

**YAP STATE GOVERNMENT**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORTS ON  
COMPLIANCE WITH LAWS AND REGULATIONS  
AND ON INTERNAL CONTROL STRUCTURE**

**SEPTEMBER 30, 1991**

**YAP STATE GOVERNMENT**  
**YEAR ENDED SEPTEMBER 30, 1991**

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**YAP STATE GOVERNMENT**  
**FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITORS' REPORT**  
**YEAR ENDED SEPTEMBER 30, 1991**



## INDEPENDENT AUDITORS' REPORT

Honorable Petrus Tun  
Governor  
State of Yap

We have audited the accompanying general purpose financial statements of the State of Yap, as of September 30, 1991, and for the year then ended. These general purpose financial statements are the responsibility of Yap State management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

The State has not adequately updated its General Fixed Assets Account Group during the year ended September 30, 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 financial statements.

Due to absence of cost data to support the carrying value of inventories of the Yap State Fishing Authority, we are not able to express an opinion on these statements which comprise 20% and 19% of the enterprise fund total assets and revenues respectively. Additionally, the State has not recorded the original cost of infrastructure relating to both the Southern Yap Water Authority and the Gagil-Tomil Water Authority as assets of these funds. We are therefore unable to express an opinion on these statements.

In our opinion, except for the effects of such adjustments which may be required as a result of the matters discussed in the third and fourth paragraphs, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the State of Yap, as of September 30, 1991, and the results of its operations and the cash flows of its proprietary fund types for the year then ended, in conformity with generally accepted accounting principles.

February 29, 1992

*Deloitte + Touche*

Certified Public Accountants



YAP STATE GOVERNMENT

Combined Balance Sheet - All Fund Types and Account Groups

September 30, 1991

(With comparative totals as of September 30, 1990)

	Governmental Fund Types					Proprietary Fund Types		Fiduciary		Totals	
	General	Special		Capital	Enterprise	Internal	Account Groups		(Memorandum Only)		
		Revenue	Projects	Enterprise			Expendable	General			General
		Funds	Funds	Funds			Trust	Fixed			Long-term
Fund	Funds	Funds	Funds	Funds	Fund	Assets	Debt	1991	1990		
<b>Assets</b>											
Cash and equivalents (Note 7)	\$ 2,997,120	\$ 232,164	\$ -	\$ 815,785	\$ -	\$ 164,386	\$ -	\$ -	\$ 4,209,455	\$ 1,186,096	
Investments (Note 10)	72,223,970	-	8,337,732	1,028,815	-	-	-	-	81,590,517	15,424,542	
Receivables, net (Notes 1 and 2):											
Other governments	-	172,171	-	-	-	-	-	-	172,171	9,960	
Federal agencies - TTPI	-	-	264,714	-	-	-	-	-	264,714	220,109	
Dept. of the Interior - TTPI	-	-	691,973	-	-	-	-	-	691,973	556,431	
Federal and other - FSM Govt.	-	862,610	87,168	-	-	-	-	-	949,778	1,630,852	
General	1,013,855	-	-	-	-	-	-	-	1,013,855	813,676	
Loans (Note 2)	11,500,000	-	-	610,765	-	-	-	-	12,110,765	8,000,000	
Due from other funds	1,955,103	1,282,406	-	52,101	100,417	9,472	-	-	3,399,499	7,171,265	
Advances (Note 2)	21,009	91,254	10,914	-	-	-	-	-	123,177	138,038	
Inventory of supplies, at cost (Note 3)	200,368	-	-	964,788	202,969	-	-	-	1,368,125	596,578	
Prepayments	18,372	-	-	996,376	-	-	-	-	1,014,748	27,985	
Investment in fixed assets, net of accumulated depreciation (Notes 1 and 4)	-	-	-	18,254,051	-	-	63,542,819	-	81,796,870	75,865,624	
Amount to be provided for retirement of long-term debt (Note 5)	-	-	-	-	-	-	-	71,490,113	71,490,113	490,113	
Other assets	-	-	-	3,218,402	-	-	-	-	3,218,402	-	
<b>Total assets</b>	<b>\$89,929,797</b>	<b>\$2,640,605</b>	<b>\$ 9,392,501</b>	<b>\$25,941,083</b>	<b>\$ 303,386</b>	<b>\$ 173,858</b>	<b>\$63,542,819</b>	<b>\$71,490,113</b>	<b>\$263,414,162</b>	<b>\$112,131,269</b>	
<b>Liabilities and Fund Equity</b>											
<b>Liabilities:</b>											
Accounts payable	\$ 442,317	\$ 100,483	\$ 220,214	\$ 2,301,265	\$ 3,379	\$ 46	\$ -	\$ -	\$ 3,067,704	\$ 922,027	
Accrued payroll and others	452,854	19,386	7,533	-	-	206	-	490,113	970,092	947,396	
Due to other funds	1,092,878	628,299	1,678,322	-	-	-	-	-	3,399,499	7,171,265	
Deferred revenues	131,560	765,474	-	-	-	-	-	-	897,034	231,301	
Notes payable (Note 5)	-	-	-	14,413,500	-	-	-	71,000,000	85,413,500	9,400,000	
Land acquisition claims payable	233,645	90,000	-	-	-	-	-	-	323,645	909,147	
Other liabilities	-	-	-	794,646	-	-	-	-	794,646	-	
<b>Total liabilities</b>	<b>2,353,254</b>	<b>1,603,642</b>	<b>1,906,069</b>	<b>17,509,411</b>	<b>3,379</b>	<b>252</b>	<b>-</b>	<b>71,490,113</b>	<b>94,866,120</b>	<b>19,581,136</b>	
Contingent liabilities and commitments (Notes 7 and 9)	-	-	-	-	-	-	-	-	-	-	
Minority interest	-	-	-	651,908	-	-	-	-	651,908	-	
<b>Fund equity:</b>											
Contributed capital	-	-	-	9,267,363	-	-	-	-	9,267,363	8,738,512	
Investment in general fixed assets	-	-	-	-	-	-	63,542,819	-	63,542,819	62,677,826	
Retained earnings:											
Unreserved	-	-	-	(1,487,599)	-	-	-	-	(1,487,599)	68,119	
Fund balance:											
Reserved for:											
Related assets	71,789,560	-	-	-	202,969	-	-	-	71,992,529	769,505	
Loans	11,500,000	-	-	-	-	-	-	-	11,500,000	8,000,000	
Investment Diminution	-	-	-	-	-	-	-	-	-	558,123	
Encumbrances	632,282	374,090	4,248,006	-	14,019	1,672	-	-	5,270,069	9,655,484	
Continuing appropriations (Note 12)	1,887,071	-	1,264,000	-	-	-	-	-	3,151,071	1,790,846	
Unreserved	1,767,630	662,873	1,974,426	-	83,019	171,934	-	-	4,659,882	291,718	
<b>Total fund equity</b>	<b>87,576,543</b>	<b>1,036,963</b>	<b>7,486,432</b>	<b>7,779,764</b>	<b>300,007</b>	<b>173,606</b>	<b>63,542,819</b>	<b>-</b>	<b>167,896,134</b>	<b>92,550,133</b>	
<b>Total liabilities and fund equity</b>	<b>\$89,929,797</b>	<b>\$2,640,605</b>	<b>\$ 9,392,501</b>	<b>\$25,941,083</b>	<b>\$ 303,386</b>	<b>\$ 173,858</b>	<b>\$63,542,819</b>	<b>\$71,490,113</b>	<b>\$263,414,162</b>	<b>\$112,131,269</b>	

See accompanying notes to combined financial statements.

YAP STATE GOVERNMENT

Combined Statement of Revenues, Expenditures and Changes in Fund Balance -  
All Governmental Fund Types and Fiduciary Fund Type  
Year Ended September 30, 1991

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

	Governmental Fund Types			Fiduciary	Totals	
	General Fund	Special Revenue Funds	Capital Projects Funds	Expendable	(Memorandum Only)	
				Trust Fund	1991	1990
<b>Revenues:</b>						
Compact	\$ 7,724,832	\$2,760,283	\$4,753,248	\$ -	\$15,238,363	\$14,418,558
Taxes and licenses	1,365,000	-	-	-	1,365,000	1,153,509
Dept. of the Interior - TTPI	-	-	1,907,660	-	1,907,660	1,812,988
Federal and other - direct	-	541,020	316,143	-	857,163	1,435,867
Congress of the Federated States of Micronesia (CFSM) grants	-	463,439	421,586	-	885,025	1,299,037
Revenue sharing (FSM)	1,012,996	-	-	-	1,012,996	891,544
Interest income	1,118,721	-	-	17,274	1,135,995	647,111
Other	1,145,123	168,244	-	-	1,313,367	911,319
<b>Total revenues</b>	<b>12,366,672</b>	<b>3,932,986</b>	<b>7,398,637</b>	<b>17,274</b>	<b>23,715,569</b>	<b>22,569,933</b>
<b>Expenditures:</b>						
General government	1,409,021	7,387	-	-	1,416,408	1,665,770
Health services	1,331,275	355,712	-	-	1,686,987	1,780,301
Education	1,316,997	1,636,747	-	-	2,953,744	3,101,297
Economic development	615,740	56,600	230,293	-	902,633	1,105,205
Public safety	501,059	119,548	-	-	620,607	661,432
Public works and utilities	1,472,540	1,199,388	6,641,396	-	9,313,324	6,944,233
Community affairs	436,479	328,968	-	-	765,447	933,054
Boards and commissions	246,521	-	-	-	246,521	347,348
Transportation	1,184,173	147	-	-	1,184,320	1,214,743
Other	221,722	-	135,774	37,006	394,502	274,530
<b>Total expenditures</b>	<b>8,735,527</b>	<b>3,704,497</b>	<b>7,007,463</b>	<b>37,006</b>	<b>19,424,498</b>	<b>18,027,913</b>
Revenues over (under) expenditures	<b>3,631,145</b>	<b>228,489</b>	<b>391,174</b>	<b>(19,732)</b>	<b>4,231,076</b>	<b>4,542,020</b>
<b>Other sources (uses):</b>						
Bond management fees	(315,950)	-	-	-	(315,950)	-
Investment income	1,556,483	-	-	-	1,556,483	831,313
Operating transfers in (Note 6)	-	-	11,000	-	11,000	-
Bond proceeds	71,000,000	-	-	-	71,000,000	-
Operating transfers out (Note 6)	(527,500)	-	(518,700)	-	(1,046,200)	(315,226)
<b>Total sources (uses), net</b>	<b>71,713,033</b>	<b>-</b>	<b>(507,700)</b>	<b>-</b>	<b>71,205,333</b>	<b>516,087</b>
<b>Excess (deficiency) of revenues and other sources over expenditures and other uses</b>	<b>75,344,178</b>	<b>228,489</b>	<b>(116,526)</b>	<b>(19,732)</b>	<b>75,436,409</b>	<b>5,058,107</b>
<b>Fund balance, beginning of year</b>	<b>12,882,365</b>	<b>808,474</b>	<b>6,952,958</b>	<b>193,338</b>	<b>20,837,135</b>	<b>19,479,028</b>
<b>Prior period adjustment (Note 14)</b>	<b>(650,000)</b>	<b>-</b>	<b>650,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Equity transfer out</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,700,000)</b>
<b>Fund balance, end of year</b>	<b>\$87,576,543</b>	<b>\$1,036,963</b>	<b>\$7,486,432</b>	<b>\$ 173,606</b>	<b>\$92,273,544</b>	<b>\$20,837,135</b>

See accompanying notes to combined financial statements.

YAP STATE GOVERNMENT  
Statement of Revenues, Expenditures and Changes in  
Fund Balance (Deficit) - Budget and Actual - General Fund and Special Revenue Funds  
Year Ended September 30, 1991

	General Fund			Special Revenue Funds			Totals (Memorandum Only)		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>									
Taxes and licenses	\$ 627,880	\$ 1,365,000	\$ 737,120	\$ -	\$ -	\$ -	\$ 627,880	\$ 1,365,000	\$ 737,120
Other compact funds	-	-	-	2,476,779	2,760,283	283,504	2,476,779	2,760,283	283,504
Current account compact funds	7,551,888	7,724,832	172,944	-	-	-	7,551,888	7,724,832	172,944
Federal and other - direct Congress of the Federated States of Micronesia (CFSM) grants	-	-	-	581,900	541,020	(40,880)	581,900	541,020	(40,880)
Revenue sharing (FSM)	717,240	1,012,996	295,756	60,000	463,439	403,439	60,000	463,439	403,439
Interest income	476,850	1,118,721	641,871	-	-	-	717,240	1,012,996	295,756
Other	768,600	1,145,123	376,523	-	-	-	476,850	1,118,721	641,871
				15,000	168,244	153,244	783,600	1,313,367	529,767
<b>Total revenues</b>	<b>10,142,458</b>	<b>12,366,672</b>	<b>2,224,214</b>	<b>3,133,679</b>	<b>3,932,986</b>	<b>799,307</b>	<b>13,276,137</b>	<b>16,299,658</b>	<b>3,023,521</b>
<b>Expenditures - budgetary basis:</b>									
General government	1,453,790	1,378,268	75,522	-	729	(729)	1,453,790	1,378,997	74,793
Health services	1,439,050	1,363,386	75,664	539,255	292,526	246,729	1,978,305	1,655,912	322,393
Education	1,528,800	1,428,354	100,446	1,382,621	1,375,171	7,450	2,911,421	2,803,525	107,896
Economic development	623,934	588,519	35,415	111,288	55,051	56,237	735,222	643,570	91,652
Public safety	559,360	481,254	78,106	122,957	121,053	1,904	682,317	602,307	80,010
Public works and utilities	1,246,500	1,487,115	(240,615)	977,357	1,153,938	(176,581)	2,223,857	2,641,053	(417,196)
Community affairs	634,500	429,336	205,164	957,046	323,248	633,798	1,591,546	752,584	838,962
Boards and commissions	245,960	236,255	9,705	-	-	-	245,960	236,255	9,705
Transportation	1,204,832	1,197,048	7,784	-	147	(147)	1,204,832	1,197,195	7,637
Other	216,100	221,451	(5,351)	-	-	-	216,100	221,451	(5,351)
<b>Total expenditures</b>	<b>9,152,826</b>	<b>8,810,986</b>	<b>341,840</b>	<b>4,090,524</b>	<b>3,321,863</b>	<b>768,661</b>	<b>13,243,350</b>	<b>12,132,849</b>	<b>1,110,501</b>
<b>Revenues over expenditures</b>	<b>989,632</b>	<b>3,555,686</b>	<b>2,566,054</b>	<b>(956,845)</b>	<b>611,123</b>	<b>1,567,968</b>	<b>32,787</b>	<b>4,166,809</b>	<b>4,134,022</b>
<b>Other sources (uses):</b>									
Bond management fee	-	(315,950)	(315,950)	-	-	-	-	(315,950)	(315,950)
Bond proceeds	-	71,000,000	71,000,000	-	-	-	-	71,000,000	71,000,000
Investment income	-	1,556,483	1,556,483	-	-	-	-	1,556,483	1,556,483
Operating transfers in (out)	(316,500)	(527,500)	(211,000)	-	-	-	(316,500)	(527,500)	(211,000)
<b>Total other sources, net (uses)</b>	<b>(316,500)</b>	<b>71,713,033</b>	<b>72,029,533</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(316,500)</b>	<b>71,713,033</b>	<b>72,029,533</b>
<b>Excess (deficiency) of revenues and other sources over expenditures and other uses</b>	<b>673,132</b>	<b>75,268,719</b>	<b>74,595,587</b>	<b>(956,845)</b>	<b>611,123</b>	<b>1,567,968</b>	<b>(283,713)</b>	<b>75,879,842</b>	<b>76,163,555</b>
<b>Fund balance unreserved, September 30, 1990</b>	<b>3,037,825</b>	<b>3,037,825</b>	<b>-</b>	<b>51,750</b>	<b>51,750</b>	<b>-</b>	<b>3,089,575</b>	<b>3,089,575</b>	<b>-</b>
<b>Prior period adjustment (Note 14)</b>	<b>-</b>	<b>(650,000)</b>	<b>(650,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(650,000)</b>	<b>(650,000)</b>
<b>Less: Change in reserves for:</b>									
- Related assets	-	(71,156,064)	(71,156,064)	-	-	-	-	(71,156,064)	(71,156,064)
- Loans	-	(3,500,000)	(3,500,000)	-	-	-	-	(3,500,000)	(3,500,000)
- Investment diminution	-	558,123	558,123	-	-	-	-	558,123	558,123
- Continuing appropriations and others	(1,790,973)	(1,790,973)	-	-	-	-	(1,790,973)	(1,790,973)	-
<b>Fund balance - unreserved, September 30, 1991</b>	<b>\$ 1,919,984</b>	<b>\$ 1,767,630</b>	<b>\$ (152,354)</b>	<b>\$ (905,095)</b>	<b>\$ 662,873</b>	<b>\$ 1,567,968</b>	<b>\$ 1,014,889</b>	<b>\$ 2,430,503</b>	<b>\$ 1,415,614</b>

See accompanying notes to combined financial statements.

**YAP STATE GOVERNMENT**  
**Combined Statement of Revenues, Expenses, and Changes in Fund Equity -**  
**All Proprietary Fund Types**  
**Year Ended September 30, 1991**  
(With comparative totals for the year ended September 30, 1990)

	<u>Proprietary Fund Types</u>		<u>Totals</u>	
	<u>Enterprise</u>	<u>Internal</u>	<u>(Memorandum Only)</u>	
		<u>Service</u>	<u>1991</u>	<u>1990</u>
Operating revenues:				
Charges for services	\$2,960,446	\$ 7,246	\$2,967,692	\$ 360,716
Rental income	350,673	17,540	368,213	265,255
Stock issues	-	25,521	25,521	18,281
Other	<u>92,552</u>	<u>-</u>	<u>92,552</u>	<u>84,923</u>
Total operating revenues	<u>3,403,671</u>	<u>50,307</u>	<u>3,453,978</u>	<u>729,175</u>
Operating expenses:				
Cost of sales	2,909,617	-	2,909,617	-
Doubtful debts	-	-	-	17,093
Personnel services	245,356	-	245,356	162,419
Supplies and materials	715,232	21,389	736,621	473,553
Printing and reproduction	-	-	-	125
Contractual services/commissions	367,469	4,629	372,098	118,540
Travel	96,437	-	96,437	3,375
Capital acquisitions	-	10,881	10,881	21,840
Depreciation	731,087	-	731,087	394,247
Other	<u>1,301,030</u>	<u>8,902</u>	<u>1,309,932</u>	<u>194,824</u>
Total operating expenses	<u>6,366,228</u>	<u>45,801</u>	<u>6,412,029</u>	<u>1,386,015</u>
Operating income (loss)	<u>(2,962,557)</u>	<u>4,506</u>	<u>(2,958,051)</u>	<u>(656,840)</u>
Non-operating revenues:				
Intergovernmental contributions				
- FSM	412,266	-	412,266	-
Intergovernmental contributions				
- General Fund	335,200	-	335,200	291,000
Other contributions	-	-	-	-
Other	<u>163,464</u>	<u>-</u>	<u>163,464</u>	<u>(55,095)</u>
Total non-operating revenues	<u>910,930</u>	<u>-</u>	<u>910,930</u>	<u>235,905</u>
Net income (loss)	<u>(2,051,627)</u>	<u>4,506</u>	<u>(2,047,121)</u>	<u>(420,935)</u>
Minority share of loss	495,908	-	495,908	-
Prior period adjustment (note 8)	1	-	1	(47,256)
Fund equity, beginning of year	8,806,631	228,541	9,035,172	5,850,992
Inventory adjustment	-	66,960	66,960	-
Contributed capital additions for the year, net of decrease of \$87,129	<u>528,851</u>	<u>-</u>	<u>528,851</u>	<u>3,652,371</u>
Fund equity, end of year	<u>\$7,779,764</u>	<u>\$ 300,007</u>	<u>\$8,079,771</u>	<u>\$9,035,172</u>

See accompanying notes to combined financial statements

**YAP STATE GOVERNMENT**  
**PROPRIETY FUND TYPES**  
Combined Statement of Cash Flows  
Year Ended September 30, 1991

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

	<u>Internal</u> <u>Service</u>	<u>Enterprise</u>	<u>Totals</u> <u>(Memorandum Only)</u>	
			<u>1991</u>	<u>1990</u>
<b><u>Operating Activities:</u></b>				
Net income (loss)	\$ 4,506	\$(2,037,645)	\$(2,033,139)	\$ (420,935)
Add back (deduct) items not affecting cash:				
Transfer-in	-	(335,200)	(335,200)	-
Doubtful debt expense	-	5,000	5,000	17,093
Depreciation	-	731,087	731,087	394,247
Prior period adjustment	-	-	-	(47,256)
Book loss on asset disposal	<u>66,960</u>	<u>71,185</u>	<u>138,145</u>	<u>55,095</u>
	<u>71,466</u>	<u>(1,565,573)</u>	<u>(1,494,107)</u>	<u>(1,756)</u>
<b>Changes in Working capital:</b>				
Due from other fund	(7,298)	3,929,086	3,921,788	(3,851,438)
General receivables (gross)	-	(480,401)	(480,401)	(26,584)
Inventory of supplies	(66,960)	(904,955)	(971,915)	19,546
Prepaid expenses	-	(968,445)	(968,445)	(14,777)
Accounts payable - trade	2,792	2,926,832	2,929,624	(17,518)
Accounts payable - others	<u>-</u>	<u>(3,226,757)</u>	<u>(3,226,757)</u>	<u>3,012</u>
	<u>(71,466)</u>	<u>1,275,360</u>	<u>1,203,894</u>	<u>(3,887,759)</u>
Cash generated (used) by operating activities	<u>-</u>	<u>(290,213)</u>	<u>(290,213)</u>	<u>(3,889,515)</u>
<b><u>Capital and Related Financing Activities:</u></b>				
Acquisition of fixed assets	-	(5,802,286)	(5,802,286)	(8,410,733)
Write down of fixed assets	-	1,147,816	1,147,816	133,884
Acquisition of stock	-	-	-	(900,000)
Issue of notes payable	<u>-</u>	<u>5,013,500</u>	<u>5,013,500</u>	<u>9,400,000</u>
Cash generated by capital related financing activities	<u>-</u>	<u>359,030</u>	<u>359,030</u>	<u>223,151</u>
<b><u>Non-Capital Financing Activities:</u></b>				
Contributed capital received	-	864,051	864,051	3,739,500
Adjustment to contributed capital	<u>-</u>	<u>-</u>	<u>-</u>	<u>(87,129)</u>
Cash generated by financing activities	<u>-</u>	<u>864,051</u>	<u>864,051</u>	<u>3,652,371</u>
<b><u>Investing Activity:</u></b>				
Purchase of stock	<u>-</u>	<u>(200,000)</u>	<u>(200,000)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	-	732,868	732,868	(13,993)
Cash and cash equivalents - beginning of year	<u>-</u>	<u>82,917</u>	<u>82,917</u>	<u>96,910</u>
Cash and cash equivalents - end of year	<u>\$ -</u>	<u>\$ 815,785</u>	<u>\$ 815,785</u>	<u>\$ 82,917</u>

**YAP STATE GOVERNMENT**  
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 (GAAP) as prescribed by the Government Accounting Standards Board (GASB). The accompanying statements include all fund types and account groups as accounted for by the State of Yap. 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 for 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.

The State has identified the following component units which meet the criteria set forth above:

Yap Fishing Authority (an Enterprise Fund) created to promote commercial marine resources within Yap State.

Public Transportation System (an Enterprise Fund) created to provide transportation services to residents of Yap.

Yap Economic Development Authority (an Enterprise Fund) created to hold investments in development and commercial projects.

Other Miscellaneous activities (Enterprise Funds) which are water authorities, feedmill operations, a slaughter house, and other miscellaneous projects.

**YAP STATE GOVERNMENT**  
Notes to Combined Financial Statements, Continued

(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, proprietary and fiduciary funds. The Account Groups include General Fixed Assets and General Long-Term Debt.

The State of Yap'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 Funds - 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. In accordance with the accrual basis, revenues are recognized when earned and expenses are recognized as incurred. At September 30, 1991, the State's proprietary funds include the following:

1. The Enterprise Funds account for the operations of State agencies which were designed to be self-sufficient and which render services to the general public or other governmental agencies on a user charge basis; and,

**YAP STATE GOVERNMENT**  
Notes to Combined Financial Statements, Continued

(1) Significant Accounting Policies, Continued

B. Fund Structure and Basis of Accounting, continued

2. The Internal Service Funds account for various stock and medical supply operations of State agencies which render services to other State agencies on a cost reimbursement basis.

The fiduciary fund includes an Expendable Trust Fund, which is used to account for assets appropriated by the State Legislature to be used for scholarship funds. These funds are held by the State as trustee. The Expendable Trust Fund is accounted for on the modified accrual basis of accounting.

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 governmental funds. The State generally follows a policy of capitalizing infrastructure costs. Infrastructure additions have not been accumulated in recent years and, therefore, the Account Group has not been adjusted to reflect such additions. Depreciation is not charged on general fixed assets. However, depreciation is charged on proprietary fund fixed assets and is provided over the estimated useful lives of the assets through use of the straight line method. These estimated useful lives range from 20 to 50 years for structures and improvements, 5 to 10 years for machinery and equipment and 15 to 20 years for fishing fleet and related.

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.



**YAP STATE GOVERNMENT**  
Notes to Combined Financial Statements, Continued

(1) Significant Accounting Policies, Continued

C. Fixed Assets and Long-Term Liabilities, continued

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

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

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

D. Budgetary Process

The Legislature enacts the budget prior to the commencement of the applicable fiscal year through passage of specific departmental appropriations. Before signing the Appropriations Act, the Governor may veto or reduce any specific appropriation on a line item basis, subject to legislative override. Once passed and signed, the budget becomes the State financial plan for the ensuing fiscal year.

Budgetary control is maintained at the departmental level. Budget revisions during the year, reflecting intradepartmental program changes, may be effected only through Legislative branch approval. Supplemental appropriations are made throughout the year in recognition of the State's evolving priorities.

E. Receivables

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

**YAP STATE GOVERNMENT**  
Notes to Combined Financial Statements, Continued

(1) Significant Accounting Policies, Continued

E. Receivables, Continued

which are earned, primarily from the F.S.M. National Government administered federal grants and Department of the Interior operating and special grants, which have yet to be reimbursed by the applicable grantor.

F. Interfund Transactions

The State of Yap basically has two types of potential interfund transactions, as follows:

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

For all funds, the combining balance sheets separately classify interfund activity with the general fund.

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. Fund Balance Reserves and Designations

The State's fund balance reserves represent those portions of fund balance (1) that cannot be appropriated for expenditures or (2) that are legally segregated for a specific future use. In the accompanying combined balance sheet, the reserves for related assets, loans and investment diminution are examples of the former and the reserves for encumbrances and continuing appropriations are examples of the latter.

I. Totals - Memorandum Only

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

**YAP STATE GOVERNMENT**  
Notes to Combined Financial Statements, Continued

(1) Significant Accounting Policies, Continued

J. Deposits in Banks

State law requires that cash held in foreign banks must be with banks which have total assets in excess of one billion dollars. There is no such requirement for local banks. At September 30, 1991, the State had deposits as follows:

	<u>Cost</u>
General Fund:	
Time certificates of deposit with a bank which is an FDIC member.	\$1,900,000
All other cash in checking and savings accounts with FDIC insured banks.	<u>1,097,120</u>
	<u>\$2,997,120</u>
	<u>Cost</u>
Expendable Trust Fund:	
Bank of Hawaii	<u>\$ 164,386</u>
	<u>Cost</u>
Special Revenue Fund:	
Hawaiian Trust Co.	<u>\$ 232,164</u>

Of the above cash, \$1,500,000 is covered by FDIC and the remaining balance exceeds insurable amounts. The State does not require collateralization of its deposits by its banks.

K. Cash and Equivalents

For purposes of the Statement of Cash Flows, cash and equivalents is defined as cash in bank checking and savings accounts and time certificates of deposit with an initial maturity of ninety days or less.

L. Investments are generally recorded at the lower of cost or market. (See Note 10)

M. Actual Expenditures Contrasted with Budgetary Expenditures

1. Actual expenditures are charges which represent the total of all current year liabilities incurred which were attributable to operations; such liabilities may represent liquidations of either current or prior year encumbrances.

**YAP STATE GOVERNMENT**  
Notes to Combined Financial Statements, Continued

(1) Significant Accounting Policies, Continued

2. In contrast, budgetary expenditures represent current charges against appropriations; current charges consist of all current year liquidated and unliquidated encumbrances. Budgetary expenditures are determined by subtracting both current year liquidations of prior year encumbrances and unliquidated prior year encumbrances from the combined total of current year. When viewed in relation to respective budgets, budgetary expenditures provide the principal means of evaluating current year operating performance and management stewardship.

(2) Receivables, Loans and Advances

A summary of receivables, advances and the corresponding allowance for doubtful accounts for the General Fund as of September 30, 1991, is summarized below:

<u>Source</u>	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Balance</u>	
			<u>September 30, 1991</u>	<u>September 30, 1990</u>
<b>General:</b>				
CFSM Revenue				
Sharing	\$ 75,449	\$ -	\$ 75,449	\$ 280,432
Utilities	539,358	323,263	216,095	216,094
Taxes	174,924	87,462	87,462	87,462
Reimbursable	52,516	-	52,516	37,531
Other	<u>582,333</u>	<u>-</u>	<u>582,333</u>	<u>61,241</u>
	\$ 1,424,580	\$ 410,725	\$ 1,013,855	\$ 682,760
	=====	=====	=====	=====
<b>Advances:</b>				
Travel/ payroll	\$ 75,943	\$ 54,934	\$ 21,009	\$ 41,794
	=====	=====	=====	=====
<b>Loans:</b>				
- Yap Purse Seiner Corp.	\$ 6,400,000	\$ -	\$ 6,400,000	\$6,400,000
- Industria De Pesca	1,600,000	-	1,600,000	1,600,000
- Yap Fishing Corp.	<u>3,500,000</u>	<u>-</u>	<u>3,500,000</u>	<u>-</u>
	\$11,500,000	\$ -	\$11,500,000	\$8,000,000
	=====	=====	=====	=====

**YAP STATE GOVERNMENT**  
Notes to Combined Financial Statements, Continued

(2) Receivables, Loans and Advances, Continued

The loans to both Yap Purse Seiner Corporation (YPSC) and Industria De Pesca, a California Corporation, were appropriated under Yap State Law No. 2-96. The YPSC loan consisted of \$5,600,000 for the purchase of fishing vessels and \$800,000 for a working capital contribution. This loan is due and payable on or before September 28, 1991 and is collateralized by a priority security interest in the assets of the corporation.

The loan to Industria De Pesca of \$1,600,000 is due and payable on or before September 17, 1991. It is collateralized by a second preferred mortgage over the shipping vessel "New Era" and contains a unilateral option for Yap State to purchase the "New Era" for an additional payment of approximately \$4,200,000.

The loan to Yap Fishing Corp. of \$3,500,000 is due and payable on September 30, 1992. The loan is not collateralized.

A summary of receivables and the corresponding allowance for doubtful accounts for the Special Revenue Funds as of September 30, 1991, is summarized below:

<u>Source</u>	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Balance</u>	
			<u>September 30, 1991</u>	<u>September 30, 1990</u>
Federal agencies and CFMS	<u>\$1,086,326</u>	<u>\$ 51,545</u>	<u>\$1,034,781</u>	<u>\$1,353,533</u>
Advances - travel	<u>\$ 96,937</u>	<u>\$ 5,683</u>	<u>\$ 91,254</u>	<u>\$ 86,697</u>

A summary of receivables and the corresponding allowance for doubtful accounts for the Capital Projects Fund as of September 30, 1991, is summarized below:

<u>Source</u>	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Balance</u>	
			<u>September 30, 1991</u>	<u>September 30, 1990</u>
Dept. of Interior - TTPI	<u>\$ 691,973</u>	<u>\$ -</u>	<u>\$ 691,973</u>	<u>\$ 556,431</u>
Advances - travel	<u>\$ 10,914</u>	<u>\$ -</u>	<u>\$ 10,914</u>	<u>\$ 9,547</u>
CFMS Grants	<u>\$ 87,168</u>	<u>\$ -</u>	<u>\$ 87,168</u>	<u>\$ 277,319</u>
Federal Agencies	<u>\$ 264,714</u>	<u>\$ -</u>	<u>\$ 264,714</u>	<u>\$ 220,109</u>

**YAP STATE GOVERNMENT**  
Notes to Combined Financial Statements, Continued

(2) Receivables, Loans and Advances, Continued

A summary of receivables, advances and the corresponding allowance for doubtful accounts for the Enterprise Funds as of September 30, 1991, is summarized below:

<u>Source</u>	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Balance</u>	
			<u>September 30, 1991</u>	<u>September 30, 1990</u>
General:				
Trade	\$ 473,465	\$ 57,093	\$ 416,372	\$ 103,408
Employees	84,703	-	84,703	9,618
Other	<u>109,690</u>	<u>-</u>	<u>109,690</u>	<u>17,890</u>
	<u>\$ 667,858</u>	<u>\$ 57,093</u>	<u>\$ 610,765</u>	<u>\$ 130,916</u>

(3) Inventory of Supplies

The General Fund inventory consists of road materials prepaid in fiscal year 1986 and received in 1987. The contract for the road was let in fiscal year 1989 and the road materials are scheduled to be used in construction. If the materials are not so utilized, the inventory will become an expenditure of the line agency which initially acquired the materials. A remaining balance of the materials exists as of September 30, 1991 in the amount of \$200,368. The Internal Service Fund's inventory consists of general stores and medical supplies of \$202,969.

(4) Investment in Fixed Assets

A summary of general fixed assets accounted for in the General Fixed Assets Account Group as of September 30, 1991 and 1990, follows:

	<u>1991</u>	<u>1990</u>
Land	\$ 1,822,614	\$ 1,822,614
Infrastructure	41,645,543	41,645,543
Outer-island capital assets	1,804,550	1,804,550
All others - equipment, vehicles and machinery	<u>18,270,112</u>	<u>17,405,119</u>
	<u>\$63,542,819</u>	<u>\$ 62,677,826</u>
	=====	=====

**YAP STATE GOVERNMENT**  
Notes to Combined Financial Statements, Continued

(4) Investment in Fixed Assets, Continued

A summary of fixed assets accounted for in the Enterprise Funds as of September 30, 1991 and 1990, follows:

	<u>1991</u>	<u>1990</u>
Buildings	\$ 1,614,894	\$ 1,666,190
Dock	2,005,933	2,003,000
Fishing fleet and related	15,017,548	9,374,488
Refrigeration and cold storage equipment	493,325	374,480
Other equipment	345,818	275,683
Motor vehicles	<u>481,603</u>	<u>466,639</u>
	19,959,121	14,160,480
Less accumulated depreciation	<u>(1,705,070)</u>	<u>(972,682)</u>
	<u>\$18,254,051</u>	<u>\$13,187,798</u>
	=====	=====

(5) Changes in Long-Term Debt

Long-term debt, as of September 30, 1991 and 1990, respectively, was generally for the following purposes:

	<u>1991</u>	<u>1990</u>
Medium Term Notes Payable	\$71,000,000	\$ -
Accrued annual leave	<u>490,113</u>	<u>490,139</u>
Total long-term debt	<u>\$71,490,113</u>	<u>\$ 490,113</u>

During fiscal year 1991, the State borrowed \$71,000,000 under a medium-term note program sponsored by the Federated States of Micronesia, as a whole. Repayment of the debt will be made through a pledge of applicable Compact of Free Association revenues to be recognized as revenues in subsequent years. The bonds are repayable substantially on a quarterly basis corresponding to the drawdowns of applicable Compact revenues received from the U.S. Interest on the notes is at rates between 7.05% - 9.2%. The State has invested the note proceeds for purposes of arbitrage.

The bonds are taxable. Under the guidelines imposed by the borrowing, the amount of the investments, at market value, must costs equal or

**YAP STATE GOVERNMENT**  
Notes to Combined Financial Statements, Continued

(5) Changes in Long-Term Debt, Continued

exceed the amount of the outstanding notes plus accrued interest. Any shortfall restricts the State's general fund unreserved fund balance equal to the amount of the shortfall. As a result, the amount of the investment which may be withdrawn and utilized by the State is that amount which corresponds to the Compact drawdown apportionments plus related earnings, provided that the investment balance exceeds the outstanding debt plus accrued interest. Therefore, all related investments are restricted in fund balance as a reserve for related assets.

Maturities of the notes over the succeeding five fiscal years and thereafter, is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1992	\$ 6,800,000	\$ 4,802,615	\$ 11,602,615
1993	5,900,000	5,430,295	11,330,295
1994	6,600,000	4,966,295	11,566,295
1995	7,200,000	4,413,600	11,613,600
1996	7,700,000	3,786,048	11,486,048
Thereafter	<u>36,800,000</u>	<u>9,556,740</u>	<u>46,356,740</u>
Total	<u>\$71,000,000</u>	<u>\$32,955,593</u>	<u>\$103,955,593</u>

(6) Transfers In/Out

Material general fund transfers in/out for the year ended September 30, 1991, are discussed below:

1. Transfers to the Enterprise Funds are provided under Yap State Law to subsidize general activities, fishing vessel operations, and marine life development. During fiscal year 1991, \$85,000 was transferred from the General Fund to Yap Fishing Authority and \$231,500 was transferred to Public Transportation System. Additionally \$11,000 was transferred to the Thol Power Line program, a capital project fund.
2. Transfers for the Pacific Islands Development Bank were made to the Yap Economic Development Authority under Yap State Law to transfer stock holdings in the Pacific Islands Development Bank of \$200,000 (refer Note 10).

Material CIP fund transfers out have been made for the year ended September 30, 1991, as follows:

1. Transfer under Yap State Law as a subsidy for Yap Fresh Tuna, Inc. to the Yap Fishing Authority, an Enterprise Fund, in the amount of \$500,000.
2. Transfer to the Slaughterhouse, an enterprise fund, in the amount of \$18,700.



**YAP STATE GOVERNMENT**  
Notes to Combined Financial Statements, Continued

(7) Contingent Liabilities

Federal and Other Grants

The State participates in a number of federally assisted grant programs and other various Department of the Interior grants. These programs are subject to financial and compliance audits to ascertain if Federal laws and guidelines have been followed. Currently, \$229,000 in cumulative questioned costs exist for the operation of fiscal year 1984-90 grants. If these costs are ultimately disallowed, the General Fund will be charged for the necessary reimbursement to the grantor agencies. Management is unable to assess the likelihood that these questioned costs will be refunded and accordingly, no provision for any liability that may ultimately result has been recorded in the accompanying financial statements.

Additionally, the State receives certain grants from the Congress of the Federated States of Micronesia (CFSM) for public and other projects. In an audit report dated January 30, 1992, the Public Auditor of the Federated States of Micronesia questioned \$24,695 of expenditures incurred in addition to the \$67,400 previously questioned in the audit report dated November 30, 1989 in connection with these CFSM projects. If these costs are ultimately disallowed, the General Fund may be correspondingly impacted.

Sick Leave

It is the policy of the Yap State Government to record the expenditure for sick leave when leave is actually taken. Sick leave is compensated time for absence during work hours arising from employee illness or injury. The estimated accumulated amount of unused sick leave at September 30, 1991, for all governmental funds, is estimated to be \$1,153,658.

Litigation

Yap State is party to several legal proceedings arising from governmental operations. Claims are filed with the Yap State Attorney General. Approved claims are usually paid under general appropriations to the affected government agency. At September 30, 1991, there existed several unapproved claims. The Attorney General of the State of Yap is of the opinion that the State Liability Act has established claims limits of \$40,000 for wrongful injuries and \$20,000 for deaths. Current claims against the State exist but do not appear to be material. Management has not provided for such claims in the accompanying combined financial statements as it is not possible to currently estimate the State's potential liability, if any, arising from these claims.

**YAP STATE GOVERNMENT**  
Notes to Combined Financial Statements, Continued

(7) Contingent Liabilities, Continued

Indefinite Land Use Sites

Payment obligations on rental lands termed "Indefinite Land Use Sites" were originally undertaken by the Trust Territory of the Pacific Islands (TTPI). TTPI's obligation on these lands ceased in May, 1984. After that year, responsibility to rent or purchase the sites was transferred to Yap State. The Yap State Division of Land and Surveys has estimated that Yap State may be responsible for funding the indefinite land use sites for back rent with interest. The State is actually attempting to negotiate purchase prices for these properties. Accordingly, no provision in the accompanying financial statements has been made for these sites.

Medical Referrals

Under the terms of the Compact of Free Association (Compact), the U.S. Government has tentatively agreed to fund medical referral bills incurred prior to September 1, 1985. To date, no appropriation for such has been made by the U.S. Government. Based on this agreement, Yap State has not recorded accounts payable for medical referrals of approximately \$83,596. If an appropriation for medical referrals is not made by the U.S. Government, Yap State could be liable for this amount of past due medical referral bills.

Tuna Joint Venture Project Guarantee

During the fiscal year ended September 30, 1991, the Yap State Government agreed to guarantee loans for the purchase of three fishing vessels up to \$1,000,000 per vessel. This guarantee was approved by Yap State Law No. 2-98. If the Joint Venture defaults on its loan repayments, Yap State will be liable for payments to a maximum of \$3,000,000. This amount was subsequently paid in October, 1991. At September 30, 1991, an enterprise fund (Yap Economic Development Authority) held the \$3,000,000 in cash which was designated for this purpose. As a result, this amount is classified in "other assets" in the accompanying financial statements.

(8) Prior Period Adjustments - Enterprise Funds

Material prior period adjustments during fiscal year 1990 were made by the Public Transportation System (PTS). PTS made its adjustment to correct for previously incorrect depreciation charges on fixed assets and previously incorrect valuation of these assets.

(9) Commitments

The State of Yap appropriated \$1,000,000 as a revolving line of credit to be used by the Yap Fishing Corp. (YFC). The line bears interest at 8% and is collateralized by an assignment of YFC bank

**YAP STATE GOVERNMENT**  
Notes to Combined Financial Statements, Continued

(9) Commitments

accounts and their balances. As of September 30, 1991, no borrowings were outstanding against this line and the full amount is reserved for as a continuing appropriation. (See Note 12). The line expires on September 30, 1993.

(10) Investments

Yap State has invested the majority of its excess Compact Funds in a pooled investment fund which is managed under the control of the Federated Development Authority, an entity comprised of the FSM National Government and its four component states.

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

- A. Investment managers may invest in stocks, bonds and cash equivalents. Minimum standards of quality for investments at the time of purchase shall be:
1. Stocks                    -A "B" rating by a national rating service. Non-rated stocks, such as banks or insurance companies, must be equal in quality or higher.
  2. Bonds                    -Confined to issues rated "A" or higher by a national rating service, except in the case of U.S. Treasury or Agency Securities which are not rated.
  3. Cash and equivalents    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 forgoing as collateral. The following restrictions apply:
    - a. Commercial paper must be rated A-1/P-1 or higher by Standard & Poors Corporation and Moody's 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%.

**YAP STATE GOVERNMENT**  
Notes to Combined Financial Statements, Continued

(10) 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 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.

The State's investment at September 30, 1991, in this pooled investment fund was \$80,561,702. At September 30, 1991, the market value of the State's investment approximated \$82,839,382.

Additionally, the State holds shares 19.1% of shares of the Bank of the Federated States of Micronesia, carried at cost in the amount of \$750,000 and shares in the Pacific Islands Development Bank (PIDB) in the amount of \$350,000. The total investment of \$1,100,000 is recorded in the Yap Economic Development Authority (Enterprise 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 of the Bank of the Federated States of Micronesia has therefore been recorded at cost while the investment in the Pacific Islands Development Bank has been recorded on the equity method. During the year ended September 30, 1991, a loss of \$71,185 was recorded to reflect the State's pro rata share of PIDB's loss.

Statement No. 3 of the Governmental Accounting Standards Board requires government entities to categorize investments to give an indication of the level of risk assumed by the entity at year end. Category 1 includes investments that are insured or registered or for which securities are held by the Government or its agent in the name of the Government. Category 2 includes uninsured and unregistered investments for which securities are held by the broker's or dealer's trust department or agent in the name of the Government. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the Government's name. All of the Government's investments are classified as Category 2 as all investments are held in the name of the Federated Development Authority.

**YAP STATE GOVERNMENT**  
Notes to Combined Financial Statements, Continued

(10) Investments, Continued

In the fiscal year ending September 30, 1991 the Yap Economic Development Authority (YEDA) was created as an enterprise fund by Yap State Law No. 2-97 for the purpose of promoting certain economic development projects in the State. YEDA's primary function in fiscal year 1990 was to serve as the conduit for establishing a joint venture purse seiner fishing project. YEDA statutorily owns 100% of the Yap Purse Seiner Corporation (YPSC) and ultimately plans to own 51% of the Yap Fishing Corporation's (YFC) common stock. At September 30, 1991, however, YEDA actually owned 78% of the outstanding common stock of YFC. YPSC's sole function is to own the fishing vessels and assume the associated debt for the joint venture. YFC functions as the operational corporation of the joint venture's fishing activities. YEDA's ownership in YFC as of September 30, 1991 is detailed as follows:

	Number of Shares	Par Value	Total Cost
Common	1,307,692	\$ 1	\$1,307,692
Preferred	1,492,308	0	<u>1,492,308</u>
			<u>\$2,800,000</u>

Based on the ownership circumstances described above, YEDA's financial statements are presented as consolidated statements of YEDA, YPSC, and YFC with the primary elimination being YEDA's \$2,800,000 investment in YFC. At September 30, 1991, another principal has an equity investment in YFC and therefore, a minority interest is accordingly disclosed. During the year ended September 30, 1991, the State's investment was reduced by its share of losses for YPSC and YFC which aggregated \$1,743,965.

(11) Segment Data for Enterprise Funds

The following presents key data extracted from the financial statements of the three material enterprise funds of the State as of September 30, 1991, and for the year then ended.

	Yap Fishing Authority	Public Transportation System	Yap Economic Development Authority
Total assets	<u>\$5,260,749</u>	<u>\$ 340,755</u>	<u>\$20,171,871</u>
Total equity	<u>\$5,225,094</u>	<u>\$ 335,974</u>	<u>\$ 2,050,988</u>
Net fixed assets	<u>\$4,414,893</u>	<u>\$ 185,403</u>	<u>\$13,597,330</u>
FY '91 operating income (loss)	<u>\$ (509,830)</u>	<u>\$ (202,144)</u>	<u>\$(2,239,873)</u>
FY '91 depreciation expense	<u>\$ 315,424</u>	<u>\$ 78,821</u>	<u>\$ 336,842</u>
FY '91 revenues	<u>\$ 633,134</u>	<u>\$ 51,425</u>	<u>\$ 2,649,755</u>
FY '91 non-operating support	<u>\$ 487,015</u>	<u>\$ 231,500</u>	<u>\$ -</u>

**YAP STATE GOVERNMENT**  
Notes to Combined Financial Statements, Continued

(12) Continuing Appropriations

Continuing appropriations as of September 30, 1991, are as follows:

<u>General Fund</u>	
Line of credit for Yap Fishing Corp.	\$1,000,000
Traditional Awards Fund	96,667
ConCon Records	15,000
Codification of Yap Code	4,920
Yap Women's Association	32,180
FEMA relegated	86,880
Pacific Island Development Bank	650,000
Delipebinaw Water	<u>1,424</u>
	<u>\$1,887,071</u>
<u>Capital Projects Funds:</u>	
Power Upgrade	\$ 64,168
Investment Promotion Program	30,999
Manpower Development Program	14,521
Power Extraction	4,605
YHS Classroom Building	4,285
Colonia Community Center	5,898
Airport Waterline Project	42,640
Fruit Production	14,200
Roads Development	829,886
OI Airfields	151,034
Live stock production	32,264
Satawal Elementary	<u>69,500</u>
	<u>\$1,264,000</u>

(13) Enterprise Fund, Notes Payable

Enterprise fund debt is recorded solely on the books of the Yap Economic Development Authority. The debt is comprised of various notes, as follows:

Note payable to Yap State General fund, collateralized by a priority security interest in all assets of the Yap Purse Seiner Corporation, interest at 11%, due on or before September 28, 1991. (See Note 2)	\$ 6,400,000
Note payable due on or before September 27, 1991, 12% interest, collateralized by ships' mortgages.	3,000,000
Note payable to Yap State, uncollateralized, due in September 30, 1992.	<u>3,500,000</u>
Note payable to FSM Development Bank, due March 31, 2009, no stated interest rate, quarterly principal payments of \$25,225, beginning March 31, 1994.	<u>1,513,500</u>
	<u>\$14,413,500</u>

**YAP STATE GOVERNMENT**  
Notes to Combined Financial Statements, Continued

Minimum principal payments under notes payable at September 30, 1991, are as follows:

1992	\$12,900,000
1993	25,450
1994	100,900
1995	100,900
1996	100,900
Thereafter	<u>1,185,350</u>
	<u>\$14,413,500</u>

(14) Prior Period Adjustment - General and CIP Fund

Based on review of the 1991 continuing appropriations, \$650,000 transferred out as a equity transfer from the CIP fund to the Enterprise fund in FY90 should have been charged against the General Fund as delineated in the enabling legislation. Therefore, an adjustment was proposed in FY91 to adjust the beginning fund balance in the General Fund and Capital Improvement Project Fund, accordingly.

(15) Fund Deficit

The Yap Economic Development Authority, an Enterprise Fund, has incurred a deficit in retained earnings of \$1,849,012. No other funds have material deficits as of September 30, 1991.



## INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

Honorable Petrus Tun  
Governor  
State of Yap

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The additional information listed in Section II of the Table of Contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. This additional information is the responsibility of the State's management. Such information has been subjected to the auditing procedures applied in our audit of the general purpose financial statements, as well as the tests and other procedures in accordance with Office of management and Budget Circular A-128, issued pursuant to the Single Audit Act of 1984, P.L. 98-502, and in our opinion, except for those matters specified in our report dated February 29, 1992, is fairly stated in all material respects when considered in relation to the general purpose financial statements taken as a whole.

February 29, 1992

*Deloitte + Touche*

Certified Public Accountants



**YAP STATE GOVERNMENT**  
**Combining Statement of Expenditures by Account -**  
**All Governmental Fund Types**  
**Year Ended September 30, 1991**  
(With comparative totals for the year ended September 30, 1990)

	<u>Governmental Fund Types</u>			1991 Totals (Memorandum Only)	1990 Totals (Memorandum Only)
	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Fund</u>		
Salaries and wages	\$5,225,108	\$ 743,721	\$ 223,108	\$ 6,191,937	\$ 6,054,036
Travel	343,444	259,774	54,970	658,188	674,506
Freight	60,436	31,128	7,980	99,544	97,397
Communications	119,664	11,846	1,267	132,777	129,243
Printing and reproduction	53,713	9,548	14,254	77,515	113,823
Professional services	98,665	70,223	-	168,888	151,448
Food stuffs	163,643	80,583	-	244,226	201,531
Medical supplies	116,129	20,688	-	136,817	209,559
Supplies and materials	617,434	412,999	793,538	1,823,971	1,526,773
Medical referral	-	269,560	-	269,560	614,003
POL	669,112	915,617	40,356	1,625,085	1,215,622
Capital outlay	220,916	144,260	5,699,056	6,064,232	4,857,034
Contractual services	139,406	80,935	45,227	265,568	634,749
Rentals	22,619	51,605	511	74,735	115,353
Repairs and maintenance	85,900	28,391	14,370	128,661	128,819
Allowances	80,480	196	-	80,676	84,800
Grants and subsidies	82,572	54,937	60,000	197,509	394,818
Scholarship and training	45,414	222,300	-	267,714	261,725
Other	590,872	296,186	52,826	939,884	529,009
	<u>\$8,735,527</u>	<u>\$3,704,497</u>	<u>\$7,007,463</u>	<u>\$19,447,487</u>	<u>\$17,994,248</u>
	=====	=====	=====	=====	=====

**YAP STATE GOVERNMENT  
GENERAL FUND  
Statement of Revenues, Expenditures and  
Changes in Fund Balance by Function  
Year Ended September 30, 1991**

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

	<u>1991</u>	<u>1990</u>
<b>Revenues:</b>		
Current 211A and 217 Compact Funds	<u>\$7,724,832</u>	<u>\$7,494,240</u>
Revenue sharing:		
Import tax	143,326	167,169
Fuel tax	51,614	68,123
Income tax	360,137	302,973
Business gross revenue tax	<u>457,919</u>	<u>353,279</u>
	<u>1,012,996</u>	<u>891,544</u>
Excise taxes:		
Alcoholic beverages	547,838	377,924
Gasoline and diesel	97,252	146,050
Tobacco	114,770	105,875
Other excise taxes	<u>183,714</u>	<u>236,133</u>
	<u>943,574</u>	<u>865,982</u>
Licenses and permits	84,858	62,554
Fines/sale of confiscated property	239,355	133,525
Leases and other rentals	<u>97,213</u>	<u>91,448</u>
	<u>421,426</u>	<u>287,527</u>
Departmental charges:		
Sea transportation	174,666	189,608
Hospital services	48,423	95,399
Power	786,190	440,573
Other	<u>124,944</u>	<u>134,327</u>
	<u>1,134,223</u>	<u>859,907</u>
Interest income	<u>1,118,721</u>	<u>612,354</u>
Other income	<u>10,900</u>	<u>27,532</u>
Total revenues	<u>12,366,672</u>	<u>11,039,086</u>

(Continued)

**YAP STATE GOVERNMENT  
GENERAL FUND  
Statement of Revenues, Expenditures and  
Changes in Fund Balance by Function, Continued  
Year Ended September 30, 1991**

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

	<u>1991</u>	<u>1990</u>
<b>Expenditures:</b>		
<b>General government:</b>		
Office of the Governor	\$ 267,759	\$ 306,390
State Legislature	454,790	450,898
Office of Administrative Services	436,569	481,647
Office of Planning, Budget and Statistics	190,211	190,626
Division of Revenue and Taxation	39,692	33,258
Legislative Projects	<u>20,000</u>	<u>33,498</u>
	<u>1,409,021</u>	<u>1,496,317</u>
<b>Health:</b>		
Department of Health Services	<u>1,331,275</u>	<u>1,362,384</u>
<b>Education:</b>		
Department of Education	1,206,297	1,033,674
Legislative Projects	<u>110,700</u>	<u>18,800</u>
	<u>1,316,997</u>	<u>1,052,474</u>
<b>Economic Development:</b>		
Department of Resources and Development	607,479	528,026
Legislative Projects	<u>8,261</u>	<u>11,132</u>
	<u>615,740</u>	<u>539,158</u>
<b>Protection of Persons and Property:</b>		
Department of Public Safety/Attorney General	501,059	507,907
Legislative Projects	<u>-</u>	<u>33,330</u>
	<u>501,059</u>	<u>541,237</u>
<b>Public Works and Utilities:</b>		
PUC	1,471,203	909,618
Legislative Projects	<u>1,337</u>	<u>-</u>
	<u>1,472,540</u>	<u>909,618</u>
<b>Transportation:</b>	<u>1,184,173</u>	<u>1,214,743</u>

(Continued)

**YAP STATE GOVERNMENT**

**GENERAL FUND**

Statement of Revenues, Expenditures and  
Changes in Fund Balance by Function, Continued

Year Ended September 30, 1991

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

	<u>1991</u>	<u>1990</u>
Community Affairs:		
Department of Public Affairs	\$ 286,371	\$ 299,686
Legislative Projects	<u>150,108</u>	<u>168,500</u>
	<u>436,479</u>	<u>468,186</u>
Boards and Commissions:		
Yap ABC Board	2,000	-
Council of Pilung	95,774	85,075
Council of Tamol	87,563	88,129
Land Commission	20	107,158
OI Planning	10,550	16,837
EPA Administration	<u>50,614</u>	<u>50,149</u>
	<u>246,521</u>	<u>347,348</u>
Other:		
Judiciary	161,206	147,131
Other	19,533	41,675
Public Auditor	<u>40,983</u>	<u>47,703</u>
	<u>221,722</u>	<u>236,509</u>
Total expenditures	<u>8,735,527</u>	<u>7,504,081</u>
Revenues over expenditures	<u>3,631,145</u>	<u>2,871,112</u>
Other sources (uses):		
Bond proceeds	71,000,000	-
Bond management fee	(315,950)	-
Operating transfers out	(527,500)	(238,000)
Investment income	<u>1,556,483</u>	<u>831,313</u>
Total other sources (uses), net	<u>71,713,033</u>	<u>593,313</u>
Excess of revenues and other sources over expenditures and other uses	75,344,178	3,464,425
Fund balance, beginning of year	12,882,365	9,417,940
Prior period adjustment	<u>(650,000)</u>	<u>-</u>
Fund balance, end of year	<u>\$87,576,543</u>	<u>\$12,882,365</u>

YAP STATE GOVERNMENT

GENERAL FUND

Statement of Revenues, Expenditures and Changes in Fund  
Balance - Budget and Actual - Budgetary Basis by Function  
Year Ended September 30, 1991

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

	1991			1990		
	Budget	Actual	Variance	Budget	Actual	Variance
			Favorable (Unfavorable)			Favorable (Unfavorable)
<b>Revenues:</b>						
Current/211A compact funds	\$ 7,551,888	\$ 7,724,832	\$ 172,944	\$7,436,592	\$7,494,240	\$ 57,648
Revenue sharing - FSM	717,240	1,012,996	295,756	695,618	891,544	195,926
Taxes and licenses	627,880	1,365,000	737,120	612,210	1,153,509	541,299
Interest	476,850	1,118,721	641,871	475,640	612,354	136,714
Other	768,600	1,145,123	376,523	673,450	887,439	213,989
<b>Total revenues</b>	<b>10,142,458</b>	<b>12,366,672</b>	<b>2,224,214</b>	<b>9,893,510</b>	<b>11,039,086</b>	<b>1,145,576</b>
<b>Expenditures - budgetary basis by department and other:</b>						
<b>General government:</b>						
Office of the Governor	267,300	261,989	5,311	326,900	318,574	8,326
State legislature	468,150	446,783	21,367	510,490	456,779	53,711
Office of administrative services	485,200	455,923	29,277	572,500	496,880	75,620
Office of planning, budget and statistics	223,140	193,693	29,447	221,200	178,873	42,327
Legislative projects	10,000	19,880	(9,880)	48,000	33,068	14,932
	<u>1,453,790</u>	<u>1,378,268</u>	<u>75,522</u>	<u>1,679,090</u>	<u>1,484,174</u>	<u>194,916</u>
<b>Health services:</b>						
Department of health services	1,439,050	1,363,386	75,664	1,388,402	1,378,229	10,173
<b>Education:</b>						
Department of education	1,418,100	1,317,654	100,446	1,066,400	1,031,309	35,091
Legislative projects	110,700	110,700	-	18,800	18,800	-
	<u>1,528,800</u>	<u>1,428,354</u>	<u>100,446</u>	<u>1,085,200</u>	<u>1,050,109</u>	<u>35,091</u>
<b>Economic development:</b>						
Department of resources and development	615,434	581,249	34,185	576,750	537,061	39,689
Legislative projects	8,500	7,270	1,230	8,500	11,544	(3,044)
	<u>623,934</u>	<u>588,519</u>	<u>35,415</u>	<u>585,250</u>	<u>548,605</u>	<u>36,645</u>
<b>Protection of persons and property:</b>						
Department of public safety/attorney general	554,440	481,254	73,186	521,795	510,270	11,525
Legislative projects	4,920	-	4,920	30,000	33,330	(3,330)
	<u>559,360</u>	<u>481,254</u>	<u>78,106</u>	<u>551,795</u>	<u>543,600</u>	<u>8,195</u>
<b>Public works and utilities:</b>						
PUC	1,246,500	1,485,778	(239,278)	887,524	875,934	11,590
Legislative projects	-	1,337	(1,337)	-	-	-
	<u>1,246,500</u>	<u>1,487,115</u>	<u>(240,615)</u>	<u>887,524</u>	<u>875,934</u>	<u>11,590</u>
<b>Transportation</b>	<b>1,204,832</b>	<b>1,197,048</b>	<b>7,784</b>	<b>1,242,930</b>	<b>1,216,309</b>	<b>26,621</b>

(Continued)

YAP STATE GOVERNMENT

GENERAL FUND

Statement of Revenues, Expenditures and Changes in Fund  
Balance - Budget and Actual - Budgetary Basis by Function, Continued  
Year Ended September 30, 1991

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

	1991			1990		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Community affairs:						
Public affairs	\$ 342,100	\$ 279,228	\$ 62,872	\$ 374,436	\$ 303,884	\$ 70,552
Legislative projects	292,400	150,108	142,292	168,500	168,500	-
	<u>634,500</u>	<u>429,336</u>	<u>205,164</u>	<u>542,936</u>	<u>472,384</u>	<u>70,552</u>
Boards and commissions:						
Council of Piling	93,560	90,339	3,221	89,482	89,700	(218)
Council of Tamol	89,000	88,592	408	95,882	86,515	9,367
Land commission	-	-	-	102,800	103,343	(543)
O/I Planning	9,800	6,666	3,134	11,100	21,065	(9,965)
EPA Admin. Board	53,600	50,658	2,942	57,500	51,005	3,495
Yap ABC Board	-	-	-	2,000	2,000	-
	<u>245,960</u>	<u>236,255</u>	<u>9,705</u>	<u>355,764</u>	<u>353,628</u>	<u>2,136</u>
Other:						
Judiciary	175,300	161,282	14,018	140,500	142,010	(1,510)
Other	-	19,534	(19,534)	-	41,675	(41,675)
Public Auditor	40,800	40,635	165	50,000	48,515	1,485
	<u>216,100</u>	<u>221,451</u>	<u>(5,351)</u>	<u>190,500</u>	<u>232,200</u>	<u>(41,700)</u>
Total expenditures	<u>9,152,826</u>	<u>8,810,986</u>	<u>341,840</u>	<u>8,509,391</u>	<u>8,155,172</u>	<u>354,219</u>
Revenues over expenditures	<u>989,632</u>	<u>3,555,686</u>	<u>2,566,054</u>	<u>1,384,119</u>	<u>2,883,914</u>	<u>1,499,795</u>
Other sources (uses):						
Bond management fees	-	(315,950)	(315,950)	-	-	-
Investment income	-	1,556,483	1,556,483	-	831,313	831,313
Bond proceeds	-	71,000,000	71,000,000	-	-	-
Operating transfers out	(316,500)	(527,500)	(211,000)	(238,000)	(238,000)	-
Total other sources (uses)	<u>(316,500)</u>	<u>71,713,033</u>	<u>72,029,533</u>	<u>(238,000)</u>	<u>593,313</u>	<u>831,313</u>
Excess of revenues and other sources over expenditures and other uses	673,132	75,268,719	74,595,587	1,146,119	3,477,227	2,331,108
Fund balance, unreserved, beginning of year	3,037,825	3,037,825	-	8,295,751	8,295,751	-
Prior period adjustment	-	(650,000)	(650,000)	-	-	-
Less: Increase in reserves:						
- Related assets	-	(71,156,064)	(71,156,064)	-	(133,496)	(133,496)
- Loans	-	(3,500,000)	(3,500,000)	-	(8,000,000)	(8,000,000)
- Investment diminution	-	558,123	558,123	-	(558,123)	(558,123)
- Continuing appropriations	(1,790,973)	(1,790,973)	-	-	(43,534)	(43,534)
Fund balance, unreserved, end of year	<u>\$ 1,919,984</u>	<u>\$ 1,767,630</u>	<u>\$ (152,354)</u>	<u>\$9,441,870</u>	<u>\$3,037,825</u>	<u>\$ (6,404,045)</u>

**YAP STATE GOVERNMENT**  
**Special Revenue Funds**  
**September 30, 1991**

Specific revenues earmarked to finance particular activities of Yap State are accounted for in Special Revenue Funds. A brief discussion of the State's Special Revenue Funds as of September 30, 1991, follows:

**Federal Grants Fund**

This fund accounts for all financial transactions related to federally assisted funds which are subgranted to Yap State from the FSM National Government.

**Non U.S. Grants Fund**

This fund accounts for all financial transactions related to certain direct and other grants received from various world organizations.

**Other U.S. Grants Fund**

This fund accounts for all Federal Emergency Management Assistance (FEMA) grants received in a subrecipient capacity through the FSM National Government.

**FSM Grants Fund**

This fund accounts for appropriations made to Yap State from the Congress of the Federated States of Micronesia. These grants are earned on a reimbursable basis.

**Compact Programs**

This fund accounts for financial transactions related to the Compact program accounts under Section 221B, 213B, 214C, and 216A2 of the Compact of Free Association.

**YAP STATE GOVERNMENT  
SPECIAL REVENUE FUNDS  
Combining Balance Sheet  
September 30, 1991**

(With comparative totals as of September 30, 1990)

	<u>Federal</u>	<u>Other U.S.</u>	<u>Non U.S.</u>	<u>Compact</u>	<u>FSM Grants</u>	<u>Totals</u>	
	<u>Grants Fund</u>	<u>Grants Fund</u>	<u>Grants Fund</u>	<u>Programs</u>	<u>Fund</u>	<u>1991</u>	<u>1990</u>
<b><u>Assets</u></b>							
Investments	\$ -	\$ -	\$ -	\$ 232,164	\$ -	\$ 232,164	\$ 108,054
Receivables, net:							
Other	-	157,700	14,471	-	-	172,171	9,960
FSM National Government	514,780	88,363	-	-	259,467	862,610	1,353,533
Due from other funds	-	336,312	-	946,094	-	1,282,406	863,882
Advances	<u>43,532</u>	<u>-</u>	<u>1,681</u>	<u>20,352</u>	<u>25,689</u>	<u>91,254</u>	<u>86,697</u>
	<u>\$ 558,312</u>	<u>\$ 582,375</u>	<u>\$ 16,152</u>	<u>\$1,198,610</u>	<u>\$ 285,156</u>	<u>\$2,640,605</u>	<u>\$2,422,126</u>
	=====	=====	=====	=====	=====	=====	=====
<b><u>Liabilities and Fund Balance (Deficit)</u></b>							
<b>Liabilities:</b>							
Accounts payable	\$ 41,842	\$ 16	\$ 1,265	\$ 47,266	\$ 10,094	\$ 100,483	\$ 213,511
Payroll	1,610	1,082	151	11,870	4,673	19,386	19,279
Due to other funds	504,318	-	15,114	-	108,867	628,299	1,272,775
Intergovernmental payables	-	-	-	-	-	-	-
Deferred revenue	7,000	581,211	16,176	-	161,087	765,474	18,087
Land acquisition liability	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,000</u>	<u>-</u>	<u>90,000</u>	<u>90,000</u>
<b>Total liabilities</b>	<u>554,770</u>	<u>582,309</u>	<u>32,706</u>	<u>149,136</u>	<u>284,721</u>	<u>1,603,642</u>	<u>1,613,652</u>
<b>Fund balance (deficit):</b>							
Reserved for:							
Related assets	-	-	-	-	-	-	-
Encumbrances	133,078	-	1,832	133,015	106,165	374,090	756,724
Unreserved	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total fund balance (deficit)</b>	<u>3,542</u>	<u>66</u>	<u>(16,554)</u>	<u>1,049,474</u>	<u>435</u>	<u>1,036,963</u>	<u>808,474</u>
	<u>\$ 558,312</u>	<u>\$ 582,375</u>	<u>\$ 16,152</u>	<u>\$1,198,610</u>	<u>\$ 285,156</u>	<u>\$2,640,605</u>	<u>\$2,422,126</u>
	=====	=====	=====	=====	=====	=====	=====



YAP STATE GOVERNMENT  
SPECIAL REVENUE FUNDS

Combining Statement of Revenues, Expenditures by Function and  
Changes in Fund Balance (Deficit)  
Year Ended September 30, 1991

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

	Federal	Other U.S.	Non U.S.	Compact	FSM Grants	Totals	
	<u>Grants Fund</u>	<u>Grants Fund</u>	<u>Grants Fund</u>	<u>Programs</u>	<u>Fund</u>	<u>1991</u>	<u>1990</u>
<b>Revenues:</b>							
Compact	\$ -	\$ -	\$ -	\$2,760,283	\$ -	\$2,760,283	\$2,312,958
Federal contributions	541,020	-	-	-	-	541,020	1,160,668
Federal and others, direct	-	-	-	-	-	-	-
Dept. of the Interior - TTPI	-	-	-	-	-	-	-
Congress of the Federated States of Micronesia (CFSM) grants	-	-	-	-	463,439	463,439	542,434
Other	-	157,700	10,544	-	-	168,244	6,485
<b>Total revenues</b>	<u>541,020</u>	<u>157,700</u>	<u>10,544</u>	<u>2,760,283</u>	<u>463,439</u>	<u>3,932,986</u>	<u>4,022,545</u>
<b>Expenditures:</b>							
General government	-	-	-	-	7,387	7,387	169,453
Health services	135,368	-	-	195,803	24,541	355,712	417,917
Education	237,617	-	-	1,192,914	206,216	1,636,747	2,048,823
Economic development	-	-	14,986	-	41,614	56,600	3,984
Public safety	-	-	-	-	119,548	119,548	120,195
Public works and utilities	42,539	-	-	1,125,784	31,065	1,199,388	1,092,370
Community affairs	125,496	157,700	7,000	5,851	32,921	328,968	464,868
Transportation	-	-	-	-	147	147	-
Other	-	-	-	-	-	-	-
<b>Total expenditures</b>	<u>541,020</u>	<u>157,700</u>	<u>21,986</u>	<u>2,520,352</u>	<u>463,439</u>	<u>3,704,497</u>	<u>4,317,610</u>
<b>Revenues over expenditures</b>	<u>-</u>	<u>-</u>	<u>(11,442)</u>	<u>239,931</u>	<u>-</u>	<u>228,489</u>	<u>(295,065)</u>
<b>Other sources (uses):</b>							
Transfer in	-	-	-	-	-	-	-
<b>Excess (deficiency) of revenues and other sources over expenditures and other uses</b>	<u>-</u>	<u>-</u>	<u>(11,442)</u>	<u>239,931</u>	<u>-</u>	<u>228,489</u>	<u>(295,065)</u>
<b>Fund balance (deficit), beginning of year</b>	<u>3,542</u>	<u>66</u>	<u>(5,112)</u>	<u>809,543</u>	<u>435</u>	<u>808,474</u>	<u>1,103,539</u>
<b>Fund balance (deficit), end of year</b>	<u>\$ 3,542</u>	<u>\$ 66</u>	<u>\$ (16,554)</u>	<u>\$1,049,474</u>	<u>\$ 435</u>	<u>\$1,036,963</u>	<u>\$ 808,474</u>

**YAP STATE GOVERNMENT**

**SPECIAL REVENUE FUNDS**

Combining Statement of Revenues, Expenditures by Account and

Changes in Fund Balance (Deficit)

Year Ended September 30, 1991

	<u>Federal</u>	<u>Other U.S.</u>	<u>Non U.S.</u>	<u>Compact</u>	<u>FSM Grants</u>	<u>Totals</u>
	<u>Grants Fund</u>	<u>Grants Fund</u>	<u>Grants Fund</u>	<u>Programs</u>	<u>Fund</u>	<u>1991</u>
<b>Revenues:</b>						
Compact	\$ -	\$ -	\$ -	\$2,760,283	\$ -	\$2,760,283
Federal contributions	541,020	-	-	-	-	541,020
Federal and others, direct	-	-	-	-	-	-
Dept. of the Interior - TTPI	-	-	-	-	-	-
Congress of the Federated States of Micronesia (CFSM) grants	-	-	-	-	463,439	463,439
Other	-	157,700	10,544	-	-	168,244
<b>Total revenues</b>	<u>541,020</u>	<u>157,700</u>	<u>10,544</u>	<u>2,760,283</u>	<u>463,439</u>	<u>3,932,986</u>
<b>Expenditures:</b>						
Salaries and wages	111,175	25,590	8,414	585,918	12,624	743,721
Travel	31,217	11,040	3,325	163,829	50,363	259,774
Freight	13,514	2,318	-	9,860	5,436	31,128
Communications	4,277	-	-	1,607	5,962	11,846
Printing and reproduction	3,716	-	-	627	5,205	9,548
Professional services	3,310	-	-	49,413	17,500	70,223
Food stuffs	7,150	30,937	-	18,443	24,053	80,583
Medical supplies	4,808	-	-	11,588	4,292	20,688
Supplies and materials	163,816	33,752	2,220	52,073	161,138	412,999
Medical referrals	-	-	-	269,560	-	269,560
POL	7,365	16,830	-	877,935	13,487	915,617
Capital outlay	85,093	2,260	1,027	10,930	44,950	144,260
Contractual services	18,342	998	7,000	7,574	47,021	80,935
Rentals	730	33,353	-	4,011	13,511	51,605
Repairs and maintenance	6,597	-	-	4,684	17,110	28,391
Allowances	196	-	-	-	-	196
Grants and subsidies	34,150	-	-	-	20,787	54,937
Scholarship and training	-	-	-	202,300	20,000	222,300
Other	45,564	622	-	250,000	-	296,186
<b>Total expenditures</b>	<u>541,020</u>	<u>157,700</u>	<u>21,986</u>	<u>2,520,352</u>	<u>463,439</u>	<u>3,704,497</u>
Revenues under expenditures	-	-	(11,442)	239,931	-	228,489
<b>Other sources (uses):</b>						
Transfer/general fund	-	-	-	-	-	-
<b>Deficiency of revenues and other sources over expenditures and other uses</b>	-	-	(11,442)	239,931	-	228,489
<b>Fund balance (deficit), beginning of year</b>	<u>3,542</u>	<u>66</u>	<u>(5,112)</u>	<u>809,543</u>	<u>435</u>	<u>808,474</u>
<b>Fund balance (deficit), end of year</b>	\$ 3,542	\$ 66	\$ (16,554)	\$1,049,474	\$ 435	\$1,036,963
	=====	=====	=====	=====	=====	=====

**YAP STATE GOVERNMENT**  
**Capital Projects Funds**  
**September 30, 1991**

Appropriations or grants earmarked to finance capital projects of Yap State are accounted for in the Capital Projects Funds. A brief discussion of the Yap State's Capital Projects Fund as of September 30, 1991, follows:

**TTPI - Capital Projects**

This fund accounts for various capital projects received under grant awards from the Trust Territory Government. Project costs upon completion are accounted for in the General Fixed Assets Account Group as are completed projects from other funding sources.

**CFSM Capital Projects**

This fund accounts for grants awarded by the Congress of the Federated States of Micronesia (CFSM) for improvement and betterment projects within the State of Yap.

**General Fund**

Appropriations by the Yap State Legislature for capital improvement projects funded by the General Fund are accounted for within this fund.

**Compact Capital**

This fund accounts for financial transactions related to compact capital current account funds as provided by Section 211A of the Compact of Free Association.

**Other U.S. Capital Projects Fund**

This fund accounts for all financial transactions related to federally assisted funds of a capital nature which are subgranted to Yap State from the FSM National Government.

YAP STATE GOVERNMENT  
CAPITAL PROJECTS FUNDS  
Combining Balance Sheet  
September 30, 1991

(With comparative totals as of September 30, 1990)

<u>Assets</u>	TTPI Capital Projects Fund	CFSM Capital Projects Fund	General Fund	Compact Capital	Other U.S. Capital Projects Fund	<u>Totals</u>	
						1991	1990
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	8,337,732	-	8,337,732	12,337,472
Receivables from:							
Federal contribution	-	-	-	-	264,714	264,714	220,109
Congress of the Federated States of Micronesia	-	87,168	-	-	-	87,168	277,319
U.S. Dept. of the Interior							
- TTPI	691,973	-	-	-	-	691,973	556,431
Due from general fund	-	-	-	-	-	-	-
Advances	<u>5,127</u>	<u>-</u>	<u>-</u>	<u>5,787</u>	<u>-</u>	<u>10,914</u>	<u>9,547</u>
 Total assets	 \$ 697,100	 \$ 87,168	 \$ -	 \$8,343,519	 \$ 264,714	 \$9,392,501	 \$13,400,878
	=====	=====	=====	=====	=====	=====	=====
 <u>Liabilities and</u>							
<u>Fund Balance (Deficit)</u>							
 Liabilities:							
Accounts payable	\$ 13,142	\$ 24,841	\$ -	\$ 181,300	\$ 931	\$ 220,214	\$ 320,578
Due to other funds	681,341	62,131	17,527	654,585	262,738	1,678,322	5,898,490
Deferred revenues	-	-	-	-	-	-	-
Accrued payroll	2,884	196	-	3,408	1,045	7,533	4,217
Land acquisition liability	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>224,635</u>
 Total liabilities	 <u>697,367</u>	 <u>87,168</u>	 <u>17,527</u>	 <u>839,293</u>	 <u>264,714</u>	 <u>1,906,069</u>	 <u>6,447,920</u>
 Fund balance (deficit):							
Reserved for:							
Related assets	-	-	-	-	-	-	-
Continuing appropriations	-	-	-	1,264,000	-	1,264,000	1,694,748
Encumbrances	1,018,819	4,408	2,496	3,174,042	48,241	4,248,006	8,320,024
Unreserved	<u>(1,019,086)</u>	<u>(4,408)</u>	<u>(20,023)</u>	<u>3,066,184</u>	<u>(48,241)</u>	<u>1,974,426</u>	<u>(3,061,814)</u>
 Total fund balance (deficit)	 <u>(267)</u>	 <u>-</u>	 <u>(17,527)</u>	 <u>7,504,226</u>	 <u>-</u>	 <u>7,486,432</u>	 <u>6,952,958</u>
 Total liabilities and fund balance (deficit)	 \$ 697,100	 \$ 87,168	 \$ -	 \$8,343,519	 \$ 264,714	 \$9,392,501	 \$13,400,878
	=====	=====	=====	=====	=====	=====	=====

YAP STATE GOVERNMENT  
CAPITAL PROJECTS FUNDS  
Combining Statement of Revenues, Expenditures by Function  
and Changes in Fund Balance (Deficit)  
Year Ended September 30, 1991  
(With comparative totals for the year ended September 30, 1990)

	TTPI	CFSM	General	Compact	Other U.S.	<u>Totals</u>	
	Capital	Capital			Capital	1991	1990
	Projects	Projects	Fund	Capital	Projects		
	Fund	Fund			Fund		
<b>Revenues:</b>							
Compact capital	\$ -	\$ -	\$ -	\$4,753,248	\$ -	\$ 4,753,248	\$4,611,360
Dept. of the Interior							
- TTPI	1,907,660	-	-	-	-	1,907,660	1,812,988
Congress of the							
Federated States of							
Micronesia (CFSM) grants	-	421,586	-	-	-	421,586	756,603
Federal grants	-	-	-	-	316,143	316,143	275,199
Other	-	-	-	-	-	-	-
<b>Total revenues</b>	<u>1,907,660</u>	<u>421,586</u>	<u>-</u>	<u>4,753,248</u>	<u>316,143</u>	<u>7,398,637</u>	<u>7,456,150</u>
<b>Expenditures:</b>							
General government	-	-	-	-	-	-	-
Economic development	-	-	-	230,293	-	230,293	562,063
Education	-	-	-	-	-	-	-
Public works and utilities	1,907,660	421,586	8,460	3,987,547	316,143	6,641,396	4,942,245
Other	-	-	-	135,774	-	135,774	4,356
<b>Total expenditures</b>	<u>1,907,660</u>	<u>421,586</u>	<u>8,460</u>	<u>4,353,614</u>	<u>316,143</u>	<u>7,007,463</u>	<u>5,508,664</u>
<b>Revenues over (under)</b>							
<b>expenditures</b>	<u>-</u>	<u>-</u>	<u>(8,460)</u>	<u>399,634</u>	<u>-</u>	<u>391,174</u>	<u>1,947,486</u>
<b>Other sources (uses):</b>							
Transfer/general fund	-	-	11,000	(518,700)	-	(507,700)	(3,777,226)
<b>Excess (deficiency)</b>							
<b>of revenues and</b>							
<b>other sources over</b>							
<b>expenditures and</b>							
<b>other uses</b>	-	-	2,540	(119,066)	-	(116,526)	(1,829,740)
<b>Fund balance (deficit),</b>							
<b>beginning of year</b>	(267)	-	(20,067)	6,973,292	-	6,952,958	8,782,698
<b>Prior period adjustment</b>	-	-	-	650,000	-	650,000	-
<b>Fund balance (deficit),</b>							
<b>end of year</b>	\$ (267)	\$ -	\$ (17,527)	\$7,504,226	\$ -	\$7,486,432	\$6,952,958
	=====	=====	=====	=====	=====	=====	=====

YAP STATE GOVERNMENT  
CAPITAL PROJECTS FUNDS  
Combining Statement of Revenues, Expenditures by Account  
and Changes in Fund Balance (Deficit)  
Year Ended September 30, 1991

	TTPI Capital Projects Fund	CFSM Capital Projects Fund	General Fund	Compact Capital	Other U.S. Capital Projects Fund	<u>Totals</u> <u>1991</u>
<b>Revenues:</b>						
Compact capital, 211(A2) Dept. of the Interior	\$ -	\$ -	\$ -	\$4,753,248	\$ -	\$4,753,248
- TTPI	1,907,660	-	-	-	-	1,907,660
Congress of the Federated States of Micronesia (CFSM) grants	-	421,586	-	-	-	421,586
Federal grants	-	-	-	-	316,143	316,143
<b>Total revenues</b>	<u>1,907,660</u>	<u>421,586</u>	<u>-</u>	<u>4,753,248</u>	<u>316,143</u>	<u>7,398,637</u>
<b>Expenditures:</b>						
Salaries and wages	84,364	825	-	91,544	46,375	223,108
Travel	10,884	-	-	39,734	4,352	54,970
Freight	413	2,725	-	2,908	1,934	7,980
Communications	574	-	-	640	53	1,267
Printing and reproduction	666	-	-	13,152	436	14,254
Supplies and materials	15,851	59,140	8,460	627,127	82,960	793,538
POL	7,183	-	-	29,589	3,584	40,356
Capital outlay	1,785,847	357,754	-	3,386,690	168,765	5,699,056
Contractual services	-	1,142	-	44,085	-	45,227
Rentals	46	-	-	465	-	511
Repairs and maintenance	1,832	-	-	4,854	7,684	14,370
Grants and subsidies	-	-	-	60,000	-	60,000
Other	-	-	-	52,826	-	52,826
<b>Total expenditures</b>	<u>1,907,660</u>	<u>421,586</u>	<u>8,460</u>	<u>4,353,614</u>	<u>316,143</u>	<u>7,007,463</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(8,460)</u>	<u>399,634</u>	<u>-</u>	<u>397,174</u>
<b>Other sources (uses):</b>						
Transfer/general fund	<u>-</u>	<u>-</u>	<u>11,000</u>	<u>(518,700)</u>	<u>-</u>	<u>(507,700)</u>
Excess (deficiency) of revenues and other sources over expendi- tures and other uses	-	-	2,540	(119,066)	-	(116,526)
Fund balance (deficit), beginning of year	(267)	-	(20,067)	6,973,292	-	6,952,958
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>650,000</u>	<u>-</u>	<u>650,000</u>
Fund balance (deficit), end of year	\$ (267)	\$ -	\$(17,527)	\$7,504,226	\$ -	\$7,486,432
	=====	=====	=====	=====	=====	=====

**YAP STATE GOVERNMENT**  
**Enterprise Funds**  
**September 30, 1991**

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

**Yap Fishing Authority**

The Yap Fishing Authority (YFA) was created in April, 1979, through Yap State Law 7-111. YFA is operated by a Board of Directors, which is appointed by the Governor of the State. YFA was established to promote, develop, and support commercial utilization of living marine resources within Yap State.

**Gagil-Tomil Water Authority**

The Gagil-Tomil Water Authority (G-TWA) was created in October, 1984, through Yap State Law 1-183. G-TWA is operated by a Board of Directors, consisting of one member appointed by the Governor, four members appointed by the Gagil representative to the Council of Pilung, and four members appointed by the Tomil representative to the Council of Pilung. G-TWA was created to carry on the business of establishing, developing, maintaining, operating and managing the Gagil-Tomil Water System.

**Southern Yap Water Authority**

The Southern Yap Water Authority (SYWA) was created in November, 1986, through Yap State Law 1-221. SYWA is operated by a Board of Directors consisting of one member appointed by the Governor and four members appointed by the municipalities' representative to the Council of Pilung to represent Gilman, Kanifay, Dalipebinaw, and Rull. SYWA was created to carry out the business of establishing, developing, maintaining, operating and managing the Southern Yap Water System.

**Public Transportation System**

The Public Transportation System's (PTS) operation is subsidized by the Yap State Government. Transfers from the General Fund are authorized by Yap State Law 1-207. PTS was created to provide reliable and inexpensive transportation for those people living outside of the Colonia area.

**YAP STATE GOVERNMENT**  
**Enterprise Funds, Continued**

**Yap Transportation and Construction Authority**

The Yap Transportation and Construction Authority was created in 1979 by passage of P.L. 1-23 to construct, maintain and manage public facilities. The Board of Directors consists of five members nominated and appointed by the Governor with the advice and consent of the Legislature. In 1987, the Board of Directors turned the management of the Authority over to the Public Utilities and Contracts department.

**Feedmill Operations**

The Feedmill operation operates under the direction and management of the Agriculture Division. The intent was to create an operation which would supply animal feed to the farmers.

**Slaughterhouse**

The slaughterhouse operation is administered by the State and operates as livestock supplies are available.

**Yap Economic Development Authority**

The Yap Economic Development Authority (YEDA) was created in fiscal year 1990 by Yap State Law No. 2-97. YEDA was created to promote and support certain economic development projects and to increase the economic productivity of the State. As of September 30, 1991, the major project undertaken by the Authority has been to establish the Yap Purse Seiner Corporation to lease tuna purse seiners to Yap Fishing Corporation (YFC) for tuna fishing in the Western Tropical Pacific.

**Project Fund**

The Project Fund was separately established in fiscal year 1990 to account for certain initial revenues and expenses relating to the establishment of the Tuna Joint Venture Project. These operating activities relate to the period prior to the formation of YEDA and YFC (as discussed above).



YAP STATE GOVERNMENT

ENTERPRISE FUNDS

Combining Balance Sheet

September 30, 1991

(With comparative totals as of September 30, 1990)

	Yap Fishing Authority	Gagil-Tomil Water Authority	Southern Yap Water Authority	Public Trans- portation System	Yap State Transportation and Construction Authority	Feedmill Operation	Slaughter house	Yap Economic Development Authority	Project Fund	Totals	
										1991	1990
<b>Assets</b>											
Cash and equivalents	\$ 384,955	\$ 31,368	\$ 24,314	\$ 106,754	\$ -	\$ -	\$ -	\$ 268,394	\$ -	\$ 815,785	\$ 82,917
General receivables	294,854	3,500	-	1,477	-	-	-	310,934	-	610,765	130,916
Inventory of supplies, at cost	166,047	-	-	47,121	-	-	-	751,620	-	964,788	59,833
Prepaid expenses	-	-	-	-	-	-	-	996,376	-	996,376	27,985
Due from other funds	-	-	-	-	30,859	13,837	6,708	-	697	52,101	3,994,755
Investment in stock	-	-	-	-	-	-	-	1,028,815	-	1,028,815	900,000
Investment in fixed assets, net of accumulated depreciation	4,414,893	-	-	185,403	5,000	51,425	-	13,597,330	-	18,254,051	13,187,798
Other assets	-	-	-	-	-	-	-	3,218,402	-	3,218,402	-
<b>Total assets</b>	<b>\$ 5,260,749</b>	<b>\$ 34,868</b>	<b>\$ 24,314</b>	<b>\$ 340,755</b>	<b>\$ 35,859</b>	<b>\$ 65,262</b>	<b>\$ 6,708</b>	<b>\$20,171,871</b>	<b>\$ 697</b>	<b>\$25,941,083</b>	<b>\$18,384,204</b>
<b>Liabilities and Fund Equity</b>											
<b>Liabilities:</b>											
Accounts payable - trade	\$ 27,734	\$ -	\$ -	\$ 4,781	\$ -	\$ -	\$ -	\$ 2,268,750	\$ -	\$ 2,301,265	\$ 161,297
Notes payable:											
Yap State	-	-	-	-	-	-	-	9,900,000	-	9,900,000	6,400,000
Others	-	-	-	-	-	-	-	4,513,500	-	4,513,500	3,000,000
Other liabilities	7,921	-	-	-	-	-	-	786,725	-	794,646	16,276
<b>Total liabilities</b>	<b>35,655</b>	<b>-</b>	<b>-</b>	<b>4,781</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,468,975</b>	<b>-</b>	<b>17,509,411</b>	<b>9,577,573</b>
Minority interest	-	-	-	-	-	-	-	651,908	-	651,908	-
<b>Fund equity (deficit):</b>											
Contributed capital	4,968,934	14,409	-	384,020	-	-	-	3,900,000	-	9,267,363	8,738,512
Retained earnings (deficit)	256,160	20,459	24,314	(48,046)	35,859	65,262	6,708	(1,849,012)	697	(1,487,599)	68,119
<b>Total fund equity</b>	<b>5,225,094</b>	<b>34,868</b>	<b>24,314</b>	<b>335,974</b>	<b>35,859</b>	<b>65,262</b>	<b>6,708</b>	<b>2,050,988</b>	<b>697</b>	<b>7,779,764</b>	<b>8,806,631</b>
<b>Total liabilities and fund equity (deficit)</b>	<b>\$ 5,260,749</b>	<b>\$ 34,868</b>	<b>\$ 24,314</b>	<b>\$ 340,755</b>	<b>\$ 35,859</b>	<b>\$ 65,262</b>	<b>\$ 6,708</b>	<b>\$20,171,871</b>	<b>\$ 697</b>	<b>\$25,941,083</b>	<b>\$18,384,204</b>

YAP STATE GOVERNMENT

ENTERPRISE FUNDS

Combining Statement of Revenues, Expenses, and

Changes in Retained Earnings/Fund Balance

Year Ended September 30, 1991

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

	Yap Fishing Authority	Gagil-Tomil Water Authority	Southern Yap Water Authority	Public Transportation System	Yap State Transportation and Construction Authority	Feedmill Operation	Slaughterhouse	Yap Economic Development Authority	Project Fund	Totals	
										1991	1990
Operating revenues:											
Charges for services/goods	\$ 273,318	\$ 9,977	\$ 10,259	\$ 51,425	\$ 1,680	\$ 21,726	\$ 17,272	\$ 2,574,789	\$ -	\$ 2,960,446	\$ 356,738
Rental income	344,898	-	-	-	5,775	-	-	-	-	350,673	240,455
Fees	-	-	-	-	-	-	-	-	-	-	-
Other	14,918	2,221	147	-	-	-	300	74,966	-	92,552	84,923
Total operating revenues	633,134	12,198	10,406	51,425	7,455	21,726	17,572	2,649,755	-	3,403,671	682,116
Operating expenses:											
Cost of sales	-	-	-	-	-	-	-	2,909,617	-	2,909,617	-
Personnel services	181,596	8,386	-	45,200	-	-	10,174	-	-	245,356	162,419
Supplies and materials	589,670	5,331	-	83,648	793	7,889	27,901	-	-	715,232	439,804
Commissions/Contract Services	464	-	-	41,941	4,367	-	-	320,697	-	367,469	118,540
Travel	3,807	-	-	-	-	-	-	92,630	-	96,437	3,374
Depreciation	315,424	-	-	78,821	-	-	-	336,842	-	731,087	394,247
Other	52,003	1,069	175	3,959	-	-	-	1,229,842	13,982	1,301,030	199,134
Total operating expenses	1,142,964	14,786	175	253,569	5,160	7,889	38,075	4,889,628	13,982	6,366,228	1,317,518
Operating income (loss)	(509,830)	(2,588)	10,231	(202,144)	2,295	13,837	(20,503)	(2,239,873)	(13,982)	(2,962,557)	(635,402)
Non-operating revenues:											
Intergovernmental contributions - FSM and others	397,013	-	-	-	15,253	-	-	-	-	412,266	-
Intergovernmental contributions - State	85,000	-	-	231,500	-	-	18,700	-	-	335,200	291,000
Depreciation recovery	234,649	-	-	-	-	-	-	-	-	234,649	(55,095)
Loss on equity investment	-	-	-	-	-	-	-	(71,185)	-	(71,185)	-
Total non-operating revenues	716,662	-	-	231,500	15,253	-	18,700	(71,185)	-	910,930	235,905
Net income (loss)	206,832	(2,588)	10,231	29,356	17,548	13,837	(1,803)	(2,311,058)	(13,982)	(2,051,627)	(399,497)
Minority share of loss	-	-	-	-	-	-	-	495,908	-	495,908	-
Prior period adjustment	-	-	-	1	-	-	-	-	-	1	(47,256)
Retained earnings/fund balance, beginning of year	49,328	23,047	14,083	(77,403)	18,311	51,425	8,511	(33,862)	14,679	68,119	514,872
Retained earnings (deficit) end of year	\$ 256,160	\$ 20,459	\$ 24,314	\$ (48,046)	\$ 35,859	\$ 65,262	\$ 6,708	\$ (1,849,012)	\$ 697	\$ (1,487,599)	\$ 68,119
Contributed capital, beginning of year	\$ 4,643,583	\$ 10,909	\$ -	\$ 384,020	\$ -	\$ -	\$ -	\$ 3,700,000	\$ -	\$ 8,738,512	\$ 5,086,141
Current year changes	325,351	3,500	-	-	-	-	-	200,000	-	528,851	3,652,371
Contributed capital, end of year	\$ 4,968,934	\$ 14,409	\$ -	\$ 384,020	\$ -	\$ -	\$ -	\$ 3,900,000	\$ -	\$ 9,267,363	\$ 8,738,512

YAP STATE GOVERNMENT

ENTERPRISE FUNDS

Combining Statement of Cash Flows

Year Ended September 30, 1991

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

	Yap Fishing Authority	Gagil-Tomil Water Authority	Southern Yap Water Authority	Public Transportation System	Yap State Transportation and Construction Authority	Feedmill Operation	Slaughter house	Yap Economic Development Authority	Project Fund	Totals	
										1991	1990
<b>Operating Activities:</b>											
Net income (loss)	\$ 206,832	\$ (2,588)	\$ 10,231	\$ 29,356	\$ 17,548	\$ 13,837	\$ (1,803)	\$(2,311,058)	\$ -	\$(2,037,645)	\$(399,497)
Add back (deduct) items not affecting cash:											
Transfers-in	(85,000)	-	-	(231,500)	-	-	(18,700)	-	-	(335,200)	-
Doubtful debt expense	5,000	-	-	-	-	-	-	-	-	5,000	17,093
Depreciation	315,424	-	-	78,821	-	-	-	336,842	-	731,087	394,247
Loss on equity investment	-	-	-	-	-	-	-	71,185	-	71,185	(47,256)
Other, net	-	-	-	-	-	-	-	-	-	-	55,095
	<u>442,256</u>	<u>(2,588)</u>	<u>10,231</u>	<u>(123,323)</u>	<u>17,548</u>	<u>13,837</u>	<u>(20,503)</u>	<u>(1,903,031)</u>	<u>-</u>	<u>(1,565,573)</u>	<u>19,682</u>
<b>Changes in Working Capital:</b>											
Due from other funds	-	-	-	-	(17,548)	(13,837)	1,803	3,958,668	-	3,929,086	(3,859,785)
General receivables (gross)	(172,026)	895	1,306	358	-	-	-	(310,934)	-	(480,401)	(26,584)
Inventory of supplies	(140,471)	-	-	(12,864)	-	-	-	(751,620)	-	(904,955)	7,042
Prepaid expenses	13,306	-	-	3,658	-	-	-	(985,409)	-	(968,445)	(14,777)
Accounts payable - trade	(8,663)	-	-	(6,097)	-	-	-	2,941,592	-	2,926,832	(18,105)
Accounts payable - others	(6,369)	-	-	(1,986)	-	-	-	-	-	(8,355)	3,012
Other assets	-	-	-	-	-	-	-	(3,218,402)	-	(3,218,402)	-
	<u>(314,223)</u>	<u>895</u>	<u>1,306</u>	<u>(16,931)</u>	<u>(17,548)</u>	<u>(13,837)</u>	<u>1,803</u>	<u>1,633,895</u>	<u>-</u>	<u>1,275,360</u>	<u>(3,909,197)</u>
Cash provided (used) by operating activities	<u>128,033</u>	<u>(1,693)</u>	<u>11,537</u>	<u>(140,254)</u>	<u>-</u>	<u>-</u>	<u>(18,700)</u>	<u>(269,136)</u>	<u>-</u>	<u>(290,213)</u>	<u>(3,889,515)</u>
<b>Capital and Related Financing Activities:</b>											
Acquisition of fixed assets	(178,500)	-	-	-	-	-	-	(5,623,786)	-	(5,802,286)	(8,410,733)
Write down of fixed assets	-	-	-	-	-	-	-	-	-	-	133,884
Minority interest	-	-	-	-	-	-	-	1,147,816	-	1,147,816	-
Issue of notes payable	-	-	-	-	-	-	-	5,013,500	-	5,013,500	9,400,000
Cash provided (used) by investing activities	<u>(178,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>537,530</u>	<u>-</u>	<u>359,030</u>	<u>1,123,151</u>
<b>Non-Capital Financing Activities:</b>											
Contributed capital received and transfers-in	410,351	3,500	-	231,500	-	-	18,700	200,000	-	547,551	3,739,500
Adjustment to contributed capital	-	-	-	-	-	-	-	-	-	-	(87,129)
Cash provided (used) by financing activities	<u>410,351</u>	<u>3,500</u>	<u>-</u>	<u>231,500</u>	<u>-</u>	<u>-</u>	<u>18,700</u>	<u>200,000</u>	<u>-</u>	<u>864,051</u>	<u>3,652,371</u>
<b>Investing Activities:</b>											
Purchase of stock	-	-	-	-	-	-	-	(200,000)	-	(200,000)	(900,000)
Net increase (decrease) in cash and cash equivalents	359,884	1,807	11,537	91,246	-	-	-	268,394	-	732,868	(13,993)
Cash and cash equivalents - beginning of year	25,071	29,561	12,777	15,508	-	-	-	-	-	82,917	96,910
Cash and cash equivalents - end of year	<u>\$ 384,955</u>	<u>\$ 31,368</u>	<u>\$ 24,314</u>	<u>\$ 106,754</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 268,394</u>	<u>\$ -</u>	<u>\$ 815,785</u>	<u>\$ 82,917</u>

**STATE OF YAP  
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 Petrus Tun  
Governor  
State of Yap

We have audited the financial statements of the State of Yap as of and for the year ended September 30, 1991, and have issued our report thereon dated February 29, 1992.

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

Compliance with laws, regulations, contracts, and grants applicable to the State of Yap is the responsibility of the State's management. As part of obtaining reasonable assurance about whether the 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 Yap complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, no other matters came to our attention that caused us to believe that the State has not complied, in all material respects, with those provisions.

This report is intended for the information of the State of Yap and the cognizant auditor 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.

February 29, 1992

Certified Public accountants



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

Honorable Petrus Tun  
Governor  
State of Yap

We have audited the State of Yap, compliance with the requirements governing types of services allowed or unallowed, eligibility; the Compact of Free Association; 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 71, for the year ended September 30, 1991. The management of the State of Yap 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 Internal Accounting and Administrative Control Weakness Schedule of Findings.

In our opinion the State of Yap 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; and claims for advances and reimbursements; that are applicable to each of its major federal financial assistance programs for the year ended September 30, 1991.

February 29, 1992

Certified Public Accountants



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE**  
**WITH GENERAL REQUIREMENTS**

Honorable Petrus Tun  
Governor  
State of Yap

We have applied procedures to test the State of Yap's compliance with the following requirements applicable to each of its major federal financial assistance programs, which are identified in the statement of expenditures and questioned costs, for the year ended September 30, 1991; cash management, federal financial reports, Drug-Free Workplace Act, Allowable Costs/Cost Principles 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 the State's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such opinion.

With respect to the items tested, the results of these 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 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 Internal Accounting and Administrative Control Weakness Schedule of Findings.

This report is intended for the information of the State of Yap and the cognizant auditor 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.

February 29, 1992

Certified Public Accountants



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

Honorable Petrus Tun  
Governor  
State of Yap

In connection with our audit of the 1991 general purpose financial statements of the State of Yap, 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; level of effort or earmarking; matching; and reporting and claims for advances and reimbursements 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 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 Internal Accounting and Administrative Control Weakness Schedule of Findings.

This report is intended for the information of the State of Yap and the cognizant auditor 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.

February 29, 1992

Certified Public Accountants





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

Honorable Petrus Tun  
Governor  
State of Yap

We have audited the general purpose financial statements of the State of Yap, for the year ended September 30, 1991, and have issued our report thereon dated February 29, 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, monitoring subrecipients, cash management and federal financial reports, Allowable Costs/Cost Principles, Drug-Free Workplace Act and Administrative Requirements.

The management of the 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, the State expended 70.1% 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 the 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 the 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 the State of Yap. Accordingly, we do not express an opinion on the internal control systems used in administering the federal financial assistance programs of the State. Further, we do not express an opinion on the internal control systems used in administering the major federal financial assistance programs of the State.

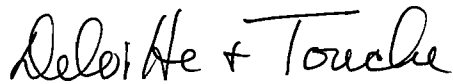
Also, our audit, made in accordance with the standards mentioned above, would not necessarily disclose material weaknesses in the internal control systems used solely in administering nonmajor federal financial assistance programs.

However, our study and evaluation and our audit disclosed the conditions specified in the following pages (65-69) 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 program 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 the 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 the State's compliance with the laws and regulations dated February 29, 1992.

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

February 29, 1992

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

Certified Public Accountants



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

**INDEPENDENT AUDITORS' REPORT**

We have audited the general purpose financial statements of the State of Yap for the year ended September 30, 1991, and have issued our report thereon dated February 29, 1992. These general purpose financial statements are the responsibility of the State of Yap's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

Our audit was made for the purpose of forming an opinion on the general purpose financial statements of the State of Yap 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, in our opinion, except for those matters described in our report referenced in the first paragraph, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

February 29, 1992

*Deloitte & Touche*

Certified Public Accountants

**YAP STATE GOVERNMENT  
FEDERAL GRANTS FUND**  
Statement of Expenditures and Questioned Costs  
Year Ended September 30, 1991

<u>Grantor</u>	<u>CFDA #</u>	<u>State Org. #</u>	<u>Grant/ID #</u>	<u>Expenditures</u>	<u>Questioned Costs</u>
<b>U.S. Dept. of Education</b>					
	84.998	3100	Educ. Transition Chapter I 9/9	\$ 366	\$ -
	84.151	3112	FY88 Edu Chapter I 9/0	35,310	-
	84.151	3113	FY88 Edu Chapter II 9/0	25,477	-
	84.998	3147	FY89 Edu Chapter I 9/1	110,534	-
	84.998	3148	FY89 Edu Chapter II 9/1	<u>65,930</u>	<u>-</u>
			<b>Total Education</b>	<u>237,617</u>	<u>-</u>
<b>U.S. Dept. of Labor</b>					
	17.250	3294	90 JTPA Adult Training	11,068	-
	17.250	3293	FY 90 JTPA Admin	7,738	-
	17.250	3235	FY88 JTPA Admin	2,119	-
	17.250	3236	FY88 JTPA Training 6/0	6,642	-
	17.250	3260	FY89 Title V SCSEP 6/0	6,965	-
	17.250	3266	FY89 JTPA Administration 6/2	9,292	-
	17.250	3267	FY89 JTPA Adult Training 6/2	3,315	-
	17.250	3268	FY89 JTPA Youth Program 6/2	12,119	-
	17.250	3295	FY90 JTPA Youth Training	<u>21,454</u>	<u>-</u>
			<b>Total Labor</b>	<u>80,712</u>	<u>-</u>
<b>U.S. Dept. of Agriculture</b>					
	10.664	3302	Forestry Research	5,591	-
	10.664	3346	FY89 Food Service 3388 N/E	15,254	-
	10.664	3347	FY87 Forestry Program 7701 12/0	2,349	-
	10.664	3348	88 Forestry Program 9702	<u>5,440</u>	<u>-</u>
			<b>Total Agriculture</b>	<u>28,634</u>	<u>-</u>
<b>U.S. Dept. of Justice</b>					
	16.540	3274	87 JJDP/Juvenile Substance Abuse	<u>16,150</u>	<u>-</u>
			<b>Page Total</b>	<u>363,113</u>	<u>-</u>

**YAP STATE GOVERNMENT  
FEDERAL GRANTS FUND**  
Statement of Expenditures and Questioned Costs  
Year Ended September 30, 1991

<u>Grantor</u>	<u>CFDA #</u>	<u>State Org. #</u>	<u>Grant/ID #</u>	<u>Expenditures</u>	<u>Questioned Costs</u>
			Balance Brought Forward	\$ 363,113	\$ -
Office of Territorial and Inter- national affairs					
	15.875	3509	Tax & Rev. Consultant	2,298	-
	15.875	3517	Spare parts procurement	2,044	-
	15.875	3524	Hospital Spare part N/E	1,610	-
	15.875	3551	Technical Training of maintenance personnel	<u>230</u>	-
			Total OTIA	<u>6,182</u>	
U.S. Dept. of Interior					
	15.904	3558	89 HPO Lighthouse	3,000	-
	15.904	3559	90 Historic Preservation	<u>33,357</u>	-
			Total Interior	<u>36,357</u>	-
U.S. Dept. of Health					
	13.217	3651	91 Family Planning 7629	11,032	-
	13.991	3652	Substance Abuse 7608	20,938	-
	13.991	3654	90 Preventive Public Health 7605	8,434	-
	13.991	3657	92 Family Planning 7673	77	-
	13.994	3729	FY 90 Yap MCH 9601	46,200	-
	13.994	3790	FY89 MCH/Case Mgmt 7538 9/0	27	-
	13.991	3791	FY89 Preservation & Pub. Health 7585 9/0	1,650	-
	13.665	3792	FY89 CSBG Yap Cap 7592 9/0	3,310	-
	13.633	3794	FY89 Geriatric 7555 9/0	2,050	-
	13.994	3795	FY89 MCH FSM 7537 9/0	10,650	-
	13.991	3787	FY89 PH & PH/Administration 7589 9/0	13,000	-
	13.633	3793	SR Housing 7556	<u>18,000</u>	-
			Total Health	<u>135,368</u>	-
			Total Federal Grants Fund	<u>\$ 541,020</u>	<u>\$ -</u>

Note: The above grants are received in a sub-grant capacity through the FSM National Government.

**YAP STATE GOVERNMENT**  
**OTHER U.S. GRANTS (375000)**  
Statement of Expenditures and Questioned Costs  
Year Ended September 30, 1991

<u>State</u> <u>ORG. #</u>	<u>Grant/ID #</u>	<u>Expenditures</u>	<u>Questioned</u> <u>Costs</u>
3817	(0808) - Microspirit 1/91 Ship	\$ 1,995	-
3808	Owen-Pub Asst. Admin (0385)	27,272	-
3845	Owen-FEMA IFG Vits	25,555	-
3847	Owen-FEMA IFG Admin	6,632	-
3849	Owen-Housing Prog. Admin	3,859	-
3810	Owen-A	24,603	-
3812	Owen-B	31,631	-
3813	Owen-B 100%	2,800	-
3815	Owen-E 100%	<u>33,353</u>	<u>-</u>
		<u>\$ 157,700</u>	<u>\$ -</u>

Note:

The above grant is received in a sub-grantee capacity through the FSM National Government from the Federal Emergency Management Authority (FEMA) for typhoon relief aid.

**YAP STATE GOVERNMENT**  
**YAP FISHING AUTHORITY**  
Statement of Expenditures  
Year Ended September 30, 1991

<u>Grantor</u>	<u>Grant/ID #</u>	<u>Grant Name</u>	<u>Expenditures</u>
U.S. Dept. of Commerce (NOAA-NMFS)	NA16FD0146-01	Sponge Aquaculture	<u>\$ 10,380</u>

Note:

The above funds were received in a direct capacity.

**YAP STATE GOVERNMENT**  
**NON U.S. GRANTS FUND (FUND 3900W)**  
Statement of Expenditures by Function  
Year Ended September 30, 1991

<u>Grantor</u>	<u>CFDA #</u>	<u>State Org. #</u>	<u>Grant/ID #</u>	<u>Expenditures</u>	<u>Questioned Costs</u>
UNICEF	N/A	3961	Farmed Prod/Nutr 3959	\$ 5,292	\$ -
SPEC Grants	N/A	3924	Reef fish study	7,000	-
UNDP	N/A	3991	Population Education N/E	549	-
UNESCO	N/A	3956	FY89 Population Education (3991) 12/0	<u>7,917</u>	<u>-</u>
			Total non - U.S. grants	<u>\$ 21,956</u>	<u>\$ -</u>
OTHER	N/A	3951	University of Guam Child Abuse 7806	950	-
	N/A	3952	Australia Dive & Lab EQ	<u>278</u>	<u>-</u>
			Total	<u>\$ 1,228</u>	<u>\$ -</u>



**YAP STATE GOVERNMENT**  
**TTPI CAPITAL PROJECTS FUND**  
Statement of Expenditures and Questioned Costs  
Year Ended September 30, 1991

<u>Grantor</u>	<u>CFDA #</u>	<u>State Org. #</u>	<u>TTPI Grant/ID #</u>	<u>Expenditures</u>	<u>Questioned Costs</u>
TTPI/OTIA					
<u>Public Works and Utilities</u>					
	15.875	6381	Yap Airport Terminal	\$ 1,785	\$ -
	15.875	6382	Rural Sanitation Yap Cap	44,160	-
	15.875	6384	Water Plant Upgrade	9,868	-
	15.875	6385	Well development T308/1B	482	-
	15.875	6386	Additional water sources T308/2	3,318	-
	15.875	6387	Village water system 308/3	349	-
	15.875	6390	Three OF/I airfield 362/2	1,089,688	-
	15.875	6395	Colonia Sewage	991	-
	15.875	6393	Road construction Phase V	654,088	-
	15.875	6394	Southern Yap Water T312	32,267	-
	15.875	6398	Airport field study	<u>70,664</u>	<u>-</u>
			Total TTPI Capital Projects Fund	<u>\$ 1,907,660</u>	<u>\$ -</u>
<u>US Capital Project Grants</u>					
Environmental Protection Agency	66.418	6851	Ulithi Sewer FSM 3593 5/0	\$ 93,187	\$ -
	66.418	6853	House Sewer Connection II	70,842	-
	66.418	6855	Waste Water Treatment Plant	52,054	-
OTIA	15.875	6854	EDA-Airport Waterline Ext.	<u>100,060</u>	<u>-</u>
			Total US Capital Project Grants	<u>\$ 316,144</u>	<u>\$ -</u>

Note: The above amounts are received in a sub-grant capacity through the Trust Territory Government.

**YAP STATE GOVERNMENT**  
**CFSM GRANTS FUND**  
Statement of Expenditures and Questioned Costs  
Year Ended September 30, 1991

<u>Grantor</u>	<u>CFDA #</u>	<u>State Org. #</u>	<u>CFSM Grant/ID #</u>	<u>Expenditures</u>	<u>Questioned Costs</u>
FSM Congress	N/A	5825	91 Vocational Educ. 2137	\$ 159	\$ -
	N/A	5804	Medical referral supply N/E	588	-
	N/A	5858	Youth Service 9632 AO1D13	875	-
	N/A	5887	Dried Fish	2,676	-
	N/A	5888	Outer Island Agriculture	10,830	-
	N/A	5890	Education Operations	131,275	-
	N/A	5813	Outer Island Agriculture Project N/E	485	-
	N/A	5816	Colonia Community Center N/E	1,182	-
	N/A	5891	Joint Law Enforcement	67,112	-
	N/A	5892	Madrigh Development	14,267	-
	N/A	5897	9766AO1B01 Voc Rehab	24,000	-
	N/A	5899	9666AO1C12 Teach TRN	32,712	-
	N/A	5900	977OAL14 Balebat BB	7,576	-
	N/A	5846	Gagil Elementary School N/E	885	-
	N/A	5849	Womens association building 75229/0	5,316	-
	N/A	5850	Madrigh Village	25,549	-
	N/A	5901	9771AO1M22 SCH TOILET	1,935	-
	N/A	5856	Copra subsidy 7056 N/E	13,356	-
	N/A	5859	Plan Water N/E	48	-
	N/A	5866	Yap Supreme Court 9/9	50,895	-
	N/A	5868	Vocational Education 2137 N/E	2,638	-
	N/A	5902	977AO1M18 YWA ROOF	8,750	-
	N/A	5874	O/I Transportation & Communication 9/0	147	-
	N/A	5875	Rull Water Extension	2,300	-
	N/A	5876	GACH Par BB 9/0	2,000	-
	N/A	5877	O/I Agriculture Improvement Program 9/0	7,387	-
	N/A	5879	Asor Elementary School 9/0	3,066	-
	N/A	5885	Medical Supply & Equipment 9/0	23,953	-
	N/A	5886	Vocational Education 9/0	9,547	-
	N/A	5889	Roads development and Maintenance 9/0	10,390	-
	N/A	5898	FY90 State Court 9/of	1,540	-
			Total CFSM Grants Fund	<u>\$ 463,439</u>	<u>\$ -</u>

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

**YAP STATE GOVERNMENT**  
**CFSM CIP Project Fund**  
Statement of Expenditures and Questioned Costs  
Year Ended September 30, 1991

<u>Grantor</u>	<u>CFDA #</u>	<u>State Org. #</u>	<u>CFSM Grant ID #</u>	<u>Expenditures</u>	<u>Questioned Costs</u>
FSM Congress					
	N/A	6601	Falales Project 9/0	\$ 49	\$ -
	N/A	6604	Gilmar Municipality N/E	2,500	-
	N/A	6605	Power Plant Overhaul	4,221	-
	N/A	6607	Waloy Power	174	-
	N/A	6609	Outer Island Airfield	344,093	-
	N/A	6603	9634AO1D14 LEEHNGUO WN	1,424	-
	N/A	6611	977AO1MO4 YYINN PWRL	20,570	-
	N/A	6612	977AO1MO4 OIC COMMON EQN	9,517	-
	N/A	6613	977AO1MO5 DABOCH CTR	144	-
	N/A	6615	9770AO1M17 Faraulep Sch.	4,414	-
	N/A	6616	9770AO1M18 Elato Sch	7,243	-
	N/A	6617	9770AO1M16 Falalop Sch	13,957	-
	N/A	6620	9770AO1M15 OIHS Cafeteria	<u>13,280</u>	<u>-</u>
			Total CFSM CIP Project Expenditures	<u>\$ 421,586</u>	<u>\$ -</u>

**YAP STATE GOVERNMENT**  
**COMPACT - 211A Capital Projects Funds**  
Statement of Expenditures and Questioned Costs  
Year Ended September 30, 1991

<u>Grantor</u>	<u>CFDA #</u>	<u>State Org. #</u>	<u>Capital Projects Funds</u>	<u>Expenditures</u>	<u>Questioned Costs</u>
OTIA	15.875	6201	High School Classroom	\$ 77,489	\$ -
	15.875	6205	O/I Turtle Nursery	451	-
	15.875	6206	Transmitter FSM	2,585	-
	15.875	6208	Investment Promo	12,735	-
	15.875	6242	Roads Development	2,394,294	-
	15.875	6245	Land Acquisition	38,262	-
	15.875	6249	Owen Typhoon Relief	37,513	-
	15.875	6261	Swine Development	3,958	-
	15.875	6262	Manpower training	64,812	-
	15.875	6271	Nursery Development/Forestry	8,874	-
	15.875	6273	OF/I Agriculture Improvement	4,950	-
	15.875	6281	OF/I Elementary School Repair PU & C	55	-
	15.875	6290	Col Com Center B/B ext.	9,600	-
	15.875	6296	Airport Waterline	100,059	-
	15.875	6298	Outer Island Airfields PU & C	733,230	-
	15.875	6202	PU & C Equip. 6691	136,459	-
	15.875	6207	Sewage Treatment 5288	96,734	-
	15.875	6209	NIMS Library	39,954	-
	15.875	6211	OI Frgn Dev.	931	-
	15.875	6212	Reef Fish Std Stc.	10,728	-
	15.875	6213	Reef Fish Rep. Dom.	4,038	-
	15.875	6214	91 Power Upgrade	64,359	-
	15.875	6215	Livestock Ext Impt	27,136	-
	15.875	6217	91 Veg. Rest Crop	8,041	-
	15.875	6218	OF/I Turtle Prog	6,328	-
	15.875	6219	Generator Repair	193,000	-
	15.875	6276	Peninsula M Plan	35,000	-
	15.875	6278	Fai's Taro Patch	2,297	-
	15.875	6289	WAAB TV Equipment	58,000	-
	15.875	6297	Runuu & Thebelt PWR	121,736	-
	15.875	6280	Peace Corps FAD	60,000	-
			Total Compact Capital	<u>\$ 4,353,614</u>	<u>\$ -</u>
	15.875	6216	91 Slaughterhouse	18,700	-
	15.875	6275	Yap Fresh Tuna Project	500,000	-
				<u>\$ 518,700</u>	<u>\$ -</u>

**Note:** The above expenditures in ORG #'s 6216, 6275, and 6280 represents expenditures of Compact Capital Project Funds that have been accounted for as 'Transfers Out' of the Compact Capital Fund. They therefore do not form part of total expenditures in this fund.

A breakdown of transfers out is as follows:

Enterprise Funds	
Yap Fishing Authority	\$ 500,000
Pig Slaughterhouse Fund	18,700
	<u>\$ 518,700</u>

**Note:** The above funds are received through the Compact of Free Association. The U.S. Department of Interior (CFDA #15.875) is the administering authority for these programs.

**YAP STATE GOVERNMENT  
 COMPACT CURRENT ACCOUNT  
Statement of Expenditures and Questioned Costs  
Year Ended September 30, 1991**

<u>Grantor</u>	<u>CFDA #</u>	<u>State Org. #</u>	<u>Compact Program Account</u>	<u>Expenditures</u>	<u>Questioned Costs</u>
OTIA	15.875	Various	<u>General Fund- Current Account</u>		
			Base Amount	\$ 5,764,800	\$ -
			Inflation Adjustment (Section 217)	<u>1,960,032</u>	<u>-</u>
			Total Compact Current Account	<u>\$ 7,724,832</u>	<u>\$ -</u>

Note: No costs have been questioned against the above expenditures.

Note: The above funds are received through the Compact of Free Association. The U.S. Department of the Interior (CFDA # 15.875) is the administering authority for these amounts.

**YAP STATE GOVERNMENT  
COMPACT PROGRAM ACCOUNTS**  
Statement of Expenditures and Questioned Costs  
Year Ended September 30, 1991

<u>Grantor</u>	<u>CFDA #</u>	<u>State Org. #</u>	<u>Grant/ID #</u>	<u>Expenditures</u>	<u>Questioned Costs</u>
OTIA			<u>Block Grant 221(B)</u>		
	15.875	2113	DOE Budget Supply/maintenance	\$ 46,712	\$ -
	15.875	2115	Instruction and Curriculum	156,008	-
	15.875	2116	Yap Elementary Schools	49,323	-
	15.875	2117	OF/I Elementary Schools	126,824	-
	15.875	2118	Yap High School	49,445	-
	15.875	2119	Outer Islands High School	97,267	-
	15.875	2122	Post Secondary Student Serv	21,748	-
	15.875	2123	DOE Staff Development	151,304	-
	15.875	2126	OI Middle School	53,354	-
	15.875	2127	Special Education Program	26,467	-
	15.875	2130	Family Health Planning	1,738	-
	15.875	2132	Primary Health Care	9,088	-
	15.875	2133	Preventive Health Care	6,280	-
	15.875	2134	Sanitation Program	-	-
	15.875	2136	Alcohol/Drug Abuse & M/H	7,308	-
	15.875	2137	Medical Referral	166,520	-
	15.875	2138	Medical Supply and Equipment	11,789	-
	15.875	2139	EPA Administration	-	-
	15.875	2140	Ancillary Services	9,439	-
			Total 221 (B) Expenditures	<u>990,614</u>	<u>-</u>
			<u>Compact Special Development Programs</u>		
	15.875	2201	COTIOIPC Building	-	-
	15.875	2202	YHS Class Room Building Renov.	-	-
	15.875	2203	EPA Building Renovation	-	-
	15.875	2204	Community Center Roof 9/0	5,851	-
	15.875	2205	Civic Action Team	250,000	-
			Total	<u>255,851</u>	<u>-</u>
			<u>Compact Health and Medical Programs</u>		
	15.875	2448	Medical Referral Program	195,803	-
			<u>Compact Post Secondary Education</u>		
	15.875	2641	Scholarships and Grants	202,300	-
			<u>Compact Energy Programs</u>		
	15.875	2853	POL/Power Generation	875,784	-
			<u>Compact Coast Guard</u>		
	15.875	2901	Coast Guard Land Lease	-	-
			<u>Total Compact Program Account Expenditures</u>	<u>\$2,520,352</u>	<u>\$ -</u>

Note: The above funds are received through the Compact of Free Association. The U.S. Department of the Interior (CFDA # 15.875) is the administering authority for these amounts.

Note: No costs have been questioned against the above expenditures.

**YAP STATE GOVERNMENT**  
**Internal Accounting and Administrative Control Weakness**  
**Schedule of Findings**  
**Year Ended September 30, 1991**

**Finding No. 1 - Resolution of Prior Year Findings**

**CRITERIA:** Audit findings should be resolved in a timely manner.

**CONDITION:** The following findings presented in the 1989 report are not yet resolved:

<u>Page No.</u>	<u>Finding No.</u>	<u>Description</u>
21	1	Compact administrative expense criteria.
22	3	Accounting for general fixed assets.

**CAUSE:** Unknown.

**EFFECT:** The non-resolution of these conditions has the same impact as in the prior years.

**RECOMMENDATION:** All prior year findings should be addressed and resolved in a timely manner.

**YAP STATE GOVERNMENT**  
**Internal Accounting and Administrative Control Weakness**  
**Schedule of Findings**  
**Year Ended September 30, 1991**

**Finding No. 2 - Drug Free Workplace Net**

**CRITERIA:**           The State of Yap should establish procedures to maintain compliance with the Drug-Free Workplace Act.

**CONDITION:**       The State is unfamiliar with the provisions of this Act and has yet to establish applicable procedures.

**CAUSE:**             The State was unaware of the need to establish such procedures.

**EFFECT:**            The State is in noncompliance with the provisions of the Act.

**RECOMMENDATION:**   The State should review the requirements of the Act and establish necessary procedures to be in compliance therewith.



**YAP STATE GOVERNMENT**  
**Internal Accounting and Administrative Control Weakness**  
**Schedule of Findings**  
**Year Ended September 30, 1991**

**Finding No. 3- Matching Share Requirements**

**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 and has received funds from the Congress of the FSM, all to be used for this matching purpose. However, the actual match has not yet been recorded in the State's financial statements.

**CAUSE:** Unknown.

**EFFECT:** The FEMA match requirements has not been formally documented.

**RECOMMENDATION:** The match should be calculated and transferred out of the General Fund and the CFSM Special Revenue Fund in the respective percentages and transferred in to the Federal Grants Fund. We understand that this matter is one of timing. The State did not effect the match as it was waiting for additional allotments of funds from the National Government which would have to be considered in resolving this matter. Therefore, we believe that the issue will be resolved in fiscal year 1992 and that action by the grantor agency with respect to this finding should await the 1992 resolution.

**YAP STATE GOVERNMENT**  
**Internal Accounting and Administrative Control Weakness**  
**Schedule of Findings**  
**Year Ended September 30, 1991**

**Finding No. 4 - Compliance with Compact of Free Association Capital Account Requirements (CFDA # 15.875)**

**CRITERIA:** Appropriations of Compact Capital 211A funds should be reviewed and documented as to their conformance with guidelines dictating how these funds may be used.

**CONDITION:** The State appropriated Compact Capital funds under fund 600000, ORG # 6219 for repair of the PUC electric power generator. This appropriation is represented as being made in an emergency setting. However, the appropriation appears to have been made for ordinary repairs and maintenance, although such may have occurred in an emergency setting. We are unable to determine that such repairs constitute a valid use of Compact Capital Funds.

**CAUSE:** Unknown.

**EFFECT:** Noncompliance with the Compact provisions may occur.

**RECOMMENDATION:** In situations where the appropriation of funds occurs for a purpose which may not obviously be in conformance with Compact guidelines, documentation should be prepared which documents the State's position. Additionally, addressing the appropriation with the State's Attorney General should be considered. The State should document its position with respect to the generator repair and may wish to forward such to the FSM National Government. This documentation should occur prior to the State requesting an allotment advice from the FSM National Government.

**YAP STATE GOVERNMENT**  
Internal Accounting and Administrative Control Weakness  
Schedule of Findings  
Year Ended September 30, 1991

**Finding No. 5 - Yap Fishing Authority - Matching and Requirements**  
**(NOAA - NA16FDO146-01)**

CRITERIA: The current administrative position of the Federated States of Micronesia is that all federal program awards should be received by the National Government and then subgranted to the States. However, a direct grant from the U.S. Department of Commerce, NOAA, was received by the Yap Fishing Authority which requires, among other matters, preparation of quarterly FSR's and a matching requirement. The Fishing Authority is required to ensure that all requirements of the award are met. (The program award did not specify the applicable CFDA number.)

CONDITION We could not determine how the Authority met its match requirements. It appears as if recorded expenditures, as billed to the federal agency, constitute 100% of the expenditures incurred for the program. This is despite the award which requires a 38% match be made by the Authority. Additionally, the Authority could not provide us with a copy of the FSR's which were required to be filed and accordingly, we could not determine that such were actually prepared.

CAUSE: The Authority does not appear to understand how the matters set forth in the above condition were to be remedied.

EFFECT: Noncompliance with the program requirements results.

RECOMMENDATION: The Authority should seek assistance in ensuring that its program requirements are met.

**YAP STATE GOVERNMENT**  
**QUESTIONED COSTS**  
Year Ended September 30, 1991

Prior Year Questioned Costs

Unresolved federal questioned costs at September 30, 1990	\$229,000
FY91 Questioned Costs	<u>          -</u>
Total Unresolved federal questioned costs at September 30, 1991	<u>\$229,000</u>
Unresolved local projects (FSM) questioned costs per the FSM Public Auditor's September 30, 1987 report	\$ 67,400
Unresolved local projects (FSM) questioned costs per the FSM Public Auditor's September 30, 1988 and 1989 report	<u>    24,695</u>
Total unresolved CFM questioned costs at September 30, 1991	<u>\$ 92,095</u>

**YAP STATE GOVERNMENT**  
SCHEDULE OF PROGRAMS SELECTED FOR  
AUDIT IN ACCORDANCE WITH OMB CIRCULAR A-128  
YEAR ENDED SEPTEMBER 30, 1991

<u>Grantor</u>	<u>CFDA #</u>	<u>Expenditures</u>
U.S. Department of the Interior	15.875	
Compact of Free Association:		
Capital Account Related		
6298 - Three O/I Airfields		\$ 733,230
6242 - Road Construction		2,394,294
6275 - Yap Fresh Tuna		500,000
Program Account Related:		
221-B Block Grant		990,614
Energy Programs		<u>875,874</u>
	Total CFDA # 15.875	5,494,012
 TTPI Capital Projects Fund		
6390 - Outer Island Airfields		1,089,688
6393 - Road Construction Phase V		<u>654,088</u>
Total Programs Selected		<u>\$ 7,237,788</u>
Total U.S. Federal Program Expenditures		<u>\$ 10,325,570</u>
% of Total U.S. Federal Expenditures Covered by Major Programs		<u>\$ 70.1%</u>

**YAP STATE GOVERNMENT**  
**INDEPENDENT AUDITORS' REPORT ON**  
**INTERNAL CONTROL STRUCTURE**  
**SEPTEMBER 30, 1991**



## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE

Honorable Petrus Tun  
Governor  
State of Yap

We have audited the general purpose financial statements of the State of Yap as of and for the year ended September 30, 1991, and have issued our report thereon dated February 29, 1992.

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

In planning and performing our audit of the financial statements of the State of Yap 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 financial statements and not to provide assurance on the internal control structure.

The management of the State of Yap, 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 structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of 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 in 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, whether or not 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 considered 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 financial statement.

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

1. Finding No. 5 - Fixed Asset Account Group.
2. Finding No. 7 - Yap Fishing Authority - Fixed Assets.

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 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 Yap State in this letter.



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

February 29, 1992

A handwritten signature in cursive script, appearing to read "Deloitte Touche".

Certified Public Accountants

(1) Prior Year Findings

Criteria:

All prior year findings should be adequately addressed and resolved with corrective action being undertaken in a timely manner.

Condition:

The following matters addressed in previous internal control reports are not yet resolved.

<u>Page No.</u>	<u>Finding No.</u>	<u>Description</u>
		<b>Report for FY87</b>
5	3	License and Fees - Vehicles
6	6	Utility Billing and Processing
8	10	Yap Fishing Authority
		- Receivable Collection & Write-offs
		- Customer Credit Memos
		- Competitive Bidding
		- Inventory Cost Data
		<b>Report for FY88</b>
5	6	Advance Payments Directly Expended
		<b>Report for FY89</b>
3	2	Cash Collection Weakness
3	3	Collection of Assessed Taxes
		<b>Report for FY90</b>
71	2	Disbursements
72	3	Payroll
74	5	Payroll
75	6	Cash Receipts
76	7	Cash Receipts

Cause:

Unknown

Effect:

The non-resolution of these prior year findings will continue to hinder the effective maintenance of the State's accounting records.

Recommendation:

Yap State management should take action to resolve these prior year audit findings.

Auditee Response:

Management concurs with this finding and has designated an employee to effect a corrective action plan.

(2) Travel Advance

Criteria:

Travel advance receivable transactions should be properly accounted for in the accounting system.

Condition:

There appears to be minimal credit entries against the travel advance control account which results in an inflated ending balance. Currently, credit entries are made against the accounts payable control account.

Cause:

It appears that the automated accounting system is not completely conducive to recording travel advance transactions in DILOG. The initial entry to record the advance is off-set by a credit to cash. Upon return of the traveler, the initial entry to the advance receivable should be liquidated through a reversing entry against expenditures. However, a credit is recorded against accounts payable rather than against the travel advance receivable.

Effect:

An overstatement of travel advances and an understatement of accounts payable results.

Recommendation:

It is recommended that State management perform periodic reconciliations of travel advance transactions until such time as the automated accounting system is modified to properly account for travel advance transactions.

(3) Payroll Revolving Fund

Criteria:

A functioning system of internal control requires that payroll accrual accounts be reconciled.

Condition:

Our review of the Payroll Revolving Fund and cash in bank-payroll revealed various material unreconciled differences as of September 30, 1991.

Cause:

No periodic reconciliations appear to be performed.

Effect:

The effect is a potential misstatement of the balances contained in internal financial statements.

Recommendation:

We recommend that the State of Yap reconcile the Payroll Revolving Fund on a periodic basis.

(4) Fixed Asset Account Group

Criteria:

A summary schedule of the fixed asset detail produced by the automated fixed asset subsystem, classified by major asset category, should be maintained. In addition, all assets should be monitored and inventoried on a timely basis.

Condition:

Our testing of the State's fixed asset account group during fiscal year 1991 revealed that additions were being made relating to a subsequent years' purchases. Assets were still being identified which had not previously been included in the State's accounting records.

Cause:

It appears that fixed asset records have not been previously updated on a timely basis.

Effect:

A misstatement of the State's General Fixed Asset Account Group could result.

Recommendation:

We recommend that the automated fixed asset listing be updated to include all assets substantiated by both recent acquisitions and periodic surveys of existing assets. This will ensure that the Fixed Asset Account Group accurately reflects the value of the State's assets.

Auditee Response:

Management concurs with this finding and has designated an employee to effect a corrective action plan.

(5) Public Transportation System - Cash Receipts

Criteria:

A cash receipts summary ledger should be maintained to summarize all amounts received during the year.

Condition:

The Public Transportation System (PTS) does not maintain such a ledger and only reconciles cash received at each banking.

Cause:

Unknown.

Effect:

The lack of such a summary ledger makes it difficult to compile year end financial statements and represents a lack of a key accounting control over cash.

Recommendation:

It is recommended that a cash receipts summary ledger be implemented to record cash received on a daily basis for various revenue categories. This summary will also facilitate reconciliation of the bank account and compilation of year end results.

(6) Yap Fishing Authority - Fixed Assets

Criteria:

Fixed assets are to be valued at historical cost.

Condition:

In the past, documentation substantiating the historical cost of several asset additions could not be located, making it difficult to verify the carrying value of such assets in the books of Yap Fishing Authority. Additionally, several variances were noted in fiscal year 1991 between the fixed assets subsidiary ledger and the general ledger account groups.

Cause:

The major cause of the condition is the lack of documentation retained in previous years to substantiate values recorded as fixed assets.

Effect:

A possible misstatement of Yap Fishing Authority's fixed asset accounts occurs.

Recommendation:

It is recommended that the value of all existing assets be substantiated by reference to original cost or reasonable approximation, and such value be reflected in the general ledger records of the Authority.

Auditee Response:

Management concurs with this finding and has designated an employee to effect a corrective action plan.