION CAPITAL PROJECT FUND- SECTION 211(a) CAPITAL ACCOUNT
 STATEMENT OF EXPENDITURES AND QUESTIONED COSTS
 YEAR ENDED SEPTEMBER 30, 1991

<u>Grantor</u> <u>Account Title</u>	<u>Pohnpei</u> <u>Org.</u> <u>No.</u>	<u>1991</u> <u>Fiscal Year</u> <u>Expenditures</u>	<u>Questioned Costs</u>	
			<u>Amount</u>	<u>Detailed</u> <u>At Page</u>
<u>Office of Territorial</u>				
<u>and International Affairs</u>				
<u>CFDA NO. 15.875:</u>				
Wapar Elementary School	6025	\$ 5,355	\$ -	
Construction of Mand Elementary School	6026	249	-	
Sapwerek Elementary School	6027	359	-	
Sapwalap Elementary School	6028	932	-	
Kitti Secondary Road	6069	2,900	-	
Cleaning & Rehabilitation Nan Madol	6083	135,001	-	
Tourism Promotion & Market	6095	3,003	-	
Tourism Development Plan	6096	2,479	-	
Develop. & Maint. Of Tourist Sites	6097	14,255	-	
Compact Capital Project Administration	6103	2,000	-	
Livestock Development Broiler Program	6104	5,672	-	
Second Floor PSL Building	6105	9,999	-	
Technical Study Lehmresi River	6108	140	-	
Paving of Pohnpei Circumferential Road	6110	617,100	-	
Construction Dau Mwoakoata Bridge	6111	125,594	-	
Maintenance Improvement Kolonia Sewer System	6118	183,659	-	
Equipment & Replacement Parts	6120	95,841	-	
Renovation of Nanpohnmal Plant	6121	152,891	-	
Pohnpei Light Industrial Park	6123	100,889	-	
Renovation of Pehleng School	6124	343	-	
Madolenihmw Master Plan	6125	5,000	-	
Upgrading Wone Water System	6126	5,000	-	
Nett Green House	6129	200	-	
A&E And Matching Kitti Water System	6132	7,036	-	
Investment in the Pacific Island Dev. Bank	6134	(100,000)	-	
Sekere Elementary School Election	6135	739	-	
Purchase of Eight School Buses	6137	31,366	-	
FY-90 Compact CIP Administration	6138	13,874	-	
Upgrade Mwoakil Airstrip	6139	2,680	-	
NFC Purse Seiners	6140	3,748	-	
Power Distribution Improvement Equipment	6141	7,799	-	
Micronesia Bound, Inc.	6142	3,058	-	
Generator and Anesthesia Machine	6143	25,000	-	
Family Food Production	6145	6,012	-	
Pepper Development Project	6146	<u>99,192</u>	<u>-</u>	
Balance forward		1,569,365	-	

STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA
COMPACT OF FREE ASSOCIATION CAPITAL PROJECT FUND- SECTION 211(a) CAPITAL ACCOUNT, CONTINUED
STATEMENT OF EXPENDITURES AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 1991

<u>Grantor</u> <u>Account Title</u>	<u>Pohnpei</u> <u>Org.</u> <u>No.</u>	<u>1991</u> <u>Fiscal Year</u> <u>Expenditures</u>	<u>Questioned Costs</u> <u>Detailed</u> <u>Amount</u> <u>At Page</u>
Balance Forwarded		\$1,569,365	\$ -
 <u>Office of Territorial</u> <u>and International Affairs</u> <u>CFDA NO. 15.875:</u>			
Power Hookup Accessories	6148	560,011	-
Manpower Skills Development Program	6149	47,882	-
EDA Fish Processing Plant	6150	6,252,950	-
Constructional/Repair Sokehs Bridge	6151	69,022	-
Completion of Legislature Building	6152	2,578	-
Circumferential Road Paving Phase II	6153	883,774	-
Coconut Rehabilitation	6155	14,660	-
Kolonia Secondary Road Paving	6156	76,950	-
Kolonia Secondary Road Paving	6157	66,150	-
Outer Island Transportation Improvement	6158	380,000	-
Kitti Master Plan	6159	31,036	-
FY-91 CIP Administration Cost	6161	37,995	-
Power Generator Equipment N/A	6162	21,388	-
A&E Madolenihmw Section IV Water System	6163	20,500	-
Finance Computer Equipment	6164	98,249	-
Manpower Skills Development	6166	86,912	-
Mwand Island Pier In Uh	6167	10,000	-
Pohnpei Development Loan Fund	6171	108,000	-
Kitti/Sokehs/Madolenihmw			
Circumferential Road	6172	112,000	-
Pohnpei Housing Loan Program	6173	643,053	-
New Generator And Asso.	6174	149,740	-
FY-91 Broiler Development	6175	42,418	-
Upgrade Enipein Pah Road	6176	6,680	-
A&E Construction/Paving Sokehs Road	6177	36,937	-
Pohnpei Dock Extension	6179	7,257	-
Nukuoro Black Pearl	6180	15,943	-
A&E And Construction Of Two High Schools	6184	24	-
Water Resources Investigation	6185	<u>15,000</u>	<u>-</u>
Balance Forward		11,366,474	-

STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA
COMPACT OF FREE ASSOCIATION CAPITAL PROJECT FUND- SECTION 211(a) CAPITAL ACCOUNT, CONTINUED
STATEMENT OF EXPENDITURES AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 1991

<u>Grantor</u> <u>Account Title</u>	<u>Pohnpei</u> <u>Org.</u> <u>No.</u>	<u>1991</u> <u>Fiscal Year</u> <u>Expenditures</u>	<u>Questioned Costs</u>	
			<u>Amount</u>	<u>At Page</u>
Balance Forwarded		\$11,366,474	\$ -	
 <u>Office of Territorial</u> <u>and International Affairs</u> <u>CFDA NO. 15.875:</u>				
Lenger Underground Investigation	6186	5,000	-	
Tenaka Plant Scrubber	6187	87,762	-	
Trochus Clam Development	6194	2,202	-	
Pepper Development	6197	10,115	-	
Rural Electrification Project	6203	195,000	-	
Supplemental Purchase of Generator	6204	724,600	-	
Enpeihn Elementary School Site	6206	<u>30,000</u>	<u>-</u>	
 Total Compact of Free Association Capital Project Fund - Section 211(a) Capital Account				
		<u>\$12,421,153</u>	<u>\$ -</u>	

Note 1: \$1,600,569, to the Pohnpei State Transportation Authority (PTA), and \$643,053 to the Pohnpei State Housing Authority have been accounted for as transfers from the Compact Capital Project Fund in the General Purpose Financial Statements. A reconciliation of the above expenditures to the General Purpose Financial Statements is shown below:

Compact Capital Expenditures	\$12,421,153
Less Transfer to PTA	1,600,569
Less Transfer to PSHA	<u>643,053</u>
 General Purpose Financial Statement Expenditures	 <u>\$10,177,531</u>

(Note 2: These funds are made available by Title Two, Article I, Section 211(a) of the Compact of Free Association)

These funds are disbursed through the Office of Territorial and International Affairs (OTIA), Department of the Interior and bear CFDA No. 15.875. The National Government of the FSM receives all grant awards on behalf of the FSM and then reallots such to the component States.

STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA
COMPACT OF FREE ASSOCIATION CURRENT ACCOUNT FUND - SECTION 211(a) CURRENT ACCOUNT
STATEMENT OF EXPENDITURES AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 1991

<u>Grantor</u> <u>Account Title</u>	<u>Pohnpei</u> <u>Org.</u> <u>No.</u>	<u>1991</u> <u>Fiscal Year</u> <u>Expenditures</u>	<u>Questioned Costs</u>	
			<u>Amount</u>	<u>At Page</u>
 <u>Office of Territorial</u> <u>and International Affairs</u> <u>CFDA NO. 15.875:</u>				
 <u>General Fund:</u>				
Current Account	Various	<u>\$11,360,520</u>	<u>\$ -</u>	
Total Compact of Free Association expenditures		<u>\$27,441,587</u>	<u>\$ -</u>	

(Note: These funds are made available by Title Two, Article I, Section 211(a) of the Compact of Free Association).

These funds are disbursed through the Office of Territorial and International Affairs (OTIA), Department of the Interior and bear CFDA No. 15.875. The National Government of the FSM receives all grant awards on behalf of the FSM and then reallots such to the component States. (This figure is derived assuming Compact funds are expended prior to other revenue.)

STATE OF POHNPEI
 FEDERATED STATES OF MICRONESIA
 SCHEDULE OF PROGRAMS SELECTED FOR
 AUDIT IN ACCORDANCE WITH OMB CIRCULAR A-128
 YEAR ENDED SEPTEMBER 30, 1991

<u>Grantor</u> <u>Account Title</u>	<u>CFDA No.</u>	<u>Description</u>	1991 <u>Fiscal Year</u> <u>Expenditures</u>
<u>U.S. Dept. of the Interior</u>	15.875		
Compact of Free Association:			
211(a) Capital Account			\$12,421,154
221-b Block Grant			1,746,409
Health and Medical			357,048
Special Development Assistance			326,076
Energy Programs			736,905
Post Secondary Education			493,475
TTPI Capital Projects			571,287
Dept. of Interior Operations & Maintenance Grants			<u>178,007</u>
Total CFDA # 15.875 excluding Compact Section 211 (a) current account expenditures			<u>16,830,361</u>
 <u>U.S. Dept. of Education</u>	 84.998	 Educational Transition Chapter	
		I Org. No. 3104	2,692
		Consolidated Grant FY89 Chapter	
		I Org No. 3147	368,336
		Consolidated Grant FY89 Chapter	
		II Org. No. 3148	<u>232,721</u>
		Program total	<u>603,749</u>
		Total U.S. Federal program expenditures selected excluding Compact Section 211 (a) Current Account expenditures	<u>\$17,434,110</u>
		Total U.S. Federal program expenditures excluding Compact Section 211 (a) Current Account expenditures	<u>\$18,955,291</u>
		% of total U.S. Federal expenditures covered by major programs excluding Compact Section 211 (a) Current Account expenditures	<u>92.0%</u>

Administrative Controls Review

Pohnpei State receives federal assistance program funding in a subrecipient capacity through the FSM National Government and in a direct capacity from various grantor agencies. For the administration of federal funds, the State of Pohnpei uses a centralized system for all billings and financial reporting, which is performed by the Department of Treasury, and a decentralized system for compliance and program performance which is performed by each of the Departments which receive and administer federal funds. The following findings are the result of an administrative controls review which has been performed on the federal grants system of the State of Pohnpei and does not necessarily relate to the responsibility of any one individual department.

Prior Year Outstanding Finding

1. Criteria: Prior year Administrative control findings should be resolved appropriately by the State's management.

Condition: It appears that the following findings from the Single Audit Reports for previous fiscal years remain unresolved:

<u>Finding No.</u>	<u>Description</u>	<u>Page No</u>
<u>Fiscal Year 1989</u>		
1	Lack of Administrative Control Structure	
4	Federal Property Standards (except the detailed accounting by funding source, which has been resolved)	
<u>Fiscal Year 1990</u>		
2	Competitive Procurement Requirement	93
3	Local Competitive Bidding Requirements	94
4	Federal Grant Administration	94

Cause: Unknown.

Effect: The non-resolution of these prior year findings will have the same impact in fiscal year 1991 as in fiscal year 1990 and will continue to hinder the effective maintenance of the State's compliance with federal financial assistance regulations.

Recommendation: It is recommended that the State management resolve prior year administrative control findings appropriately.

Timely Reimbursements

2. Criteria: Reimbursement requests for U.S. Federal Assistance should be made on a monthly basis.

Condition: The reimbursement requests for July and August 1991 were not made until mid-September 1991.

Timely Reimbursements, continued

Cause: The financial advisor normally makes the reimbursement requests; however, he was on vacation and no one else made the reimbursement requests.

Effect: This condition indicates a lack of delegation of authority over Federal Grant Administration as well as a lack of fiscal control and poor cash management procedures.

Recommendation: We recommend that the responsibilities of a vacationing employee be clearly delegated and that that individual is aware and capable of handling the extra responsibilities.

CFDA Numbers

3. Criteria: The U.S. Government tracks Federal Grants by their respective Catalog of Federal Direct Assistance (CFDA) numbers.

Condition: Pohnpei State does not track Federal Grant expenditures and the related reimbursements by CFDA numbers.

Cause: The FSM National Government, as the primary recipient for the majority of U.S. Federal Assistance, is provided with the CFDA number; however, this number is often not passed on to Pohnpei State, and Pohnpei State has not requested these numbers.

Effect: The work related to clearing questioned costs, determining major programs, and reconciling Federal Grantor's records with Pohnpei State's is increased.

Recommendation: We recommend that Pohnpei State track U.S. Federal Assistance by CFDA number as well as by the assigned organization number.

General Compliance Requirement

4. Criteria: Pohnpei State, as a grantee of U.S. Federal Assistance, must comply with the Drug-Free Workplace general requirements.

Condition: The State has not complied with the Drug-Free Workplace General Requirements especially regarding a published (available to employees) policy statement.

General Compliance Requirement, continued

Cause: This is a new requirement and the State was not aware of it.

Effect: Non compliance with the federal requirements exists.

Recommendation: We recommend that the State review the Drug-Free Workplace general requirements and if further clarification is required, such should be obtained from the FSM National Government.

Matching Shares Requirements (CFDA #83.505)

5. **Criteria:** The State should establish procedures to ensure that all federal program matching requirements have been met and recorded in the year end compilations.

Condition: The State has received federal assistance from the Federal Emergency Management Agency (FEMA) which, in certain instances, requires matching funds from the State. The State has appropriated funds from the General Fund to be used for this matching purpose. However, the actual match was not recorded in the State's financial statements.

Cause: Unknown

Effect: Non compliance with the FEMA matching requirements has resulted.

Recommendation: The match should be calculated and transferred out of the General Fund in the proper amount and transferred in to the Federal Grants Fund.

STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 1991

<u>Grantor</u>	<u>CFDA #</u>	<u>Program</u>	<u>Identified Findings and Questioned Costs</u>	<u>Questioned Costs</u>
The following represent questioned costs as expenditures exceed authorization.				
U.S. Dept. of Education	84.998	FY 89 Chapter I Org. 3147		\$ 76
U.S. Dept. of Justice	16.540	FY-87 JJDP Program Org. 3147		1,868
U.S. Dept. of Labor	17.250	FY-90 JTPA - Administration Org. 3293		1,070
	17.250	FY-89 JTPA Youth Org 3274		29,322
	17.250	FY-90 JTPA Youth Org. 3295		<u>1,373</u>
		Balance forward		<u>33,709</u>

STATE OF POHNPEI
 FEDERATED STATES OF MICRONESIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
YEAR ENDED SEPTEMBER 30, 1991

<u>Grantor</u>	<u>CFDA #</u>	<u>Program</u>	<u>Identified Findings and Questioned Costs</u>	<u>Questioned Costs</u>
			Balance Forwarded	\$ 33,709
			The following represent questioned costs where expenditures have been made against authorizations which have lapsed.	
U.S. Dept. of Health and Human Services	13.994	FY88 CJ Primary Care Org 3748		1,751
Federal Emergency Management Agency(FEMA)	83.505	Russ Public Assistance-Agriculture Org 3759		8,872
U.S. Dept. of Education	84.898	Chapter I Transition Org. 3104		2,141
	84.151	FY-88 Chapter I Org. 3116		12,059
	84.151	FY-88 Chapter II Org. 3117		<u>3,661</u>
		Total questioned costs		<u>\$62,193</u>

STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA
RESOLUTIONS OF PRIOR YEARS' QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 1991

As of the report date for the audit of the general purpose financial statements of the State of Pohnpei, May 5, 1992, for the year ended September 30, 1991 the following prior year questioned costs have been resolved:

FY86 resolved questioned costs	\$ 34,042
FY87 resolved questioned costs	<u>166,572</u>
	<u>\$200,614</u>

These costs were resolved as they related to duplicate questioned costs and costs for which authorizations were subsequently located.

Consequently, the following is a summary of unresolved questioned costs for the State of Pohnpei:

FY85 unresolved questioned costs	\$ 227,940
FY86 unresolved questioned costs	171,686
FY87 unresolved questioned costs	1,049,740
FY88 unresolved questioned costs	393,372
FY89 unresolved questioned costs	271,650
FY90 unresolved questioned costs	81,296
FY91 unresolved questioned costs	<u>62,193</u>
Total outstanding federal questioned costs	<u>\$2,257,877</u>

Note: 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.

**POHNPEI STATE GOVERNMENT
FEDERATED STATES OF MICRONESIA
INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL STRUCTURE
YEAR ENDED SEPTEMBER 30, 1991**



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE

Honorable Johnny David
Governor, State of Pohnpei
Federated States of Micronesia:

We were engaged to audit the general purpose financial statements of the State of Pohnpei as of and for the year ended September 30, 1991, and have issued our report thereon dated May 5, 1992.

In planning and performing our audit of the general purpose financial statements of the State of Pohnpei for the year ended September 30, 1991, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

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

For the purpose of this report, we have classified the significant internal control structure policies and procedures into the following categories.

Revenues and receipt cycles
Purchases and disbursement cycles
Payroll cycles
External financial reporting

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

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

The following items, which are further explained in the following pages represent reportable conditions:

Prior Year Findings

FISCAL YEAR 1988

- | | | |
|----|------------|--------------------------------|
| 1. | Finding 9 | Travel Advances |
| 2. | Finding 13 | General Fixed Assets Recording |

FISCAL YEAR 1989

- | | | |
|----|------------|--|
| 3. | Finding 2 | Cash Reconciliation - Preparation
and adjustments |
| 4. | Finding 9 | Interest Assessment - PSHA |
| 5. | Finding 10 | Loan Subsidiary Ledger - PSHA |

FISCAL YEAR 1990

- | | | |
|----|------------|------------------------|
| 6. | Finding 15 | Disbursement Review |
| 7. | Finding 17 | Encumberance Recording |
| 8. | Finding 19 | Journal Vouchers |

FISCAL YEAR 1991

- | | | |
|-----|-----------|----------------------|
| 9. | Finding 2 | Data Processing |
| 10. | Finding 3 | Compact Expenditures |
| 11. | Finding 4 | Cash in Bank |
| 12. | Finding 5 | Accounts Payable |
| 13. | Finding 6 | Expenditures |

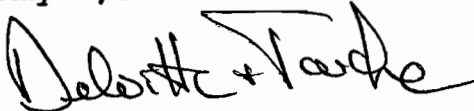
A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements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

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

We also noted other matters involving the internal control structure and its operation that we have reported to the management of Pohnpei State in this letter.

This report is intended for the information of the management of the State of Pohnpei. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

May 5, 1992



Certified Public Accountants

Prior Year Outstanding Findings

Finding No. 1

Criteria: Findings reported in the report on Internal Control for fiscal year ended September 30, 1990, should be resolved.

Condition: The following findings and recommendations remain unresolved as set forth in the Report on Internal Controls for the fiscal year ended September 30, 1990, dated February 15, 1991.

<u>Finding No.</u>	<u>Description</u>	<u>Page No.</u>
Fiscal Year 1987		
7	Utilities Division Billing	7
8	Utilities Subsidiary Ledger	8
Fiscal Year 1988		
11	Internal Reporting Requirement	13
13	Fixed Assets	15
Fiscal Year 1989		
2	Cash Reconciliation	4
4	Contracts	6
5	Competitive Bidding Requirements	7
6	Cash Receipts - EDA	8
8	Cash Receipts - EDA	10
9	Interest Assessment - PSHA	11
10	Loan Subsidiary ledger - PSHA	12

Finding No. 1, continued

	Fiscal Year 1990	
5	Expenditures - Petty Cash	106
8	Bank Reconciliation - Reconciling Items	108
10	Payroll	109
14	Disbursement	111
15	Procurement Supplies	112
16	Fixed Assets	112
18	Automated System	113
26	Contract Regulations	119

Cause: Unknown

Effect: The effect is the same impact on the financial statements in fiscal year 1991 as indicated in fiscal year 1990, 1989, 1988, and 1987.

Recommendation: Prior year findings should be resolved.

Data Processing

Finding No. 2

Criteria: In order to mitigate potential loss of computerized data, backup should occur on a recurring basis and copies of the backups should be stored on-site and off. Therefore, if data is lost, files may be restored.

Condition: During fiscal year 1991, a condition transpired where substantial computer data was lost. However, it does not appear that adequate backup was maintained to allow for restoration of the system.

Cause: It appears that inadequate backup occurred which did not then allow for an organized recovery process.

Finding No. 2, continued

Effect: This condition had an extremely negative effect. Numerous man hours were expended in an attempt to determine the lost data and to effect reentry. Additionally, the audit process was impacted by the inability to substantiate various account balances.

Recommendation: Backup should occur daily (or more frequently depending on expected power problems). Backups should be stored on-site and off to allow for recovery of data.

Compact Expenditures

Finding No. 3

Criteria: Expenditures of 211A Compact Capital Account funds should be reviewed to ensure that such meet applicable compliance requirements.

Condition: The State appropriated funds for the purpose of constructing and operating a fish processing complex. Charges were made to the appropriation for non-construction costs (primarily personnel related expenses). These costs aggregated to approximately \$100,000. The State should review these costs and document the manner in which such are directly related to construction or are related to the 1.5% criteria allowed for administrative expenses. Additionally, the manner in which Energy Funds can be used to fund this project should be clearly documented. Additionally, the State utilized an MTN borrowing to fund a portion of this project. Compact Energy funds have been designated to repay the debt. We cannot determine the relationship of the project to energy related concerns.

Cause: The State has not documented the review of non-construction related costs to ensure that such are allowable under the Compact criteria and has not documented the manner in which the project relates to Compact Energy criteria.

Effect: There is no effect until a determination of the allowability of these expenditures and use of Energy funds has been made.

Recommendation: A review of the non-construction costs should occur and documentation should be prepared to substantiate the Compact related nature of these costs.

Cash in Bank

Finding No. 4

Criteria: A functioning system of internal control requires that cash in bank be properly reconciled so errors can be detected and corrected in a timely manner.

Condition: We found that cash in bank for both the general and CIP accounts were materially out of balance by \$2.3 million and \$1.7 million, respectively, as of September 30, 1991.

Cause: Financial data was inadvertently deleted from the automated accounting system thereby causing material out of balance conditions. This was especially the case with respect to bank accounts, expenditures, and accounts payable. Moreover, the entries posted by State Finance to restore missing data appear to have aggravated the problem.

Effect: Unreliable internal financial records result.

Recommendation: We recommend that accurate reconciliations of cash in bank accounts be performed.

Accounts Payable

Finding No. 5

Criteria: Personnel in charge of reconciling accounts payable should ensure that accounts payable within each respective fund are properly reconciled on a periodic basis.

Condition: We found that accounts payable account balances in various funds had unusual and material debit balances as of September 30, 1991.

Cause: Lack of reconciliation of accounts payable created the condition.

Effect: An understatement of the government's obligations could result.

Recommendation: We recommend that the State of Pohnpei, on a periodic basis, obtain the detail of all accounts payable general ledger control accounts and reconcile these balances to the detail per CAPPs.

Expenditures

Finding No. 6

Criteria: Expenditures should be properly recorded and classified in the automated accounting system.

Condition: During our substantive testing of year end expenditure account balances, we found in all accounts tested that expenditures were either overstated or understated. We also found on several occasions where expenditures were improperly classified.

Cause: Lack of reconciliations and the conditions stated in finding No. 2 created this condition.

Effect: A misstatement of internal financial statements results.

Recommendation: We recommend that the State ensure that any errors with respect to expenditures be corrected.

Non Routine Transactions - Adjustments

Finding No. 7

Criteria: Sound internal control requires that adjustments to the general ledger be properly documented through the normal journal voucher adjustment process.

Condition: We found several instances where adjustments to the general ledger were not documented to provide an audit trail. Therefore, we were not able to assess the impact of any understatement or overstatement of such errors on the overall financial statements.

Cause: Unknown.

Effect: A misstatement of financial statements occurs.

Recommendation: We recommend that State Finance ensure that adjustments to the general ledger are properly documented.

Accounts Receivable

Finding No. 8

Criteria: Schedules should be reconciled with the general ledger control accounts and adjustments made if necessary.

Condition: Accounts receivable schedules are not reconciled to the general ledger control accounts.

Cause: Lack of time, training, and manpower to perform these tasks has created this condition. Additionally, there appears to be a concentration of effort on the statement of revenues and expenditures over that expended on the balance sheet.

Effect: A possible misstatement of receivables on the financial statements occurs. However based on our review, the misstatement does not appear to be material.

Recommendation: The receivable schedules should be reconciled to the general ledger control accounts on at least an annual basis and adjustments should be made to ensure the accuracy of these balances.

Uncollected Receivables

Finding No. 9

Criteria: Uncollectible receivables should be removed from the books.

Condition: Gross receivable and attendant allowance balances appear to be overstated leaving a net balance which appears reasonable. However, these accounts need to be reconciled.

Cause: Adjustments to the receivable balances per the balance sheet do not appear to have been made due to an absence of reconciliation efforts.

Effect: General ledger balances appear to be misstated.

Recommendation: After reconciling the receivable balances, the uncollectible debts should be written off against the overstated general ledger receivable balance. A reasonable allowance reserve should be then established.

Receivables

Finding No. 10

Criteria: A year-end adjustment should be recorded for the September FSM tax revenue sharing balance.

Condition: The accrual from the prior year is not reversed and is carried over from year to year.

Cause: The State has not traditionally adjusted this balance sheet account.

Effect: Related receivable and revenues balances appear to be misstated.

Recommendation: We recommend that the State adjust the year-end accrual for FSM tax sharing on an annual basis.

Beginning Balances

Finding No. 11

Criteria: Beginning balances should be rolled forward once final balances are prepared. This process can occur even before audit adjustments are entered, if necessary.

Condition: The beginning balances were not rolled forward until well past year end.

Cause: The computer does not automatically carry forward the beginning balances. This process must be initiated, and in the past, this task has been performed by the auditors.

Effect: Throughout the year, a user of the balance sheet (101-P) had to manually arrive at actual balances by computing the impact of the beginning balances.

Recommendation: Final balances should be rolled over as beginning balances when the State inputs the audit adjustments.