

**YAP STATE GOVERNMENT**

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

**SEPTEMBER 30, 1990**

YAP STATE GOVERNMENT  
YEAR ENDED SEPTEMBER 30, 1990

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**YAP STATE GOVERNMENT**  
**FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITOR'S REPORT**  
**YEAR ENDED SEPTEMBER 30, 1990**

YAP STATE GOVERNMENT  
YEAR ENDED SEPTEMBER 30, 1990

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## INDEPENDENT AUDITOR'S 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, 1990, 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.

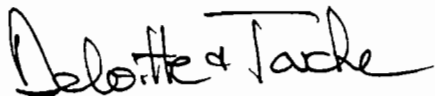
Except as described in the following paragraphs, we conducted our audit in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require 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, 1990, 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 fixed assets and inventories of the Yap State Fishing Authority, we are not able to express an opinion on these statements which comprise 26% and 81% of the enterprise fund total assets and revenues, respectively. Additionally, the State has not recorded the original cost of infrastructures 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, 1990, 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.

January 30, 1991



Certified Public Accountants





YAP STATE GOVERNMENT

Combined Balance Sheet - All Fund Types and Account Groups

September 30, 1990

(With comparative totals as of September 30, 1989)

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Type			Account Groups		Totals	
	General	Special Revenue Funds	Capital Projects Funds	Enterprise Funds	Internal Service Funds	Expendable Trust Fund	General		General	Long-Term	(Memorandum Only)	
							Fixed Assets	Debt			1990	1989
	Fund	Funds	Funds	Funds	Funds	Fund						
<b>Assets</b>												
Cash and equivalents	\$ 938,794	\$ -	\$ -	\$ 82,917	\$ -	\$164,385	\$ -	\$ -	\$ -	\$ -	\$ 1,186,096	\$ 3,780,642
Investments (Note 10)	2,079,016	108,054	12,337,472	900,000	-	-	-	-	-	-	15,424,542	15,335,469
Receivables, net (Notes 1 and 2):												
Other governments	-	9,960	-	-	-	-	-	-	-	-	9,960	6,435
Federal agencies	-	-	220,109	-	-	-	-	-	-	-	220,109	-
- TTPI	-	-	220,109	-	-	-	-	-	-	-	220,109	-
Dept. of the Interior - TTPI	-	-	556,431	-	-	-	-	-	-	-	556,431	371,536
Federal and other - FSM Govt.	-	1,353,533	277,319	-	-	-	-	-	-	-	1,630,852	1,196,381
General	682,760	-	-	130,916	-	-	-	-	-	-	813,676	513,724
Loans (Note 2)	8,000,000	-	-	-	-	-	-	-	-	-	8,000,000	1,098
Due from other funds	2,190,440	863,882	-	3,994,755	93,119	29,069	-	-	-	-	7,171,265	2,483,533
Advances (Note 2)	41,794	86,697	9,547	-	-	-	-	-	-	-	138,038	122,176
Inventory of supplies, at cost (Note 3)	400,736	-	-	59,833	136,009	-	-	-	-	-	596,578	715,388
Prepayments	-	-	-	27,985	-	-	-	-	-	-	27,985	13,208
Investment in fixed assets, net of accumulated depreciation (Notes 1 and 4)	-	-	-	13,187,798	-	-	62,677,826	-	-	-	75,865,624	66,236,455
Amount to be provided for retirement of long-term debt (Note 5)	-	-	-	-	-	-	-	-	490,113	-	490,113	482,039
<b>Total assets</b>	<b>\$14,333,540</b>	<b>\$2,422,126</b>	<b>\$13,400,878</b>	<b>\$18,384,204</b>	<b>\$ 229,128</b>	<b>\$193,454</b>	<b>\$62,677,826</b>	<b>\$490,113</b>	<b>\$490,113</b>	<b>\$112,131,269</b>	<b>\$91,258,084</b>	
<b>Liabilities and Fund Equity</b>												
Liabilities:												
Accounts payable	\$ 226,035	\$ 213,511	\$ 320,578	\$ 161,297	\$ 587	\$ 19	\$ -	\$ -	\$ -	\$ -	\$ 922,027	\$ 819,948
Accrued payroll and others	417,414	19,279	4,217	16,276	-	97	-	490,113	-	-	947,396	864,052
Due to other funds	-	1,272,775	5,898,490	-	-	-	-	-	-	-	7,171,265	2,483,532
Deferred revenues	213,214	18,087	-	-	-	-	-	-	-	-	231,301	357,521
Notes payable (Note 13)	-	-	-	9,400,000	-	-	-	-	-	-	9,400,000	-
Land acquisition claims payable	594,512	90,000	224,635	-	-	-	-	-	-	-	909,147	526,847
<b>Total liabilities</b>	<b>1,451,175</b>	<b>1,613,652</b>	<b>6,447,920</b>	<b>9,577,573</b>	<b>587</b>	<b>116</b>	<b>-</b>	<b>490,113</b>	<b>-</b>	<b>19,581,136</b>	<b>5,051,900</b>	
Contingent liabilities and commitments (Notes 7 and 9)												
Fund equity:												
Contributed capital	-	-	-	8,738,512	-	-	-	-	-	-	8,738,512	5,086,141
Investment in general fixed assets	-	-	-	-	-	-	62,677,826	-	-	-	62,677,826	60,876,164
Retained earnings:												
Unreserved	-	-	-	68,119	-	-	-	-	-	-	68,119	514,872
Fund balance:												
Reserved for:												
Related assets	633,496	-	-	-	136,009	-	-	-	-	-	769,505	1,549,419
Loans	8,000,000	-	-	-	-	-	-	-	-	-	8,000,000	-
Investment	-	-	-	-	-	-	-	-	-	-	-	-
Diminution (Note 10)	558,123	-	-	-	-	-	-	-	-	-	558,123	-
Encumbrances	556,823	756,724	8,320,024	-	19,740	2,173	-	-	-	-	9,655,484	13,369,101
Continuing appropriations												
Unreserved	96,098	-	1,694,748	-	-	-	-	-	-	-	1,790,846	1,243,367
Reserved	3,037,825	51,750	(3,061,814)	-	72,792	191,165	-	-	-	-	291,718	3,567,120
<b>Total fund equity</b>	<b>12,882,365</b>	<b>808,474</b>	<b>6,952,958</b>	<b>8,806,631</b>	<b>228,541</b>	<b>193,338</b>	<b>62,677,826</b>	<b>-</b>	<b>-</b>	<b>92,550,133</b>	<b>86,206,184</b>	
<b>Total liabilities and fund equity</b>	<b>\$14,333,540</b>	<b>\$2,422,126</b>	<b>\$13,400,878</b>	<b>\$18,384,204</b>	<b>\$ 229,128</b>	<b>\$193,454</b>	<b>\$62,677,826</b>	<b>\$490,113</b>	<b>\$490,113</b>	<b>\$112,131,269</b>	<b>\$91,258,084</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, 1990  
 (With comparative totals for the year ended September 30, 1989)

	Governmental Fund Types			Fiduciary	Totals	
	General Fund	Special Revenue Funds	Capital Projects Funds	Expensible	(Memorandum Only)	
				Trust Fund	1990	1989
<b>Revenues:</b>						
Compact	\$ 7,494,240	\$2,312,958	\$4,611,360	\$ -	\$14,418,558	\$14,273,516
Taxes and licenses	1,153,509	-	-	-	1,153,509	936,504
Dept. of the Interior - TTPI	-	-	1,812,988	-	1,812,988	1,280,723
Federal and other - direct	-	1,160,668	275,199	-	1,435,867	1,337,592
Congress of the Federated States of Micronesia (CFSM) grants	-	542,434	756,603	-	1,299,037	660,531
Revenue sharing (FSM)	891,544	-	-	-	891,544	662,628
Interest income	612,354	-	-	34,757	647,111	444,296
Other	887,439	6,485	-	17,395	911,319	776,719
<b>Total revenues</b>	<b>11,039,086</b>	<b>4,022,545</b>	<b>7,456,150</b>	<b>52,152</b>	<b>22,569,933</b>	<b>20,372,509</b>
<b>Expenditures:</b>						
General government	1,496,317	169,453	-	-	1,665,770	1,611,316
Health services	1,362,384	417,917	-	-	1,780,301	1,540,058
Education	1,052,474	2,048,823	-	-	3,101,297	3,598,003
Economic development	539,158	3,984	562,063	-	1,105,205	1,610,312
Public safety	541,237	120,195	-	-	661,432	616,872
Public works and utilities	909,618	1,092,370	4,942,245	-	6,944,233	4,432,211
Community affairs	468,186	464,868	-	-	933,054	692,373
Boards and commissions	347,348	-	-	-	347,348	281,875
Transportation	1,214,743	-	-	-	1,214,743	715,011
Other	236,509	-	4,356	33,665	274,530	490,645
<b>Total expenditures</b>	<b>8,167,974</b>	<b>4,317,610</b>	<b>5,508,664</b>	<b>33,665</b>	<b>18,027,913</b>	<b>15,588,676</b>
<b>Revenues over (under) expenditures</b>	<b>2,871,112</b>	<b>(295,065)</b>	<b>1,947,486</b>	<b>18,487</b>	<b>4,542,020</b>	<b>4,783,833</b>
<b>Other sources (uses):</b>						
Investment income	831,313	-	-	-	831,313	2,462,761
Operating transfers in (Note 6)	-	-	-	-	-	-
Operating transfers out (Note 6)	(238,000)	-	(77,226)	-	(315,226)	(269,300)
<b>Total sources (uses), net</b>	<b>593,313</b>	<b>-</b>	<b>(77,226)</b>	<b>-</b>	<b>516,087</b>	<b>2,193,461</b>
<b>Excess (deficiency) of revenues and other sources over expenditures and other uses</b>	<b>3,464,425</b>	<b>(295,065)</b>	<b>1,870,260</b>	<b>18,487</b>	<b>5,058,107</b>	<b>6,977,294</b>
Fund balance, beginning of year	9,417,940	1,103,539	8,782,698	174,851	19,479,028	12,501,734
Equity transfer out (Note 6)	-	-	(3,700,000)	-	(3,700,000)	-
<b>Fund balance, end 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>

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, 1990

	General Fund			Special Revenue Funds			Totals (Memorandum Only)		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
			Favorable (Unfavorable)			Favorable (Unfavorable)			Favorable (Unfavorable)
<b>Revenues:</b>									
Taxes and licenses	\$ 612,210	\$ 1,153,509	\$ 541,299	\$ -	\$ -	\$ -	\$ 612,210	\$ 1,153,509	\$ 541,299
Other compact funds	-	-	-	2,582,256	2,312,958	(269,298)	2,582,256	2,312,958	(269,298)
Current account compact funds	7,436,592	7,494,240	57,648	-	-	-	7,436,592	7,494,240	57,648
Federal and other - direct Congress of the Federated States of Micronesia (CFSH) grants	-	-	-	1,053,023	1,160,668	107,645	1,053,023	1,160,668	107,645
Revenue sharing (FSM)	695,618	891,544	195,926	320,148	542,434	222,286	320,148	542,434	222,286
Interest income	475,640	612,354	136,714	-	-	-	695,618	891,544	195,926
Other	673,450	887,439	213,989	15,000	6,485	(8,515)	475,640	612,354	136,714
							688,450	893,924	205,474
<b>Total revenue</b>	<b>9,893,510</b>	<b>11,039,086</b>	<b>1,145,576</b>	<b>3,970,427</b>	<b>4,022,545</b>	<b>52,118</b>	<b>13,863,937</b>	<b>15,061,631</b>	<b>1,197,694</b>
<b>Expenditures - budgetary basis:</b>									
General government	1,679,090	1,484,174	194,916	90,000	186,339	(96,339)	1,769,090	1,670,513	98,577
Health services	1,388,402	1,378,229	10,173	424,965	334,049	90,916	1,813,367	1,712,278	101,089
Education	1,085,200	1,050,109	35,091	2,045,897	2,044,494	1,403	3,131,097	3,094,603	36,494
Economic development	585,250	548,605	36,645	-	5,533	(5,533)	585,250	554,138	31,112
Public safety	551,795	543,600	8,195	113,320	111,875	1,445	665,115	655,475	9,640
Public works and utilities	887,524	875,934	11,590	841,295	871,507	(30,212)	1,728,819	1,747,441	(18,622)
Community affairs	542,936	472,384	70,552	428,664	422,786	5,878	971,600	895,170	76,430
Boards and commissions	355,764	353,628	2,136	-	-	-	355,764	353,628	2,136
Transportation	1,242,930	1,216,309	26,621	-	-	-	1,242,930	1,216,309	26,621
Other	190,500	232,200	(41,700)	-	-	-	190,500	232,200	(41,700)
<b>Total expenditures</b>	<b>8,509,391</b>	<b>8,155,172</b>	<b>354,219</b>	<b>3,944,141</b>	<b>3,976,583</b>	<b>(32,442)</b>	<b>12,453,532</b>	<b>12,131,755</b>	<b>321,777</b>
<b>Revenues over expenditures</b>	<b>1,384,119</b>	<b>2,883,914</b>	<b>1,499,795</b>	<b>26,286</b>	<b>45,962</b>	<b>19,676</b>	<b>1,410,405</b>	<b>2,929,876</b>	<b>1,519,471</b>
<b>Other sources (uses):</b>									
Investment income	-	831,313	831,313	-	-	-	-	831,313	831,313
Operating transfers in (out)	(238,000)	(238,000)	-	-	-	-	(238,000)	(238,000)	-
<b>Total other sources, net (uses)</b>	<b>(238,000)</b>	<b>593,313</b>	<b>831,313</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(238,000)</b>	<b>593,313</b>	<b>831,313</b>
<b>Excess of revenues and other sources over expenditures and other uses</b>	<b>1,146,119</b>	<b>3,477,227</b>	<b>2,331,108</b>	<b>26,286</b>	<b>45,962</b>	<b>19,676</b>	<b>1,172,405</b>	<b>3,523,189</b>	<b>2,350,784</b>
<b>Fund balance (deficit) - unreserved, September 30, 1989</b>	<b>8,295,751</b>	<b>8,295,751</b>	<b>-</b>	<b>-</b>	<b>5,788</b>	<b>5,788</b>	<b>8,295,751</b>	<b>8,301,539</b>	<b>5,788</b>
<b>Less: Change in reserves for:</b>									
- Related assets	-	(133,496)	(133,496)	-	-	-	-	(133,496)	(133,496)
- Loans	-	(8,000,000)	(8,000,000)	-	-	-	-	(8,000,000)	(8,000,000)
- Investment diminution	-	(558,123)	(558,123)	-	-	-	-	(558,123)	(558,123)
- Continuing appropriations and others	-	(43,534)	(43,534)	-	-	-	-	(43,534)	(43,534)
<b>Fund balance - unreserved, September 30, 1989</b>	<b>\$9,441,870</b>	<b>\$3,037,825</b>	<b>\$(6,404,045)</b>	<b>\$ 26,286</b>	<b>\$ 51,750</b>	<b>\$ 25,464</b>	<b>\$ 9,468,156</b>	<b>\$ 3,089,575</b>	<b>\$(6,378,581)</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, 1990  
 (With comparative totals for the year ended September 30, 1989)

	Proprietary Fund Types		Totals (Memorandum Only)	
	Enterprise	Internal Service	1990	1989
Operating revenues:				
Charges for services	\$ 356,738	\$ 3,978	\$ 360,716	\$ 340,041
Rental income	240,455	24,800	265,255	152,556
Stock issues	-	18,281	18,281	24,336
Other	<u>84,923</u>	<u>-</u>	<u>84,923</u>	<u>71,599</u>
Total operating revenues	<u>682,116</u>	<u>47,059</u>	<u>729,175</u>	<u>588,532</u>
Operating expenses:				
Doubtful debts	17,093	-	17,093	-
Personnel services	162,419	-	162,419	176,291
Supplies and materials	439,804	33,749	473,553	385,346
Printing and reproduction	-	125	125	740
Contractual services/commissions	118,540	-	118,540	113,980
Travel	3,374	-	3,374	19,867
Capital acquisitions	-	21,840	21,840	16,968
Depreciation	394,247	-	394,247	268,510
Other	<u>182,041</u>	<u>12,783</u>	<u>194,824</u>	<u>94,830</u>
Total operating expenses	<u>1,317,518</u>	<u>68,497</u>	<u>1,386,015</u>	<u>1,076,532</u>
Operating income (loss)	<u>(635,402)</u>	<u>(21,438)</u>	<u>(656,840)</u>	<u>(488,000)</u>
Non-operating revenues:				
Intergovernmental contributions - FSM	-	-	-	354,500
Intergovernmental contributions - General Fund	291,000	-	291,000	269,300
Other contributions	-	-	-	-
Other	<u>(55,095)</u>	<u>-</u>	<u>(55,095)</u>	<u>-</u>
Total non-operating revenues	<u>235,905</u>	<u>-</u>	<u>235,905</u>	<u>623,800</u>
Net income (loss)	(399,497)	(21,438)	(420,935)	135,800
Prior period adjustment (note 8)	(47,256)	-	(47,256)	59,593
Fund equity, beginning of year	5,601,013	249,979	5,850,992	5,051,412
Contributed capital change for the year, net of decrease of \$87,129	<u>3,652,371</u>	<u>-</u>	<u>3,652,371</u>	<u>604,187</u>
Fund equity, end of year	<u>\$8,806,631</u>	<u>\$ 228,541</u>	<u>\$9,035,172</u>	<u>\$5,850,992</u>

See accompanying notes to combined financial statements



YAP STATE GOVERNMENT

PROPRIETARY FUND TYPES

Combined Statement of Cash Flows  
 Year Ended September 30, 1990  
 (With comparative totals for the year ended September 30, 1989)

			Totals (Memorandum Only)	
	Internal <u>Service</u>	<u>Enterprise</u>	<u>1990</u>	<u>1989</u>
<b><u>Operating Activities:</u></b>				
Net Income	\$ (21,438)	\$ (399,497)	\$ (420,935)	\$ 135,800
Add back items not affecting cash:				
Doubtful debt expense	-	17,093	17,093	-
Depreciation	-	394,247	394,247	268,510
Prior period adjustment	-	(47,256)	(47,256)	59,593
Book loss on asset disposal	-	55,095	55,095	-
	<u>(21,438)</u>	<u>19,682</u>	<u>(1,756)</u>	<u>463,903</u>
Changes in Working capital:				
Due from other funds	8,347	(3,859,785)	(3,851,438)	10,208
General receivables (gross)	-	(26,584)	(26,584)	(68,060)
Inventory of supplies	12,504	7,042	19,546	(28,521)
Prepaid expenses	-	(14,777)	(14,777)	13,890
Accounts payable - trade	587	(18,105)	(17,518)	35,861
Accounts payable - others	-	3,012	3,012	(4,062)
	<u>21,438</u>	<u>(3,909,197)</u>	<u>(3,887,759)</u>	<u>(40,684)</u>
Cash flows used by operating activities	<u>-</u>	<u>(3,889,515)</u>	<u>(3,889,515)</u>	<u>423,219</u>
<b><u>Investing Activities:</u></b>				
Acquisition of fixed assets	-	(8,410,733)	(8,410,733)	(976,566)
Write down of fixed assets	-	133,884	133,884	-
Acquisition of stock	-	(900,000)	(900,000)	-
Issue of notes payable	-	9,400,000	9,400,000	-
Cash flows provided by investing activities	<u>-</u>	<u>223,151</u>	<u>223,151</u>	<u>(976,566)</u>
<b><u>Financing Activities:</u></b>				
Contributed capital received	-	3,739,500	3,739,500	604,187
Adjustment to contributed capital	-	(87,129)	(87,129)	-
Cash flows provided by financing activities	<u>-</u>	<u>3,652,371</u>	<u>3,652,371</u>	<u>604,187</u>
Net increase (decrease) in cash and equivalents	-	(13,993)	(13,993)	50,840
Cash and equivalents - beginning of year	-	96,910	96,910	46,070
Cash and equivalents - end of year	<u>\$ -</u>	<u>\$ 82,917</u>	<u>\$ 82,917</u>	<u>\$ 96,910</u>

See accompanying notes to combined financial statements



YAP STATE GOVERNMENT

Notes to Combined Financial Statements  
September 30, 1990

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

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;



YAP STATE GOVERNMENT

Notes to Combined Financial Statements, Continued

(1) Significant Accounting Policies, Continued

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 and at September 30, 1990, 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,
2. The Internal Service Funds account for various stock and medical supply operations of self-sustaining State agencies rendering 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



YAP STATE GOVERNMENT

Notes to Combined Financial Statements, Continued

(1) Significant Accounting Policies, Continued

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 follows a policy of capitalizing infra-structure costs. 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, and 5 to 10 years for Machinery and Equipment.

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.

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.





YAP STATE GOVERNMENT

Notes to Combined Financial Statements, Continued

(1) Significant Accounting Policies, Continued

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. Unless otherwise specified by law, all encumbered appropriation balances revert to the General Fund as of September 30 of each 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.

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 which are earned, primarily from the Federated States of Micronesia (FSM) 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.



YAP STATE GOVERNMENT

Notes to Combined Financial Statements, Continued

(1) Significant Accounting Policies, Continued

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 total column is presented for overview informational purposes and does not represent consolidated financial information.

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, 1990, the State had deposits as follows:

	<u>Cost</u>
General Fund:	
Time certificates of deposit with a bank which is a FDIC member.	\$1,376,265
All other cash in checking and savings accounts with FDIC insured banks.	<u>(437,471)</u>
	<u>\$ 938,794</u>
Expendable Trust Fund:	
Bank of Hawaii	<u>Cost</u> <u>\$ 164,385</u>

All other cash is a negative balance, net and is not shown as a bank overdraft on the accompanying financial statements due to other State deposits which can be used to offset the overdraft position.

For the above cash, \$1,400,000 is covered by FDIC and the balance exceeds insurable amounts. The State does not require collateralization of its deposits by its banks.

K. Cash and Equivalent

For purposes of the Statement of Cash Flows, cash and equivalents is defined as cash in bank checking and savings accounts.



YAP STATE GOVERNMENT

Notes to Combined Financial Statements, Continued

(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, 1990, is summarized below:

Source	Gross Amount	Allowance for Doubtful Accounts	Net Balance	
			September 30, 1990	September 30, 1989
<b>General:</b>				
CFSM revenue sharing	\$ 280,432	\$ -	\$ 280,432	\$ 18,414
Utilities	1,261,082	1,044,988	216,094	190,726
Taxes	272,940	185,478	87,462	100,283
Reimbursable	37,531	-	37,531	62,035
Other	77,322	16,081	61,241	20,841
	<u>\$1,929,307</u>	<u>\$1,246,547</u>	<u>\$ 682,760</u>	<u>\$ 392,299</u>
<b>Advances:</b>				
Travel/payroll	\$ 96,728	\$ 54,934	\$ 41,794	\$ 72,073
<b>Loans:</b>				
- Yap Purse Seiner Corp.	\$6,400,000	\$ -	\$6,400,000	\$ -
- Industria De Pesca	1,600,000	-	1,600,000	-
- Other	-	-	-	1,098
	<u>\$8,000,000</u>	<u>\$ -</u>	<u>\$8,000,000</u>	<u>\$ 1,098</u>

The loans to both Yap Purse Seiner Corporation (YPSC) (which entity is consolidated with the operations of the Yap State Economic Development Authority (an enterprise fund)) 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 30, 1991 and is secured 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 30, 1991. It is secured 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 \$5,800,000.



YAP STATE GOVERNMENT

Notes to Combined Financial Statements, Continued

(2) Receivables, Loans and Advances, Continued

A summary of receivables and the corresponding allowance for doubtful accounts for the Special Revenue Funds as of September 30, 1990, is summarized below:

<u>Source</u>	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Balance</u>	
			<u>September 30, 1990</u>	<u>September 30, 1989</u>
Federal agencies and CFSM	\$1,405,079 =====	\$ 51,546 =====	\$1,353,533 =====	\$1,145,550 =====
Advances - travel	\$ 92,378 =====	\$ 5,681 =====	\$ 86,697 =====	\$ 47,149 =====

A summary of receivables and the corresponding allowance for doubtful accounts for the Capital Projects Fund as of September 30, 1990, is summarized below:

<u>Source</u>	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Balance</u>	
			<u>September 30, 1990</u>	<u>September 30, 1989</u>
Dept. of Interior - TTPI	\$ 556,431 =====	\$ - =====	\$ 556,431 =====	\$ 371,536 =====
Advances - travel	\$ 9,547 =====	\$ - =====	\$ 9,547 =====	\$ 2,954 =====
CFSM Grants	\$ 277,319 =====	\$ - =====	\$ 277,319 =====	\$ 50,831 =====
Federal Agencies	\$ 220,109 =====	\$ - =====	\$ 220,109 =====	\$ - =====

A summary of receivables, advances and the corresponding allowance for doubtful accounts for the Enterprise Funds as of September 30, 1990, is summarized below:

<u>Source</u>	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Balance</u>	
			<u>September 30, 1990</u>	<u>September 30, 1989</u>
General:				
Trade	\$ 138,408	\$ 35,000	\$ 103,408	\$ 121,425
Employees	9,618	-	9,618	-
Other	17,890	-	17,890	-
	\$ 165,916 =====	\$ 35,000 =====	\$ 130,916 =====	\$ 121,425 =====



YAP STATE GOVERNMENT

Notes to Combined Financial Statements, Continued

(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 being used in construction. A remaining balance of the materials exists as of September 30, 1990 in the amount \$400,736. The Internal Service Fund's inventory consists of general stores and medical supplies of \$136,009.

(4) Investment in Fixed Assets

A summary of general fixed assets accounted for in the General Fixed Assets Account Group as of September 30, 1990 and 1989, follows:

	<u>1990</u>	<u>1989</u>
Land	\$ 1,822,614	\$ 1,761,778
Infrastructure	41,645,543	41,645,543
Outer-island capital assets	1,804,550	1,804,550
All others - equipment, vehicles and machinery	<u>17,405,119</u>	<u>15,664,293</u>
	<u>\$ 62,677,826</u>	<u>\$ 60,876,164</u>

A summary of fixed assets accounted for in the Enterprise Funds as of September 30, 1990 and 1989, follows:

	<u>1990</u>	<u>1989</u>
Buildings	\$ 1,666,190	\$ 1,666,689
Dock	2,003,000	2,003,000
Fishing fleet	9,374,488	1,164,102
Refrigeration and cold storage equipment	374,480	370,973
Other equipment	275,683	200,431
Motor vehicles	<u>466,639</u>	<u>545,986</u>
	14,160,480	5,951,181
Less accumulated depreciation	<u>(972,682)</u>	<u>(590,890)</u>
	<u>\$ 13,187,798</u>	<u>\$ 5,360,291</u>



YAP STATE GOVERNMENT

Notes to Combined Financial Statements, Continued

(5) Changes in Long-Term Debt

Long-term debt, as of September 30, 1990 and 1989, respectively, was generally for the following purposes:

	<u>1990</u>	<u>1989</u>
Accrued annual leave	\$ 490,113	\$ 482,039
Total long-term debt	\$ 490,113 =====	\$ 482,039 =====

(6) Transfers In/Out

General fund transfers in/out for the year ended September 30, 1990, are as follows:

1. Transfers to the Yap Fishing Authority (YFA) are provided under Yap State Law to supplement YFA general activities, fishing vessel operations, and marine life development. During fiscal year 1990, \$100,000 was transferred from the General Fund to YFA.
2. Transfers to the Public Transportation System are provided under Yap State Law to subsidize the operations of the Public Transportation System. During fiscal year 1990, \$138,000 was transferred from the General Fund to the Public Transportation System.

Capital Projects Fund equity transfers have been made to the Yap Economic Development Authority (YEDA) for the year ended September 30, 1990, as follows:

1. Transfer under Yap State Law to supplement Phase I of the Fisheries Department Joint Venture of \$2,800,000.
2. Transfer of stock holdings in the Bank of the FSM and the Pacific Islands Development Bank of \$900,000 (refer Note 10).
3. Various other transfers (either equity or operating) were made to specific enterprise funds in the amount of \$77,726.



YAP STATE GOVERNMENT

Notes to Combined Financial Statements, Continued

(7) Federal and Other Grants and 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.

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 November 30, 1989, the Public Auditor of the Federated States of Micronesia questioned \$67,400 of expenditures incurred by the State 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, 1990, for all governmental funds is estimated to be \$1,130,757.

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, 1990, 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) Federal Grants and 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. TTPI is still negotiating its portion of the funding. 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 to the sum of approximately \$450,000.

The State of Yap is awaiting the results of the TTPI negotiations so that some monetary standard may be set. Additionally, the State is 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, 1990, 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.

(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.





YAP STATE GOVERNMENT

Notes to Combined Financial Statements, Continued

(9) Commitments

A fuel oil supply agreement became effective in March, 1987. The agreement was made to guarantee the supplier a minimum quantity of gasoline and diesel purchases on a five-year period in return for the construction of a marine service station. The cost of the station, \$25,000, will be reimbursed to the supplier through a .0065 cent add on to each gallon purchased. At current prices in effect at September 30, 1990, the estimated liability for the minimum annual purchase is approximately \$1,200,000.

(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.



YAP STATE GOVERNMENT

Notes to Combined Financial Statements, Continued

(10) Investments, Continued

- b. Certificates of deposit must be from FDIC insured banks or FSLIC insured savings and loan associations, both of which must have assets in excess of two billion dollars. Deposits in smaller institutions are acceptable, but must not exceed the amount of the insurance, unless collateralized by U.S. Treasury Securities at 102%.
- B. The equity portfolio shall be diversified among issues and industry classifications. No more than 25% of the equity portfolio may be invested in any single classification, as described by the Standard and Poors 500 Index, unless prior approval is received from the Secretary of Finance.
- C. No investment may be made in a single corporate entity which exceeds 5% of the total assets of the fund at the time of purchase without prior approval of the Secretary of Finance.

The State's investment at September 30, 1990, in this pooled investment fund was \$14,524,542. At September 30, 1990, the market value of the State's investment approximated \$13,966,419. The State is of the opinion that the \$558,123 reduction in market value is a temporary downturn in the market and not a permanent impairment of its asset value. These investments have therefore been reported at cost (original acquisition price plus earnings registered from interest, dividends and realized trading gains net of losses), with the temporary reduction in market value fully reserved for in Fund Balance of the General Fund.

Additionally, the State holds 19.827% of the 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 in the amount of \$150,000. The total investment of \$900,000 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 can not be performed. This investment in stock has therefore been recorded at cost.



YAP STATE GOVERNMENT

Notes to Combined Financial Statements, Continued

(10) Investments, Continued

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.

In the fiscal year ending September 30, 1990 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 owns 51% of the Yap Fishing Corporations (YFC) common stock. 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, 1990 is detailed as follows:

	<u>Number of Shares</u>	<u>Par Value</u>	<u>Total Cost</u>
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 sole elimination being YEDA's \$2,800,000 investment in YFC. At September 30, 1990, the other principals in the joint venture had not made their capital contribution to YFC and thus no minority interest is disclosed. Essentially, there were no operations of YPSC and YFC for the year ended September 30, 1990, as the fishing vessels were acquired just prior to that date.

YAP STATE GOVERNMENT

Notes to Combined Financial Statements, Continued

(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, 1990, and for the year then ended.

	Yap Fishing Authority	Public Transportation System	Yap Economic Development Authority
Total assets	\$ <u>4,743,598</u>	\$ <u>319,482</u>	\$ <u>13,066,138</u>
Total equity	\$ <u>4,692,911</u>	\$ <u>306,617</u>	\$ <u>3,666,138</u>
Net fixed assets	\$ <u>4,556,763</u>	\$ <u>264,224</u>	\$ <u>8,310,386</u>
FY '90 net income (loss)	\$ <u>(339,458)</u>	\$ <u>(80,217)</u>	\$ <u>(33,862)</u>
FY '90 depreciation expense	\$ <u>302,967</u>	\$ <u>84,126</u>	\$ <u>-</u>
FY '90 revenues	\$ <u>504,560</u>	\$ <u>50,196</u>	\$ <u>-</u>
FY '90 non-operating support	\$ <u>100,000</u>	\$ <u>138,000</u>	\$ <u>-</u>

(12) Continuing Appropriations

Continuing appropriations as of September 30, 1990, are as follows:

General Fund

State Election	\$ 16,178
ConCon Records	15,000
Codification of Yap Code	4,920
Yap Women's Association	<u>60,000</u>
	\$ <u>96,098</u>

Capital Projects Fund (Compact Capital Account)

Project Feasibility Study	\$ 100,000
Investment Promotion Program	43,734
Manpower Development Program	79,333
Forestry Nursery & Afforestation	4,662
YHS Classroom Building	169,649
Colonia Community Center	15,498
Airport Waterline Project	49,049
OI Middle School/Library	41,000
Roads Development	237,757
OI Airfields	104,066
PIDB Investment	<u>850,000</u>
	\$ <u>1,694,748</u>



YAP STATE GOVERNMENT

Notes to Combined Financial Statements, Continued

(13) Enterprise Fund, Notes Payable

Enterprise fund debt is recorded solely on the banks of the Yap Economic Development Authority. It is comprised of two notes, as follows:

Note payable of Yap State General Fund, secured by a priority security interest in all assets of the Yap Purse Seiner Corporation, interest at 11%, due on or before September 30, 1991.

(See Note 2)

\$6,400,000

Note payable due on or before September 27, 1991, 12% interest, secured by ships' mortgages.

3,000,000

\$9,400,000





## INDEPENDENT AUDITOR'S 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 January 30, 1991, is fairly stated in all material respects when considered in relation to the general purpose financial statements taken as a whole.

January 30, 1991

Certified Public Accountants

YAP STATE GOVERNMENT

Combining Statement of Expenditures by Account -  
 All Governmental Fund Types  
 Year Ended September 30, 1990  
 (With comparative totals for the year ended September 30, 1989)

	Governmental Fund Types			1990 Totals (Memorandum Only)	1989 Totals (Memorandum Only)
	General Fund	Special Revenue Funds	Capital Projects Fund		
Salaries and wages	\$4,938,536	\$ 871,899	\$ 243,601	\$ 6,054,036	\$ 5,890,605
Travel	369,943	287,956	16,607	674,506	601,120
Freight	50,857	33,065	13,475	97,397	134,531
Communications	108,838	17,739	2,666	129,243	122,769
Printing and reproduction	49,428	62,595	1,800	113,823	68,131
Professional services	102,797	48,651	-	151,448	233,555
Food stuffs	110,402	91,129	-	201,531	148,646
Medical supplies	149,274	60,285	-	209,559	184,968
Supplies and materials	588,578	439,147	499,048	1,526,773	1,719,636
Medical referral	71,451	542,552	-	614,003	254,481
POL	213,086	988,966	13,570	1,215,622	1,000,356
Capital outlay	296,523	249,509	4,311,002	4,857,034	1,132,654
Contractual services	511,507	43,411	79,831	634,749	2,373,912
Rentals	8,078	96,955	10,320	115,353	22,344
Repairs and maintenance	88,810	30,695	9,314	128,819	112,021
Allowances	82,900	1,900	-	84,800	151,116
Grants and subsidies	231,510	163,308	-	394,818	675,641
Scholarship and training	21,013	240,712	-	261,725	323,024
Other	174,443	47,136	307,430	529,009	419,826
	<u>\$8,167,974</u>	<u>\$4,317,610</u>	<u>\$5,508,664</u>	<u>\$17,994,248</u>	<u>\$15,569,336</u>
	=====	=====	=====	=====	=====

YAP STATE GOVERNMENT  
GENERAL FUND

Statement of Revenues, Expenditures and  
Changes in Fund Balance by Function  
Year Ended September 30, 1990  
(With comparative totals for the year ended September 30, 1989)

	1990	1989
Revenues:		
Current 211A and 217 Compact Funds	<u>\$ 7,494,240</u>	<u>\$ 7,321,296</u>
Revenue sharing:		
Import tax	167,169	146,661
Fuel tax	68,123	65,415
Income tax	302,973	236,852
Business gross revenue tax	<u>353,279</u>	<u>213,700</u>
	<u>891,544</u>	<u>662,628</u>
Excise taxes:		
Alcoholic beverages	377,924	283,693
Gasoline and diesel	146,050	34,344
Tobacco	105,875	117,885
Other excise taxes	<u>236,133</u>	<u>121,010</u>
	<u>865,982</u>	<u>556,932</u>
Licenses and permits	62,554	45,339
Fines/sale of confiscated property	133,525	257,636
Leases and other rentals	<u>91,448</u>	<u>76,597</u>
	<u>287,527</u>	<u>379,572</u>
Departmental charges:		
Sea transportation	189,608	193,269
Hospital services	95,399	55,096
Power	440,573	288,167
Other	<u>134,327</u>	<u>27,784</u>
	<u>859,907</u>	<u>564,316</u>
Interest income	<u>612,354</u>	<u>444,296</u>
Other income	<u>27,532</u>	<u>131,431</u>
Total revenues	<u>11,039,086</u>	<u>10,060,471</u>

(Continued)





YAP STATE GOVERNMENT  
GENERAL FUND

Statement of Revenues, Expenditures and  
Changes in Fund Balance by Function, Continued  
Year Ended September 30, 1990  
(With comparative totals for the year ended September 30, 1989)

	1990	1989
<b>Expenditures:</b>		
General government:		
Office of the Governor	\$ 306,390	\$ 285,877
State Legislature	450,898	439,688
Office of Administrative Services	481,647	567,062
Office of Planning, Budget and Statistics	190,626	177,134
Division of Revenue and Taxation	33,258	25,006
Legislative Projects	33,498	58,985
	1,496,317	1,553,752
Health:		
Department of Health Services	1,362,384	1,273,320
Education:		
Department of Education	1,033,674	1,255,255
Legislative Projects	18,800	13,800
	1,052,474	1,269,055
Economic Development:		
Department of Resources and Development	528,026	490,182
Legislative Projects	11,132	44,291
	539,158	534,473
Protection of Persons and Property:		
Department of Public Safety/Attorney General	507,907	493,755
Legislative Projects	33,330	13,500
	541,237	507,255
Public Works and Utilities:		
PUC	909,618	884,832
	909,618	884,832
Transportation:	1,214,743	715,011

(Continued)



YAP STATE GOVERNMENT  
GENERAL FUND

Statement of Revenues, Expenditures and  
Changes in Fund Balance by Function, Continued  
Year Ended September 30, 1990

(With comparative totals for the year ended September 30, 1989)

	1990	1989
Community Affairs:		
Department of Public Affairs	\$ 299,686	\$ 236,099
Legislative Projects	168,500	-
	468,186	236,099
Boards and Commissions:		
Council of Pilung	85,075	88,187
Council of Tamol	88,129	83,869
Land Commission	107,158	101,354
OI Planning	16,837	8,553
EPA Administration	50,149	(88)
	347,348	281,875
Other:		
Judiciary	147,131	155,465
Other	41,675	24,282
Public Auditor	47,703	68,662
	236,509	248,409
Total expenditures	8,167,974	7,504,081
Revenues over expenditures	2,871,112	2,556,390
Other sources (uses):		
Operating transfers out	(238,000)	(269,300)
Investment income	831,313	2,462,761
Total other sources (uses), net	593,313	2,193,461
Excess of revenues and other sources over expenditures and other uses	3,464,425	4,749,851
Fund balance, beginning of year	9,417,940	4,668,089
Fund balance, end of year	\$12,882,365	\$9,417,940



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, 1990  
(With comparative totals for the year ended September 30, 1989)

	1990			1989		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Current/211A compact funds	\$7,436,592	\$7,494,240	\$ 57,648	\$7,234,824	\$7,321,296	\$ 86,472
Revenue sharing - FSM	695,618	891,544	195,926	560,000	662,628	102,628
Taxes and licenses	612,210	1,153,509	541,299	567,000	936,504	369,504
Interest	475,640	612,354	136,714	170,000	444,296	274,296
Other	673,450	887,439	213,989	758,400	695,747	(62,653)
Total revenues	<u>9,893,510</u>	<u>11,039,086</u>	<u>1,145,576</u>	<u>9,290,224</u>	<u>10,060,471</u>	<u>770,247</u>
<b>Expenditures - budgetary basis by department and other:</b>						
<b>General government:</b>						
Office of the Governor	326,900	318,574	8,326	338,632	286,728	51,904
State legislature	510,490	456,779	53,711	501,081	452,042	49,039
Office of administrative services	572,500	496,880	75,620	699,854	640,879	58,975
Office of planning, budget and statistics	221,200	178,873	42,327	267,793	182,855	84,938
Legislative projects	48,000	33,068	14,932	78,500	58,985	19,515
	<u>1,679,090</u>	<u>1,484,174</u>	<u>194,916</u>	<u>1,885,860</u>	<u>1,621,489</u>	<u>264,371</u>
<b>Health services:</b>						
Department of health services	1,388,402	1,378,229	10,173	1,420,240	1,282,915	137,325
<b>Education:</b>						
Department of education	1,066,400	1,031,309	35,091	1,300,288	1,142,399	157,889
Legislative projects	18,800	18,800	-	13,800	13,800	-
	<u>1,085,200</u>	<u>1,050,109</u>	<u>35,091</u>	<u>1,314,088</u>	<u>1,156,199</u>	<u>157,889</u>
<b>Economic development:</b>						
Department of resources and development	576,750	537,061	39,689	566,341	494,096	72,245
Legislative projects	8,500	11,544	(3,044)	52,050	23,321	28,729
	<u>585,250</u>	<u>548,605</u>	<u>36,645</u>	<u>618,391</u>	<u>517,417</u>	<u>100,974</u>
<b>Protection of persons and property:</b>						
Department of public safety/attorney general	521,795	510,270	11,525	558,496	501,756	56,740
Legislative projects	30,000	33,330	(3,330)	27,400	13,500	13,900
	<u>551,795</u>	<u>543,600</u>	<u>8,195</u>	<u>585,896</u>	<u>515,256</u>	<u>70,640</u>
<b>Public works and utilities:</b>						
PUC	887,524	875,934	11,590	996,735	896,483	100,252
Legislative projects	-	-	-	-	-	-
	<u>887,524</u>	<u>875,934</u>	<u>11,590</u>	<u>996,735</u>	<u>896,483</u>	<u>100,252</u>
Transportation	<u>1,242,930</u>	<u>1,216,309</u>	<u>26,621</u>	<u>819,512</u>	<u>749,142</u>	<u>70,370</u>

(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, 1990  
(With comparative totals for the year ended September 30, 1989)

	1990			1989		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>Community affairs:</b>						
Public affairs	\$ 374,436	\$ 303,884	\$ 70,552	\$ 302,358	\$ 244,854	\$ 57,504
Legislative projects	168,500	168,500	-	-	-	-
	<u>542,936</u>	<u>472,384</u>	<u>70,552</u>	<u>302,358</u>	<u>244,854</u>	<u>57,504</u>
<b>Boards and commissions:</b>						
Council of Pilung	89,482	89,700	(218)	90,307	89,010	1,297
Council of Tamol	95,882	86,515	9,367	97,599	88,497	9,102
Land commission	102,800	103,343	(543)	110,088	105,001	5,087
O/I Planning	11,100	21,065	(9,965)	20,913	7,535	13,378
EPA Admin. Board	54,500	51,005	3,495	127	(4,785)	4,912
Yap ABC Board	2,000	2,000	-	-	-	-
	<u>355,764</u>	<u>353,628</u>	<u>2,136</u>	<u>319,034</u>	<u>285,258</u>	<u>33,776</u>
<b>Other:</b>						
Judiciary	140,500	142,010	(1,510)	163,354	159,281	4,073
Other	-	41,675	(41,675)	-	41,263	(41,263)
Public Auditor	50,000	48,515	1,485	68,632	52,027	16,605
	<u>190,500</u>	<u>232,200</u>	<u>(41,700)</u>	<u>231,986</u>	<u>252,571</u>	<u>(20,585)</u>
<b>Total expenditures</b>	<u>8,509,391</u>	<u>8,155,172</u>	<u>354,219</u>	<u>8,494,100</u>	<u>7,521,584</u>	<u>972,516</u>
<b>Revenues over expenditures</b>	<u>1,384,119</u>	<u>2,883,914</u>	<u>1,499,795</u>	<u>796,124</u>	<u>2,538,887</u>	<u>1,742,763</u>
<b>Other sources (uses):</b>						
Investment income	-	831,313	831,313	-	2,462,761	2,462,761
Operating transfers out	(238,000)	(238,000)	-	(269,300)	(269,300)	-
<b>Total other sources (uses)</b>	<u>(238,000)</u>	<u>593,313</u>	<u>831,313</u>	<u>(269,300)</u>	<u>2,193,461</u>	<u>2,462,761</u>
<b>Excess of revenues and other sources over expenditures and other uses</b>	<u>1,146,119</u>	<u>3,477,227</u>	<u>2,331,108</u>	<u>526,824</u>	<u>4,732,348</u>	<u>4,205,524</u>
<b>Fund balance, unreserved, beginning of year</b>	8,295,751	8,295,751	-	2,371,115	3,587,135	1,216,020
<b>Less: Increase in reserves:</b>						
- Related assets	-	(133,496)	(133,496)	-	(550)	(550)
- Loans	-	(8,000,000)	(8,000,000)	-	-	-
- Investment diminution	-	(558,123)	(558,123)	-	-	-
- Continuing appropriations	-	(43,534)	(43,534)	-	(23,182)	(23,182)
<b>Fund balance, unreserved, end of year</b>	<u>\$9,441,870</u>	<u>\$3,037,825</u>	<u>\$ (6,404,045)</u>	<u>\$2,897,939</u>	<u>\$8,295,751</u>	<u>\$5,397,812</u>



YAP STATE GOVERNMENT

Special Revenue Funds  
September 30, 1990

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, 1990, 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, 1990

(With comparative totals as of September 30, 1989)

	Federal	Other U.S.	Non U.S.	Compact	FSM Grants	Totals	
	Grants Fund	Grants Fund	Grants Fund	Programs	Fund	1990	1989
Investments	\$ -	\$ -	\$ -	\$ 108,054	\$ -	\$ 108,054	\$ 218,630
Receivables, net:							
Other	-	-	9,960	-	-	9,960	6,435
FSM National Government	829,799	333,017	-	-	190,717	1,353,533	1,145,550
Due from other funds	-	-	-	863,882	-	863,882	1,038,821
Advances	41,775	-	245	17,013	27,664	86,697	47,149
	<u>\$ 871,574</u>	<u>\$ 333,017</u>	<u>\$ 10,205</u>	<u>\$ 988,949</u>	<u>\$ 218,381</u>	<u>\$2,422,126</u>	<u>\$2,456,585</u>

Liabilities and Fund Balance (Deficit)

<b>Liabilities:</b>							
Accounts payable	\$ 87,192	\$ -	\$ -	\$ 76,813	\$ 49,506	\$ 213,511	\$ 191,385
Payroll	1,892	-	95	12,593	4,699	19,279	25,207
Due to other funds	771,948	332,951	15,222	-	152,654	1,272,775	1,040,420
Intergovernmental payables	-	-	-	-	-	-	-
Deferred revenue	7,000	-	-	-	11,087	18,087	96,034
Land acquisition liability	-	-	-	90,000	-	90,000	-
<b>Total liabilities</b>	<u>868,032</u>	<u>332,951</u>	<u>15,317</u>	<u>179,406</u>	<u>217,946</u>	<u>1,613,652</u>	<u>1,353,046</u>
<b>Fund balance (deficit):</b>							
<b>Reserved for:</b>							
Related assets	-	-	-	-	-	-	-
Encumbrances	455,166	402	100	205,856	95,200	756,724	1,097,751
Unreserved	(451,624)	(336)	(5,212)	603,687	(94,765)	51,750	5,788
<b>Total fund balance (deficit)</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>
	<u>\$ 871,574</u>	<u>\$ 333,017</u>	<u>\$ 10,205</u>	<u>\$ 988,949</u>	<u>\$ 218,381</u>	<u>\$2,422,126</u>	<u>\$2,456,585</u>



YAP STATE GOVERNMENT  
SPECIAL REVENUE FUNDS

Combining Statement of Revenues, Expenditures by Function and  
Changes in Fund Balance (Deficit)  
Year Ended September 30, 1990  
(With comparative totals for the year ended September 30, 1989)

	Federal	Other U.S.	Non U.S.	Compact	FSM Grants	Totals	
	Grants Fund	Grants Fund	Grants Fund	Programs	Fund	1990	1989
<b>Revenues:</b>							
Compact	\$ -	\$ -	\$ -	\$2,312,958	\$ -	\$2,312,958	\$2,447,276
Federal contributions	1,160,614	54	-	-	-	1,160,668	1,337,592
Federal and others, direct	-	-	-	-	-	-	-
Dept. of the Interior - TTPI	-	-	-	-	-	-	-
Congress of the Federated States of Micronesia (CFSM) grants	-	-	-	161,321	381,113	542,434	609,700
Other	-	-	4,486	1,999	-	6,485	21,708
<b>Total revenues</b>	<u>1,160,614</u>	<u>54</u>	<u>4,486</u>	<u>2,476,278</u>	<u>381,113</u>	<u>4,022,545</u>	<u>4,416,276</u>
<b>Expenditures:</b>							
General government	-	-	-	90,000	79,453	169,453	57,564
Health services	147,443	-	587	218,275	51,612	417,917	266,738
Education	564,584	-	-	1,440,982	43,257	2,048,823	2,328,948
Economic development	-	-	-	-	3,984	3,984	41,476
Public safety	-	-	-	-	120,195	120,195	109,617
Public works and utilities	77,087	-	-	973,637	41,646	1,092,370	1,093,024
Community affairs	371,500	54	3,899	48,449	40,966	464,868	456,274
Transportation	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
<b>Total expenditures</b>	<u>1,160,614</u>	<u>54</u>	<u>4,486</u>	<u>2,771,343</u>	<u>381,113</u>	<u>4,317,610</u>	<u>4,353,641</u>
<b>Revenues over expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(295,065)</u>	<u>-</u>	<u>(295,065)</u>	<u>62,635</u>
<b>Other sources (uses):</b>							
Transfer in	-	-	-	-	-	-	-
<b>Excess (deficiency) of revenues and other sources over expendi- tures and other uses</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(295,065)</u>	<u>-</u>	<u>(295,065)</u>	<u>62,635</u>
<b>Fund balance (deficit), beginning of year</b>	<u>3,542</u>	<u>66</u>	<u>(5,112)</u>	<u>1,104,608</u>	<u>435</u>	<u>1,103,539</u>	<u>1,040,904</u>
<b>Fund balance (deficit), end 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>

YAP STATE GOVERNMENT  
SPECIAL REVENUE FUNDS

Combining Statement of Revenues, Expenditures by Account and  
Changes in Fund Balance (Deficit)  
Year Ended September 30, 1990

	Federal Grants Fund	Other U.S. Grants Fund	Non U.S. Grants Fund	Compact Programs	FSM Grants Fund	Total
<b>Revenues:</b>						
Compact	\$ -	\$ -	\$ -	\$2,312,958	\$ -	\$2,312,958
Federal contributions	1,160,614	54	-	-	-	1,160,668
Federal and others, direct	-	-	-	-	-	-
Dept. of the Interior - TTPI	-	-	-	-	-	-
Congress of the Federated States of Micronesia (CFSM) grants	-	-	-	161,321	381,113	542,434
Other	-	-	4,486	1,999	-	6,485
<b>Total revenues</b>	<u>1,160,614</u>	<u>54</u>	<u>4,486</u>	<u>2,476,278</u>	<u>381,113</u>	<u>4,022,545</u>
<b>Expenditures:</b>						
Salaries and wages	172,345	-	3,470	688,985	7,099	871,899
Travel	106,319	-	821	150,728	30,088	287,956
Freight	17,068	-	-	9,048	6,949	33,065
Communications	12,886	-	-	-	4,853	17,739
Printing and reproduction	60,587	-	-	40	1,968	62,595
Professional services	30,273	-	-	14,503	3,875	48,651
Food stuffs	54,043	-	-	32,703	4,383	91,129
Medical supplies	17,364	-	-	18,126	24,795	60,285
Supplies and materials	265,032	54	-	59,434	114,627	439,147
Medical referrals	-	-	-	530,672	11,880	542,552
POL	7,661	-	195	974,511	6,599	988,966
Capital outlay	142,487	-	-	10,791	96,231	249,509
Contractual services	31,081	-	-	1,400	10,930	43,411
Rentals	2,997	-	-	93,958	-	96,955
Repairs and maintenance	9,546	-	-	5,383	15,766	30,695
Allowances	900	-	-	1,000	-	1,900
Grants and subsidies	143,824	-	-	-	19,484	163,308
Scholarship and training	68,612	-	-	162,100	10,000	240,712
Other	17,589	-	-	17,961	11,586	47,136
<b>Total expenditures</b>	<u>1,160,614</u>	<u>54</u>	<u>4,486</u>	<u>2,771,343</u>	<u>381,113</u>	<u>4,317,610</u>
Revenues under expenditures	-	-	-	(295,065)	-	(295,065)
<b>Other sources (uses):</b>						
Transfer/general fund	-	-	-	-	-	-
Deficiency of revenues and other sources over expenditures and other uses	-	-	-	(295,065)	-	(295,065)
Fund balance (deficit), beginning of year	<u>3,542</u>	<u>66</u>	<u>(5,112)</u>	<u>1,104,608</u>	<u>435</u>	<u>1,103,539</u>
Fund balance (deficit), end of year	\$ 3,542	\$ 66	\$ (5,112)	\$ 809,543	\$ 435	\$ 808,474
	=====	=====	=====	=====	=====	=====



YAP STATE GOVERNMENT

Capital Projects Funds  
September 30, 1990

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, 1990, 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, 1990

(With comparative totals as of September 30, 1989)

<u>Assets</u>	TTPI Capital Projects Fund	CFSM Capital Projects Fund	General Fund	Compact Capital Fund	Other U.S. Capital Projects Fund	<u>Totals</u>	
						1990	1989
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	12,337,472	-	12,337,472	10,131,056
Receivables from:							
Federal contribution	-	-	-	-	220,109	220,109	-
Congress of the Federated States of Micronesia	-	277,319	-	-	-	277,319	50,831
U.S. Dept. of the Interior - TTPI	556,431	-	-	-	-	556,431	371,536
Due from general fund	-	-	-	-	-	-	-
Advances	<u>5,127</u>	<u>-</u>	<u>-</u>	<u>4,420</u>	<u>-</u>	<u>9,547</u>	<u>2,954</u>
 Total assets	 \$ 561,558	 \$ 277,319	 \$ -	 \$12,341,892	 \$ 220,109	 \$13,400,878	 \$10,556,377
	=====	=====	=====	=====	=====	=====	=====
 <u>Liabilities and Fund Balance (Deficit)</u>							
 Liabilities:							
Accounts payable	\$ 99,466	\$ 35,265	\$ -	\$ 157,099	\$ 28,748	\$ 320,578	\$ 259,807
Due to other funds	461,679	241,969	20,067	4,984,979	189,796	5,898,490	1,443,112
Deferred revenues	-	-	-	-	-	-	70,760
Accrued payroll	680	85	-	1,887	1,565	4,217	-
Land acquisition liability	<u>-</u>	<u>-</u>	<u>-</u>	<u>224,635</u>	<u>-</u>	<u>224,635</u>	<u>-</u>
 Total liabilities	 <u>561,825</u>	 <u>277,319</u>	 <u>20,067</u>	 <u>5,368,600</u>	 <u>220,109</u>	 <u>6,447,920</u>	 <u>1,773,679</u>
 Fund balance (deficit):							
Reserved for:							
Related assets	-	-	-	-	-	-	900,000
Continuing appropriations	-	-	-	1,694,748	-	1,694,748	1,190,803
Encumbrances	2,238,723	349,812	-	5,511,823	219,666	8,320,024	11,693,158
Unreserved	<u>(2,238,990)</u>	<u>(349,812)</u>	<u>(20,067)</u>	<u>(233,279)</u>	<u>(219,666)</u>	<u>(3,061,814)</u>	<u>(5,001,263)</u>
 Total fund balance (deficit)	 <u>(267)</u>	 <u>-</u>	 <u>(20,067)</u>	 <u>6,973,292</u>	 <u>-</u>	 <u>6,952,958</u>	 <u>8,782,698</u>
 Total liabilities and fund balance (deficit)	 \$ 561,558	 \$ 277,319	 \$ -	 \$12,341,892	 \$ 220,109	 \$13,400,878	 \$10,556,377
	=====	=====	=====	=====	=====	=====	=====



YAP STATE GOVERNMENT  
CAPITAL PROJECTS FUNDS

Combining Statement of Revenues, Expenditures by Function  
and Changes in Fund Balance (Deficit)  
Year Ended September 30, 1990  
(With comparative totals for the year ended September 30, 1989)

	TTPI	CFSM	Other U.S.		Totals		
	Capital	Capital	General	Compact	Capital		
	Projects	Projects	Fund	Capital	Projects		
	Fund	Fund	Fund	Fund	Fund	1990	1989
<b>Revenues:</b>							
Compact capital	\$ -	\$ -	\$ -	\$ 4,611,360	\$ -	\$4,611,360	\$4,504,944
Dept. of the Interior -							
TTPI	1,812,988	-	-	-	-	1,812,988	1,280,723
Congress of the Federated							
States of Micronesia							
(CFSM) grants	-	756,603	-	-	-	756,603	50,831
Federal grants	-	-	-	-	275,199	275,199	-
Other	-	-	-	-	-	-	245
<b>Total revenues</b>	<u>1,812,988</u>	<u>756,603</u>	<u>-</u>	<u>4,611,360</u>	<u>275,199</u>	<u>7,456,150</u>	<u>5,836,743</u>
<b>Expenditures:</b>							
General government	-	-	-	-	-	-	-
Economic development	-	-	-	562,063	-	562,063	1,034,363
Education	-	-	-	-	-	-	-
Public works and utilities	1,812,988	756,603	-	2,097,455	275,199	4,942,245	2,454,355
Other	-	-	-	4,356	-	4,356	222,896
<b>Total expenditures</b>	<u>1,812,988</u>	<u>756,603</u>	<u>-</u>	<u>2,663,874</u>	<u>275,199</u>	<u>5,508,664</u>	<u>3,711,614</u>
Revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,947,486</u>	<u>-</u>	<u>1,947,486</u>	<u>2,125,129</u>
<b>Other sources (uses):</b>							
Transfer/general fund	-	-	-	(3,777,226)	-	(3,777,226)	-
Deficiency of revenues and other sources over expenditures and other uses	-	-	-	(1,829,740)	-	(1,829,740)	2,125,129
<b>Fund balance (deficit), beginning of year</b>	<u>(267)</u>	<u>-</u>	<u>(20,067)</u>	<u>8,803,032</u>	<u>-</u>	<u>8,782,698</u>	<u>6,657,569</u>
<b>Fund balance (deficit), end of year</b>	<u>\$ (267)</u>	<u>\$ -</u>	<u>\$ (20,067)</u>	<u>\$ 6,973,292</u>	<u>\$ -</u>	<u>\$ 6,952,958</u>	<u>\$ 8,782,698</u>



YAP STATE GOVERNMENT  
CAPITAL PROJECTS FUNDS

Combining Statement of Revenues, Expenditures by Account  
and Changes in Fund Balance (Deficit)  
Year Ended September 30, 1990

	TTPI Capital Projects Fund	CFSM Capital Projects Fund	General Fund	Compact Capital	Other U.S. Capital Projects Fund	Total 1990
<b>Revenues:</b>						
Compact capital, 211(A2)	\$ -	\$ -	\$ -	\$4,611,360	\$ -	\$4,611,360
Dept. of the Interior - TTPI	1,812,988	-	-	-	-	1,812,988
Congress of the Federated States of Micronesia (CFSM) grants	-	756,603	-	-	-	756,603
Federal grants	-	-	-	-	275,199	275,199
<b>Total revenues</b>	<u>1,812,988</u>	<u>756,603</u>	<u>-</u>	<u>4,611,360</u>	<u>275,199</u>	<u>7,456,150</u>
<b>Expenditures:</b>						
Salaries and wages	83,019	5,733	-	93,243	61,606	243,601
Travel	8,443	-	-	8,164	-	16,607
Freight	158	3,803	-	7,093	2,421	13,475
Communications	241	-	-	1,859	566	2,666
Printing and reproduction	(632)	-	-	1,936	496	1,800
Supplies and materials	19,391	100,977	-	353,995	24,685	499,048
POL	4,033	-	-	1,771	7,766	13,570
Capital outlay	1,690,406	600,907	-	1,858,784	160,905	4,311,002
Contractual services	6,348	45,183	-	28,300	-	79,831
Rentals	70	-	-	35	10,215	10,320
Repairs and maintenance	1,435	-	-	1,762	6,117	9,314
Grants and subsidies	-	-	-	-	-	-
Other	76	-	-	306,932	422	307,430
<b>Total expenditures</b>	<u>1,812,988</u>	<u>756,603</u>	<u>-</u>	<u>2,663,874</u>	<u>275,199</u>	<u>5,508,664</u>
<b>Revenues over expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,947,486</u>	<u>-</u>	<u>1,947,486</u>
<b>Other sources (uses):</b>						
Transfer/general fund	-	-	-	(3,777,226)	-	(3,777,226)
<b>Deficiency of revenues and other sources over expenditures and other uses</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,829,740)</u>	<u>-</u>	<u>(1,829,740)</u>
<b>Fund balance (deficit), beginning of year</b>	<u>(267)</u>	<u>-</u>	<u>(20,067)</u>	<u>8,803,032</u>	<u>-</u>	<u>8,782,698</u>
<b>Fund balance (deficit), end of year</b>	<u>\$ (267)</u>	<u>\$ -</u>	<u>\$ (20,067)</u>	<u>\$6,973,292</u>	<u>\$ -</u>	<u>\$6,952,958</u>



YAP STATE GOVERNMENT

Enterprise Funds  
September 30, 1990

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, 1990, 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. As of September 30, 1990, operation of the Tuna Joint Venture Project had not yet commenced.

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, 1990

(With comparative totals as of September 30, 1989)

Assets	Yap State									Totals	
	Yap Fishing Authority	Gogil-Tomil Water Authority	Southern Yap Water Authority	Public Trans- portation System	Yap State Transpor- tation and Construction Authority	Feedmill Operation	Slaughter house	Yap Economic Development Authority	Project Fund	1990	1989
Cash and equivalents	\$ 25,071	\$ 29,561	\$ 12,777	\$ 15,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 82,917	\$ 96,910
General receivables	122,828	4,395	1,306	1,835	-	-	-	-	552	130,916	121,425
Inventory of supplies, at cost	25,576	-	-	34,257	-	-	-	-	-	59,833	66,875
Prepaid expenses	13,360	-	-	3,658	-	-	-	10,967	-	27,985	13,208
Due from other funds	-	-	-	-	13,311	-	8,511	3,958,668	14,265	3,994,755	21,087
Investment in stock	-	-	-	-	-	-	-	900,000	-	900,000	-
Investment in fixed assets, net of accumulated depreciation	4,556,763	-	-	264,224	5,000	51,425	-	8,310,386	-	13,187,798	5,360,291
<b>Total assets</b>	<b>\$ 4,743,598</b>	<b>\$ 33,956</b>	<b>\$ 14,083</b>	<b>\$ 319,482</b>	<b>\$ 18,311</b>	<b>\$ 51,425</b>	<b>\$ 8,511</b>	<b>\$13,180,021</b>	<b>\$ 14,817</b>	<b>\$18,384,204</b>	<b>\$ 5,679,796</b>
<b>Liabilities and Fund Equity</b>											
<b>Liabilities:</b>											
Accounts payable - trade	\$ 36,397	\$ -	\$ -	\$ 10,879	\$ -	\$ -	\$ -	\$ 113,883	\$ 138	\$ 161,297	\$ 65,519
Notes payable:											
Yap State	-	-	-	-	-	-	-	6,400,000	-	6,400,000	-
Others	-	-	-	-	-	-	-	3,000,000	-	3,000,000	-
Accounts payable - other	14,290	-	-	1,986	-	-	-	-	-	16,276	13,264
<b>Total liabilities</b>	<b>50,687</b>	<b>-</b>	<b>-</b>	<b>12,865</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,513,883</b>	<b>138</b>	<b>9,577,573</b>	<b>78,783</b>
<b>Fund equity (deficit):</b>											
Contributed capital	4,643,583	10,909	-	384,020	-	-	-	3,700,000	-	8,738,512	5,086,141
Retained earnings (deficit)	49,328	23,047	14,083	(77,403)	18,311	51,425	8,511	(33,862)	14,679	68,119	514,872
<b>Total fund equity</b>	<b>4,692,911</b>	<b>33,956</b>	<b>14,083</b>	<b>306,617</b>	<b>18,311</b>	<b>51,425</b>	<b>8,511</b>	<b>3,666,138</b>	<b>14,679</b>	<b>8,806,631</b>	<b>5,601,013</b>
<b>Total liabilities and fund equity</b>	<b>\$ 4,743,598</b>	<b>\$ 33,956</b>	<b>\$ 14,083</b>	<b>\$ 319,482</b>	<b>\$ 18,311</b>	<b>\$ 51,425</b>	<b>\$ 8,511</b>	<b>\$13,180,021</b>	<b>\$ 14,817</b>	<b>\$18,384,204</b>	<b>\$5,679,796</b>



YAP STATE GOVERNMENT

ENTERPRISE FUNDS

Combining Statement of Revenues, Expenses, and

Changes in Retained Earnings/Fund Balance

Year Ended September 30, 1990

(With comparative totals for the year ended September 30, 1989)

	Yap Fishing Authority	Gogil-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	
										1990	1989
<b>Operating revenues:</b>											
Charges for services/goods	\$ 265,956	\$ 8,341	\$ 4,178	\$ 50,196	\$ 2,294	\$ 1,776	\$ 23,997	\$ -	\$ -	\$ 356,738	\$ 311,599
Rental income	216,087	-	-	-	24,368	-	-	-	-	240,455	119,159
Fees	-	-	-	-	-	-	-	-	-	-	-
Other	22,517	-	593	-	-	-	-	-	61,813	84,923	66,948
<b>Total operating revenues</b>	<b>504,560</b>	<b>8,341</b>	<b>4,771</b>	<b>50,196</b>	<b>26,662</b>	<b>1,776</b>	<b>23,997</b>	<b>-</b>	<b>61,813</b>	<b>682,116</b>	<b>497,706</b>
<b>Operating expenses:</b>											
Doubtful debt expense	17,093	-	-	-	-	-	-	-	-	17,093	-
Personnel services	92,349	6,635	897	51,199	5,788	1,191	4,360	-	-	162,419	176,291
Supplies and materials	320,712	6,483	22	73,647	8,424	4,881	25,635	-	-	439,804	309,575
Commissions/Contract Services	69,601	1,150	-	42,129	-	5,660	-	-	-	118,540	113,980
Travel	3,374	-	-	-	-	-	-	-	-	3,374	19,867
Depreciation	302,967	-	-	84,126	7,154	-	-	-	-	394,247	268,510
Other	82,827	890	16	17,312	-	-	-	33,862	47,134	182,041	69,304
<b>Total operating expenses</b>	<b>888,923</b>	<b>15,158</b>	<b>935</b>	<b>268,413</b>	<b>21,366</b>	<b>11,732</b>	<b>29,995</b>	<b>33,862</b>	<b>47,134</b>	<b>1,317,518</b>	<b>977,527</b>
<b>Operating income (loss)</b>	<b>(384,363)</b>	<b>(6,817)</b>	<b>3,836</b>	<b>(218,217)</b>	<b>5,296</b>	<b>(9,956)</b>	<b>(5,998)</b>	<b>(33,862)</b>	<b>14,679</b>	<b>(635,402)</b>	<b>(479,821)</b>
<b>Non-operating revenues:</b>											
Intergovernmental contributions-PSM	-	-	-	-	-	-	-	-	-	-	354,500
Intergovernmental contributions-State	100,000	-	-	138,000	-	48,000	5,000	-	-	291,000	269,300
Loss on asset disposal	(55,095)	-	-	-	-	-	-	-	-	(55,095)	-
<b>Total non-operating revenues</b>	<b>44,905</b>	<b>-</b>	<b>-</b>	<b>138,000</b>	<b>-</b>	<b>48,000</b>	<b>5,000</b>	<b>-</b>	<b>-</b>	<b>235,905</b>	<b>623,800</b>
<b>Net income (loss)</b>	<b>(339,458)</b>	<b>(6,817)</b>	<b>3,836</b>	<b>(80,217)</b>	<b>5,296</b>	<b>38,044</b>	<b>(998)</b>	<b>(33,862)</b>	<b>14,679</b>	<b>(399,497)</b>	<b>143,979</b>
Prior period adjustment	-	102	(609)	(46,749)	-	-	-	-	-	(47,256)	59,593
<b>Retained earnings/fund balance,</b>											
beginning of year	388,786	29,762	10,856	49,563	13,015	13,381	9,509	-	-	514,872	311,300
<b>Retained earnings (deficit),</b>											
end of year	\$ 49,328	\$ 23,047	\$ 14,083	\$ (77,403)	\$ 18,311	\$ 51,425	\$ 8,511	\$ (33,862)	\$ 14,679	\$ 68,119	\$ 514,872
<b>Contributed capital, beginning of year</b>											
	\$ 4,608,083	\$ 6,909	\$ -	\$ 471,149	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,086,141	\$ 4,481,954
<b>Current year changes</b>											
	35,500	4,000	-	(87,122)	-	-	-	3,700,000	-	3,652,371	604,187
<b>Contributed capital, end of year</b>											
	\$ 4,643,583	\$ 10,909	\$ -	\$ 384,027	\$ -	\$ -	\$ -	\$ 3,700,000	\$ -	\$ 8,738,512	\$ 5,086,141





YAP STATE GOVERNMENT  
ENTERPRISE FUNDS

Combining Statement of Cash Flows  
Year Ended September 30, 1990  
(With comparative totals for the year ended September 30, 1989)

	Yap State										Totals	
	Yap	Gagil-Tomil	Southern	Public Trans-	Transportation and	Feedmill	Slaughter	Yap	Project			
	Fishing	Water	Yap Water	portation	Construction	Operation	house	Economic	Pond	1990	1989	
Authority	Authority	Authority	System	Authority			Authority					
<b>Operating Activities:</b>												
Net Income	\$ (339,458)	\$ (6,817)	\$ 3,836	\$ (80,217)	\$ 5,296	\$ 38,044	\$ (998)	\$ (33,862)	\$ 14,679	\$ (399,497)	\$ 143,979	
Add back items not affecting cash:												
Doubtful Debt expense	17,093	-	-	-	-	-	-	-	-	17,093	-	
Depreciation	302,967	-	-	84,126	7,154	-	-	-	-	394,247	268,510	
Prior period adjustment	-	102	(609)	(46,749)	-	-	-	-	-	(47,256)	59,593	
Book loss on asset disposal	55,095	-	-	-	-	-	-	-	-	55,095	-	
	<u>35,697</u>	<u>(6,715)</u>	<u>3,227</u>	<u>(42,840)</u>	<u>12,450</u>	<u>38,044</u>	<u>(998)</u>	<u>(33,862)</u>	<u>14,679</u>	<u>19,682</u>	<u>472,082</u>	
Changes in Working capital:												
Due from other funds	-	-	-	-	(11,601)	14,421	(3,555)	(3,844,785)	(14,265)	(3,859,785)	1,500	
General receivables (gross)	(24,207)	(872)	(562)	(391)	-	-	-	-	(552)	(26,584)	(70,460)	
Inventory of supplies	4,404	-	-	(3,915)	-	-	4,553	-	-	7,042	(28,518)	
Prepaid expenses	(152)	-	-	(3,658)	-	-	-	(10,967)	-	(14,777)	13,890	
Accounts payable - trade	(22,992)	-	-	6,644	(855)	(1,040)	-	-	138	(18,105)	38,787	
Accounts payable - others	1,026	-	-	1,986	-	-	-	-	-	3,012	(4,062)	
	<u>(41,921)</u>	<u>(872)</u>	<u>(562)</u>	<u>2,666</u>	<u>(12,456)</u>	<u>13,381</u>	<u>998</u>	<u>(3,855,752)</u>	<u>(14,679)</u>	<u>(3,909,197)</u>	<u>(48,863)</u>	
Cash provided (used) by operating activities	<u>(6,224)</u>	<u>(7,587)</u>	<u>2,665</u>	<u>(40,174)</u>	<u>(6)</u>	<u>51,425</u>	<u>-</u>	<u>(3,889,614)</u>	<u>-</u>	<u>(3,889,515)</u>	<u>423,219</u>	
<b>Investing Activities:</b>												
Acquisition of fixed assets	(48,709)	-	-	(213)	-	(51,425)	-	(8,310,386)	-	(8,410,733)	(976,566)	
Write down of fixed assets	-	-	-	133,878	6	-	-	-	-	133,884	-	
Acquisition of stock	-	-	-	-	-	-	-	(900,000)	-	(900,000)	-	
Issue of notes payable	-	-	-	-	-	-	-	9,400,000	-	9,400,000	-	
Cash provided (used) by investing activities	<u>(48,709)</u>	<u>-</u>	<u>-</u>	<u>133,665</u>	<u>6</u>	<u>(51,425)</u>	<u>-</u>	<u>189,614</u>	<u>-</u>	<u>223,151</u>	<u>(976,566)</u>	
<b>Financing Activities:</b>												
Contributed capital received	35,500	4,000	-	-	-	-	-	3,700,000	-	3,739,500	604,187	
Adjustment to contributed capital	-	-	-	(87,129)	-	-	-	-	-	(87,129)	-	
Cash provided (used) by financing activities	<u>35,500</u>	<u>4,000</u>	<u>-</u>	<u>(87,129)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,700,000</u>	<u>-</u>	<u>3,652,371</u>	<u>604,187</u>	
Net increase (decrease) in cash and equivalents	(19,433)	(3,587)	2,665	6,362	-	-	-	-	-	(13,993)	50,840	
Cash and equivalents - beginning of year	<u>44,504</u>	<u>33,148</u>	<u>10,112</u>	<u>9,146</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>96,910</u>	<u>46,070</u>	
Cash and equivalents - end of year	\$ <u>25,071</u>	\$ <u>29,561</u>	\$ <u>12,777</u>	\$ <u>15,508</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>82,917</u>	\$ <u>96,910</u>	

**STATE OF YAP  
FEDERATED STATES OF MICRONESIA  
SINGLE AUDIT REPORTS  
YEAR ENDED SEPTEMBER 30, 1990**



Independent Auditor's 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, 1990, and have issued our report thereon dated January 30, 1991.

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.

January 30, 1991

Certified Public Accountants



Independent Auditor's 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 67, for the year ended September 30, 1990. 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 schedule of findings and questioned costs.

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, 1990.

January 30, 1991

Certified Public Accountants



Independent Auditor's 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, 1990: cash management and federal financial reports.

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

This report is intended for the information of the State of 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.

January 30, 1991

Certified Public Accountants



Independent Auditor's Report on Compliance  
with Laws and Regulations Applicable  
to Non-Major Programs

Honorable Petrus Tun  
Governor  
State of Yap

In connection with our audit of the 1990 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 non-major federal financial assistance programs for the year ended September 30, 1990.

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; 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 schedule of findings and questioned costs.

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

January 30, 1991

Certified Public Accountants



Independent Auditor's 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, 1990, and have issued our report thereon dated January 30, 1991. 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.

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, 1990, the State expended 92% 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.

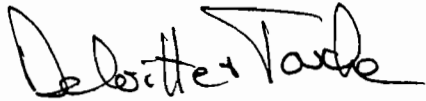
However, our study and evaluation and our audit disclosed the conditions specified in the following pages that we believe result in more than a relatively low risk that errors or irregularities in amounts that would be material to a federal financial assistance programs may occur and not be detected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

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in (1) our audit of the 1990 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 January 30, 1991.



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.

January 30, 1991



Certified Public Accountants





Report on Supplementary Information - Statement of  
Expenditures and Questioned Costs

Independent Auditor's Report

We have audited the general purpose financial statements of the State of Yap for the year ended September 30, 1990, and have issued our report thereon dated January 30, 1991. 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.

January 30, 1991

Certified Public Accountants

YAP STATE GOVERNMENT  
FEDERAL GRANTS FUND

Statement of Expenditures and Questioned Costs  
Year Ended September 30, 1990

<u>State</u> <u>ORG. #</u>	<u>Grant/ID #</u>	<u>Expenditures</u>	<u>Questioned</u> <u>Costs</u>
<u>Education</u>			
3082	FY88 Voc Rehab - Cases 9/8	\$ 700	\$ -
3100	Educ. Trans Chapter I 9/9	117,723	-
3101	Educ. Trans Chapter II 9/9	75,639	-
3102	Chapter II/HCeep	373	-
3109	Edu Transition/Billing 9/9	9,429	-
3112	FY88 Edu Chapter I 9/0	122,068	-
3113	FY88 Edu Chapter II 9/0	156,041	-
3147	FY89 Edu Chapter I 9/1	59,174	-
3148	FY89 Edu Chapter II 9/1	<u>23,437</u>	<u>-</u>
	Total Education	<u>564,584</u>	<u>-</u>
<u>Housing And Urban Development</u>			
3152	Housing Renovation 9/0	12,000	-
3162	FY88 CDBG Administration 3362 9/0	21,526	-
3163	FY88 House Renovation 3363 9/0	59,658	-
3166	FY89 Rehabilitation Loans 3392 9/0	<u>30,572</u>	<u>-</u>
	Total	<u>123,756</u>	<u>-</u>
<u>Labor</u>			
3201	87 JTPA Admin & Trng 6/0	36,872	-
3235	FY88 JTPA Admin	11,982	-
3236	FY88 JTPA Training 6/0	29,317	-
3260	FY89 Title VSCSEP 6/0	1,088	-
3266	FY89 JTPA Administration 6/2	7,192	-
3267	FY89 JTPA Adult Training 6/2	45,971	-
3268	FY89 JTPA Youth Program 6/2	30,324	-
3224	FY87 Summer Youth/JTPA 6/0	<u>50</u>	<u>-</u>
	Total Labor	<u>162,796</u>	<u>-</u>
	Balance Forwarded	851,136	-



YAP STATE GOVERNMENT  
FEDERAL GRANTS FUND  
Statement of Expenditures and Questioned Costs  
Year Ended September 30, 1990

State ORG. #	Grant/ID #	<u>Expenditures</u>	<u>Questioned Costs</u>
	Balance Brought Forward	<u>\$ 851,136</u>	<u>\$ -</u>
	<u>Agriculture</u>		
3328	Food Services 12/9	27,491	-
3346	FY89 Food Service 3388 N/E	56,034	-
3347	FY87 Forestry Program 7701 12/0	<u>1,423</u>	<u>-</u>
	Total Agriculture	<u>84,948</u>	<u>-</u>
	<u>Interior</u>		
3511	88 Historic Preservation 7501 9/9	9,045	-
3517	Spare parts procurement	140	-
3521	PU & C/ Gen Main Mat/Tool N/E	9,639	-
3524	Hospital spare part N/E	4,011	-
3527	PU & C Maintenance engineer N/E	803	-
3528	PU & C Facility maintenance N/E	13,415	-
3551	Technical Training of maintenance personnel	1,630	-
3557	FY89 Historic Preservation 7523 12/0	<u>25,365</u>	<u>-</u>
	Total Interior	<u>64,048</u>	<u>-</u>
	<u>EPA</u>		
3595	FY89 EPA	<u>13,039</u>	<u>-</u>
	Total EPA	<u>13,039</u>	<u>-</u>
	<u>Health</u>		
3694	B/feed & infant growth 9/0	1,580	-
3727	FY88 MCH/Primary Care 9/9	1,392	-
3728	FY86 Yap MCH	(100)	-
3744	88 Maternal Child Health 9/9	251	-
3772	FY88 Geriatric Health 12/9	5,368	-
3773	Senior Housing Repair 12/9	11,583	-
3766	Yap Cap FY88 CDSBG 9/9	18,143	-
3789	FY89 Aids Program 7540 12/9	167	-
3797	89 Nurses C Educ 7565 4/0	6,831	-
3798	FY88 Preventative & Public Health 9/9	2,430	-
3790	FY89 MCH/Case Mgmt 7538 9/0	1,500	-
3791	FY89 Preservation & Pub. Health 7585 9/0	6,986	-
3792	FY89 CSBG Yap Cap 7592 9/0	14,586	-
3794	FY89 Geriatric 7555 9/0	14,765	-
3795	FY89 MCH FSM 7537 9/0	38,585	-
3796	FY90 Family Planning 7571 6/0	9,534	-
3787	FY89 PH & PH/Administration 7589 9/0	10,656	-
3788	FY89 Immunization 7531 12/9	<u>3,186</u>	<u>-</u>
	Total Health	<u>147,443</u>	<u>-</u>
	Total Federal Grants Fund	<u>\$1,160,614</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

Statement of Expenditures and Questioned Costs  
Year Ended September 30, 1990

<u>State</u> <u>ORG. #</u>	<u>Grant/ID #</u>	<u>Expenditures</u>	<u>Questioned</u> <u>Costs</u>
	<u>AX 7030 Orchid Category E</u>		
0543	Fassarai Mens House	<u>54</u>	<u>-</u>
	Total AX 7030 Orchid Category E	<u>\$ 54</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  
NON U.S. GRANTS FUND

Statement of Expenditures and Questioned Costs  
Year Ended September 30, 1990

<u>State</u> <u>ORG. #</u>	<u>Grant/ID #</u>	<u>Expenditures</u>
	<u>WHO Grants</u>	
3912	FY89 Leprosy/WHO (3973)	\$ 641
3917	Family Health	(54)
	<u>SPEC Grants</u>	
3925	Youth 6-ad Training YCap 9/8	-
	<u>UNDP</u>	
3991	Population Education N/E	374
	<u>UNESCO</u>	
3956	FY89 Population Education (3991) 12/0	<u>3,525</u>
	Total non - U.S. grants	<u>\$ 4,486</u>

Note:

No costs have been questioned against the above expenditures.



YAP STATE GOVERNMENT  
TTPI CAPITAL PROJECTS FUND

Statement of Expenditures and Questioned Costs  
Year Ended September 30, 1990

<u>State</u> <u>ORG. #</u>	<u>TTPI Grant/ID #</u>	<u>Expenditures</u>	<u>Questioned</u> <u>Costs</u>
<u>Public Works and Utilities</u>			
6381	Yap Airport Terminal	\$ 9,303	\$ -
6382	Rural Sanitation Yap Cap	54,939	-
6383	Colonia Power Upgrade	1,617	-
6384	Water Plant Upgrade	3,905	-
6385	Well development T308/1B	6,806	-
6386	Additional water sources T308/2	2,035	-
6387	Village water system 308/3	1,485	-
6390	Three O/I airfield 362/2	1,282,704	-
6391	Yap aircraft hanger	-	-
6392	Yap boat marina	-	-
6393	Road construction Phase V	420,229	-
6394	Southern Yap Water T312	22,732	-
6397	Hospital maintenance building T369	<u>7,233</u>	<u>-</u>
Total TTPI Capital Projects Fund		<u>\$1,812,988</u>	<u>\$ -</u>
<u>US Capital Project Grants</u>			
6851	Ulithi Sewer FSM 3593 5/0	\$ 16,985	\$ -
6853	House Sewer Connection II	96,263	-
6854	EDA-Airport Waterline Ext.	54,579	-
6855	Waste Water Treatment Plant	<u>107,372</u>	<u>-</u>
Total US Capital Project Grants		<u>\$ 275,199</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, 1990

State <u>ORG. #</u>	<u>CSFM Grant/ID #</u>	
5803	Woleai Jr. High School N/E	\$ 485
5804	Medical referral supply N/E	3,875
5805	Madrich Village N/E	66
5808	Yap Proper Youth Program N/E	-
5810	O/I Agri Program PL4-23 N/E	-
5811	Kanifay Elementary School N/E	-
5813	O/I Agriculture Projects N/E	-
5816	Colonia Community Centre N/E	1,397
5819	Natural Resource Match 9/7	-
5822	O/I H/S Girls Dorm N/E	600
5834	Joint Law Enforcement 9/7	477
5838	Gellnet Fishing	3,984
5839	Bottom Fish Development	-
5841	Rep & Ren Cong Delg Off N/E	1,934
5842	Rull Municipal Building	26,225
5844	Medical Supplies	(28)
5846	Gagil Elementary School N/E	762
5849	Womens association building 75229/0	7,268
5850	Madrich Village	14,475
5851	O/I High School Centre 7520 N/E	24,051
5852	Power extension 7519 N/E	2,019
5854	Balebat BB N/E	9,000
5855	HS Medical Supply 7055 N/E	920
5856	Copra subsidy 7056 N/E	19,484
5857	TEB & Meerur Ch Rec 7057 N/E	-
5859	Plan Water N/E	2,817
5865	O/I High School Reconstruction N/E	-
5866	Yap Supreme Court 9/9	2,957
5867	Joint Law Enforcement 9/8	5,231
5868	Vocational Education 2137 N/E	10,040
5869	Gachpar Community Centre N/E	-
5870	Hospital Warehouse N/E	-
5872	Yap Public Library	761
5874	O/I Transportation & Communication 9/0	3,254
5875	Rull Water Extension	20,081
5876	GACH Par BB 9/0	8,000
5877	O/I Agriculture Improvement Program 9/0	21,797
5879	Asor Elementary School 9/0	1,213
5880	Sorol Elementary School	4,004
5881	Tagailap Community Centre 9/0	6,758
5882	Joint Law Enforcement 9/9	63,211
5883	Medical Referral Debt 9/0	11,880
5884	Medical Supplies 5-1169/0	15,508
5885	Medical Supply & Equipment 9/0	19,455
5886	Vocational Education 9/0	2,104
5889	Roads development & Maintenance 9/0	13,416
5893	Ifalik salt 9/0	3,313
5898	FY90 State Court 9/0	48,319
	Total CFSM Grants Fund	<u>\$ 381,113</u>

Note:

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





YAP STATE GOVERNMENT  
 CFMS CIP Project Fund  
 Statement of Expenditures and Questioned Costs  
 Year Ended September 30, 1990

<u>State</u>		
<u>ORG. #</u>	<u>CFMS Grant ID #</u>	
6601	Falales Project 9/0	\$ 4,913
6604	Gilmar Municipality N/E	14,720
6605	Power Plant Overhaul	41,261
6606	Tawaway Power	22,922
6607	Waloy Power	22,877
6608	Hospital Maintenance Building	49,003
6609	Outer Island Airfield	555,907
6695	Micro Spirit Desalination	<u>45,000</u>
	Total CFMS Grant	<u>\$ 756,603</u>

Note:

No costs have been questioned against the above expenditures.



YAP STATE GOVERNMENT  
 COMPACT - 211A Capital Projects Funds  
 Statement of Expenditures and Questioned Costs  
 Year Ended September 30, 1990

State  
 ORG. #

Capital Project Funds (Capital Account)

6201	High School Classroom	\$ 251
6205	O/I Turtle Nursery	7,191
6206	Transmitter FSM	76,524
6208	Investment Promo	1,266
6241	Pig Slaughterhouse	27,414
6242	Roads Development	1,756,600
6245	Land Acquisition	373,318
6249	Proj feasibility study	11,045
6261	Swine Development	18,991
6262	Manpower training	12,567
6268	O/I Copra & Storage	180
6269	Fruit and Orchard Development	4,745
6270	Vegetable and Root	1,208
6271	Nursery Development/Forestry	14,215
6272	Nursery & Research Development	351
6273	O/I Agriculture Improvement	1,489
6274	Poultry Development	7,013
6279	PTS Bus Purchase	3,810
6281	O/I Elementary School Repair PU & C	17,705
6283	CTRL/Col Power Upgrade PU & C	109,107
6285	Northwest Power Extension PU & C	5,140
6286	Dabech Power Line	3,793
6290	Col Com Centre B/B ext.	35,475
6291	Farmers Market	21,500
6292	Laboratory Extension	2,607
6293	Nursery & Research	(31)
6296	Airport Waterline	55,179
6298	Outer Island Airfields PU & C	90,865
	Other	4,356
	Total Compact Capital	<u>\$ 2,663,874</u>
6204	YFA Generator	\$ 30,000
6277	O/I Fisheries Development	5,500
6295	Tuna Fisheries Project	<u>2,800,000</u>
		<u>\$2,835,500</u>

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

**Note:** The above expenditures in ORG #'s 6204, 6277 and 6295 represent 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 of this fund.

A breakdown of transfers out is as follows:

Enterprise Funds	- Yap Fishing Authority	\$ 35,500
	- YEDA	<u>2,800,000</u>
		<u>\$2,835,500</u>



YAP STATE GOVERNMENT  
COMPACT CURRENT ACCOUNT

Statement of Expenditures and Questioned Costs  
Year Ended September 30, 1990

State

ORG. # Compact Program Account Expenditures

General Fund - Current Account

Base Amount	\$ 5,764,800
Inflation Adjustment (Section 217)	<u>1,729,440</u>
Total Compact Current Account	<u>\$ 7,494,240</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, 1990

<u>State</u> <u>ORG. #</u>	<u>TTPI Grant/ID #</u>		
	<u>Block Grant 221(B)</u>		
2113	DOE Budget Supply/maintenance	\$	47,976
2115	Instruction and Curriculum		109,677
2116	Yap Elementary Schools		65,159
2117	O/I Elementary Schools		69,300
2118	Yap High School		200,317
2119	Outer Islands High School		177,536
2122	Post Secondary Student Serv		14,512
2123	DOE Staff Development		88,752
2126	OI Middle School		37,223
2130	Family Health Planning		443
2132	Primary Health Care		10,660
2133	Preventive Health Care		7,490
2134	Sanitation Program		-
2136	Alcohol/Drug Abuse & M/H		17,167
2137	Medical Referral		406,809
2138	Medical Supply and Equipment		19,083
2139	EPA Administration		(1,100)
2140	Ancillary Services		7,878
	Total 221 (B) Expenditures		<u>1,278,882</u>
	<u>Compact Special Development Programs</u>		
2201	COTIOIPC Building		2,922
2202	YHS Class Room Building Renovation		24,240
2203	EPA Building Renovation		4,996
2204	Community Center Roof 9/0		16,291
	Total		<u>48,449</u>
	<u>Compact Health and Medical Programs</u>		
2448	Medical Referral Program		<u>218,275</u>
	<u>Compact Post Secondary Education</u>		
2641	Scholarships and Grants		<u>162,100</u>
	<u>Compact Energy Programs</u>		
2853	POL/Power Generation		<u>973,637</u>
	<u>Compact Coast Guard</u>		
2901	Coast Guard Land Lease		<u>90,000</u>
	<u>Total Compact Program Account Expenditures</u>		<u>\$2,771,343</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, 1990

**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 prior year findings will continue to hinder the effectiveness of administrative controls over federal programs.

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

**AUDITEE RESPONSE:** Appropriate personnel will be assigned to ensure resolution of the above matters.

YAP STATE GOVERNMENT  
QUESTIONED COSTS  
Year Ended September 30, 1990

Prior Year Questioned Costs

Unresolved federal questioned costs at September 30, 1989	\$229,000
FY90 Questioned Costs	<u>          -</u>
Total Unresolved federal questioned costs at September 30, 1990	\$229,000 =====
Unresolved local projects (FSM) questioned costs at September 30, 1989 and 1990	\$ 67,400 =====



YAP STATE GOVERNMENT

SCHEDULE OF PROGRAMS SELECTED FOR  
 AUDIT IN ACCORDANCE WITH OMB CIRCULAR A-128  
 YEAR ENDED SEPTEMBER 30, 1990

<u>Grantor</u>	<u>CFDA #</u>	<u>Description</u>	<u>Amount of 1990 Expenditures</u>
U.S. Department of the Interior	15.875		
Compact of Free Association:			
Capital Account Related			\$ 5,499,374
Program Account Related:			
221-B Block Grant			1,278,882
Health and Medical			218,275
Post Secondary Education			162,100
Energy Programs			973,637
Special Development Programs			48,449
Coast Guard			90,000
Federal Grants Fund			<u>64,048</u>
	Total CFDA # 15.875		8,334,765
Federal grants fund			
Chapter 1 and 2			
ORGS 3100,3101,3102,3112,3113,3147 and 3148			554,455
TTPI Capital Projects Fund			
6390 - Outer Island Airfields			1,282,704
6393 - Road Construction Phase V			<u>420,229</u>
	Total Programs Selected		\$ 10,592,153 =====
	Total U.S. Federal Program Expenditures		\$ 11,519,572 =====
	% of Total U.S. Federal Expenditures Covered by Major Programs		92% =====



**YAP STATE GOVERNMENT**  
**INDEPENDENT AUDITOR'S REPORT ON**  
**INTERNAL CONTROL STRUCTURE**

**SEPTEMBER 30, 1990**





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, 1990, and have issued our report thereon dated January 30, 1991.

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, 1990, 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 cycle
- Purchases and disbursement cycle
- Payroll cycle
- 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 statements.

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

1. Finding No. 8 - Fixed Asset Account Group.
2. Finding No. 10 - Yap Fishing Authority - Fixed Assets.

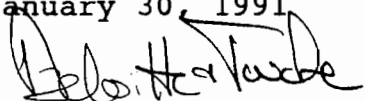
A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may 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.

January 30, 1991



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

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) Disbursements

Criteria - As an added control, checks in excess of \$10,000 should be countersigned by a second check signatory.

Condition - Checks of all values, apart from occasional manual checks, are signed by the check signing machine.

Cause - No policy regarding counter signatories on checks exists.

Effect - A possible misuse of State Funds could occur.

Recommendation - We recommend that all checks in excess of \$10,000 be manually countersigned by an authorized check signatory to help strengthen controls over the State's disbursements.

Auditee response - The preventive controls for potential misappropriation of state funds because of the lack of a co-signer on large checks are (1) independent approval and verification of accounts payable vouchers and documentation by Chief of Finance (2) independent verification of check amount and accounts payable voucher totals, (3) physical security of check signing plates and check stock. The detective control is the bank reconciliation by a person independent of the treasury and accounts payable sections. We feel these controls are adequate to prevent a potential misappropriation of funds.



(3) Payroll

Criteria - Proper segregation of duties within the payroll function should exist.

Condition - Payroll clerks are involved in all payroll functions. They modify the payroll master file, perform input, review edit reports and run payroll checks. There appears to be no independent review of payroll functions.

Cause - Unknown.

Effect - Possible undetected errors and unauthorized changes to payroll data.

Recommendation - We recommend that an independent employee, who has not been involved with payroll preparation and entry, be responsible for reviewing the payroll edit reports. In addition, the final payroll report should be reviewed and approved by a senior accounting official for overall reasonableness.

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



(4) Payroll

Criteria - Payroll master file access should be limited to authorized personnel independent of primary payroll functions.

Condition - Payroll clerks are responsible for updating the payroll master file and also responsible for other payroll preparation functions.

Cause - Unknown

Effect - Possible manipulation of payroll master file data, resulting in calculation and distribution of unauthorized payroll amounts.

Recommendation - We recommend that access to the payroll master file be limited to a minimal number of employees who are independent of the regular payroll processing function.

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



(5) Payroll

Criteria - Accurate calculations of FSM tax withholdings should be performed (6% on the first \$11,000 earned per calendar year and 10% on the excess).

Condition - The current payroll system calculates withholding tax on a pro-rata basis with the first \$423 of the bi-weekly gross pay taxed at 6% and anything beyond that at 10%.

Cause - Incorrect calculation formula integrated in the automated payroll system.

Effect - This will result in inaccurate deductions for employees making more than \$11,000 during the first part of the calendar year.

Recommendation - It is recommended that the payroll program be modified to ensure correct calculation of tax withheld as outlined above.

Auditee response - We feel this finding is more appropriately addressed at the FSM level since all the States use the same automated IDC package for calculation of withholding taxes. We also note that in all governmental jurisdictions, the deduction for these taxes is necessarily different from what may be due from the standpoint of statutory requirements; that indeed, the annual filing by employers of wage and tax statements and subsequent calculation of refunds or additional payments by the Revenue office are part and parcel of assessing payroll taxes. Again, if the FSM has been somewhat negligent in this regard, the concern might better be called to their attention and not the individual state.



(6) Cash Receipts

Criteria - Cash receipts collected at sub-collection centers should be remitted intact and on a timely basis to the State Finance Treasury office.

Condition - From our review of procedures over the handling of funds at the various sub-collection points, it was found that submissions to Treasury evidenced up to one month delays between collection and remittance to Treasury for deposit.

Cause - Remittances of funds to Treasury are not being made in a timely manner.

Effect - The State loses potential investment earnings on these undeposited balances. In addition, undeposited cash increases the risk for potential misuse of this cash.

Recommendation - A policy should be implemented at sub-collection centers requiring at least weekly deposits to be made at Treasury.

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



(7) Cash Receipts

Criteria - Cash receipts collected at the State Treasury Office should be deposited into the State's bank account on daily basis.

Condition - Funds collected at Treasury were occasionally being held for several days before being deposited.

Cause - No specific policy over timely deposit of funds exists.

Effect - The State loses potential investment earnings on these undeposited balances, In addition, undeposited cash increases the risk of misuse of the cash.

Recommendation - We recommend that deposits be made on a daily basis.

Auditee response - Management considers the amount of foregone investment earnings on undeposited balances less than \$500 to be negligible; cash is adequately secured in a safe when held overnight; the risk of misuse is also considered by management to be negligible. The State Treasurer will, however, issue more specific guidelines over when a deposit should be made and use the \$500 amount as his criteria.

(8) 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 1990 revealed that additions were being made relating to previous years' purchases, as assets were still being identified which had not previously been included in the State's accounting records.

Cause - It appears that the fixed asset records have not been updated on a timely basis in the past.

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 periodical 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.

(9) Public Transportation System - Cash Receipts

Criteria - A cash receipts summary ledger should be maintained to summarize all amounts received during a year of income.

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 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 easy reconciliation of the bank account and compilation of year end results.

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



(10) 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 1990 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.

