

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

**REPORT ON THE AUDIT OF
FINANCIAL STATEMENTS IN ACCORDANCE
WITH OMB CIRCULAR A-133**

YEAR ENDED SEPTEMBER 30, 2001

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

YEAR ENDED SEPTEMBER 30, 2001

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FEDERATED STATES OF MICRONESIA**

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**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

**INDEPENDENT AUDITORS' REPORT,
GENERAL PURPOSE FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION**

YEAR ENDED SEPTEMBER 30, 2001



INDEPENDENT AUDITORS' REPORT

Honorable Joseph J. Urusemal
President
Federated States of Micronesia:

We have audited the accompanying general purpose financial statements of the Federated States of Micronesia (FSM) National Government, as of September 30, 2001, and for the year then ended, as set forth in Section II of the foregoing table of contents. These general purpose financial statements are the responsibility of the management of the FSM National Government. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

Except as discussed in the following paragraphs, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial 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 general purpose 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 general purpose financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

We were not able to apply sufficient alternative procedures to assure ourselves as to the propriety of cash and equivalents maintained at the FSM Finance Branches and at Department of Economic Affairs. Net unreconciled differences of \$313,545 and \$230,000 exist between adjusted bank balances and the general purpose financial statements for the FSM Finance Branches and Department of Economic Affairs, respectively, as of September 30, 2001.

We were not able to apply sufficient alternative procedures to assure ourselves as to the propriety of receivables from other governments and agencies, net, and due to FSM State governments for all Governmental Fund Types; inventory for the Proprietary Fund Type - Internal Service Fund; and investments of the Component Units – Proprietary Funds as of September 30, 2001. These balances also enter into the determination of revenues and expenditures/expenses as of and for the year ended September 30, 2001.

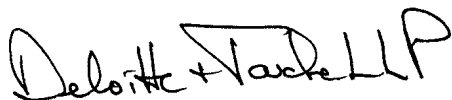
The intercompany receivables and payables for National Fisheries Corporation, a Component Unit - Proprietary Fund, were not reconciled by \$551,613 as of September 30, 2001. The nature of NFC's intercompany records do not permit application of alternative audit procedures with respect to proper identification and recordation of intercompany transactions and the ultimate impact on the financial statements is uncertain.

In our opinion, except for the effects on the general purpose financial statements of such adjustments, if any, as might have been determined to be necessary had we been able to assure ourselves as to the propriety of, and disclosures related to, cash and equivalents, receivables from other governments and agencies and due to FSM State governments, and their effect on the determination of revenues and expenditures for all Governmental Fund Types; inventory and the effect on the determination of expenses for the Proprietary Fund Type – Internal Service Fund; investments and the effect on the determination of revenues and expenses for the Component Units – Proprietary Funds; and the elimination of intercompany receivables and payables for National Fisheries Corporation, a Component Unit - Proprietary Fund, as discussed in the third through fifth paragraphs above, such general purpose financial statements, as set forth in Section II of the table of contents, present fairly, in all material respects, the financial position of the FSM National Government as of September 30, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 13 to the financial statements, FSM National Government changed its method of accounting for nonexchange transactions to conform with Government Accounting Standards Board Statement No. 33 and has restated the 2000 financial statements to reflect the change.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements and schedules listed in Section III of the foregoing table of contents, which are also the responsibility of the management of the FSM National Government, are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the FSM National Government. Such additional information has been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, except for the matters discussed in the third through fifth paragraphs above, in our opinion, is fairly stated in all material respects when considered in relation to the general purpose financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2002, on our consideration of the FSM National Government's (primary Government only) internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink that reads "Deloitte + Tachell LLP". The signature is written in a cursive, stylized font.

September 30, 2002

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Combined Balance Sheet - All Fund Types, Account Groups and Discretely Presented Component Unit
September 30, 2001
(With Comparative Totals as of September 30, 2000)

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals Primary Government (Memorandum Only)	Component Units			Totals Reporting Entity (Memorandum Only)	
	General	Special Revenue	Capital Projects	Internal Service	Expendable Trust	General Fixed Assets	General Long-Term Debt		Higher Education	Governmental	Proprietary	2001	2000
ASSETS													
Cash and equivalents (notes 2 and 9)	\$ -	\$ 853,958	\$ -	\$ -	\$ 235,233	\$ -	\$ -	\$ 1,089,191	\$ 1,895,154	\$ 2,265,308	\$ 4,987,472	\$ 10,237,125	\$ 9,567,020
Time certificates and other term deposits (note 2)	4,512,628	230,000	-	-	817,606	-	-	5,560,234	-	-	3,046,058	8,606,292	8,426,439
Investments (notes 2 and 9)	5,474,623	12,100,114	2,172,855	-	1,575,244	-	-	21,322,836	1,516,191	33,310,350	20,824,854	76,974,231	97,634,962
Equity investments (note 2)	1,500,000	-	3,833,274	-	-	-	-	5,333,274	-	-	1,979,724	7,312,998	7,043,754
Receivables from TTPI/OTIA	-	376,347	726,755	-	-	-	-	1,103,102	-	-	-	1,103,102	1,801,091
Receivables from other governments and agencies, net	516,102	372,639	-	-	-	-	-	888,741	1,032,325	-	-	1,921,066	3,445,216
General receivables, net	1,396,069	3,102	-	-	1,575	-	-	1,400,746	4,972,925	18,207	1,884,685	8,276,563	4,618,042
Taxes receivables	3,174,457	-	-	-	-	-	-	3,174,457	-	-	-	3,174,457	-
Advances	2,931,887	133,700	32,060	-	-	-	-	3,097,647	-	3,863	27,267	3,128,777	4,037,584
Loans receivable, net (note 5)	5,161,987	25,656,322	1,203,636	-	-	-	-	32,021,945	-	-	17,568,859	49,590,804	43,578,018
Due from other funds (note 4)	131,799,856	3,429,963	-	76,719	594,186	-	-	135,900,724	-	-	-	135,900,724	141,412,214
Interest and other receivables	39,085	134,140	64,852	-	-	-	-	238,077	-	-	763,524	1,001,601	721,095
Inventory	-	-	-	111,707	-	-	-	111,707	74,638	-	397,972	584,317	325,590
Restricted assets (note 11)	-	-	-	-	-	-	-	-	3,037,849	-	17,928,395	20,966,244	19,947,584
Amount to be provided for retirement of long-term debt	-	-	-	-	-	-	31,769,980	31,769,980	-	-	-	31,769,980	27,084,749
Prepaid expenses	-	-	-	-	223,522	-	-	223,522	55,879	4,585	388,551	672,537	1,413,932
Fixed assets, net (notes 9 and 10)	-	-	-	-	-	38,410,862	-	38,410,862	8,992,672	122,302	47,483,399	95,009,235	85,320,918
Total assets	\$ 156,506,694	\$ 43,290,285	\$ 8,033,432	\$ 188,426	\$ 3,447,366	\$ 38,410,862	\$ 31,769,980	\$ 281,647,045	\$ 21,577,633	\$ 35,724,615	\$ 117,280,760	\$ 456,230,053	\$ 456,378,208

See accompanying notes to financial statements

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Combined Balance Sheet - All Fund Types, Account Groups and Discretely Presented Component Units, Continue
September 30, 2001
(With Comparative Totals as of September 30, 2000)

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals Primary Government (Memorandum Only)	Component Units			Reporting Entity (Memorandum Only)	
	General	Special Revenue	Capital Projects	Internal Service	Expendable Trust	General Fixed Assets	General Long-Term Debt		Higher Education	Governmental	Proprietary	2001	2000
LIABILITIES AND FUND EQUITY													
Liabilities													
Accounts payable	\$ 884,075	\$ 1,148,067	\$ 37,921	\$ -	\$ 559,605	\$ -	\$ -	\$ 2,629,668	\$ 348,120	\$ 47,445	\$ 1,372,903	\$ 4,398,136	\$ 2,230,988
Accrued payroll and others	215,640	1,674	-	-	-	-	-	217,314	3,498,951	32,122	2,281,269	6,029,656	805,449
Tax refunds payable	530,168	-	-	-	-	-	-	530,168	-	-	-	530,168	255,237
Due to other funds (note 4)	123,141,529	11,042,690	1,355,259	-	361,246	-	-	135,900,724	-	-	-	135,900,724	142,033,322
Due to FSM State governments	3,920,021	664,316	9,455	-	-	-	-	4,593,792	-	-	-	4,593,792	2,470,183
Deferred revenues	-	-	75,358	-	-	-	-	75,358	2,645,330	-	76,903	2,797,591	2,116,171
Vacation leave accrual	-	-	-	-	-	-	624,623	624,623	-	-	-	624,623	822,453
Notes payable (note 6)	-	-	-	-	-	-	29,189,487	29,189,487	-	-	35,687,449	64,876,936	54,796,450
Other liabilities	746,473	75,910	-	-	1,062,454	-	1,955,870	3,840,707	138,689	-	1,690,243	5,669,639	3,033,363
Total liabilities	129,437,906	12,932,657	1,477,993	-	1,983,305	-	31,769,980	177,601,841	6,631,090	79,567	41,108,767	225,421,265	208,563,616
Minority interest in consolidated subsidiarie	-	-	-	-	-	-	-	-	-	-	633,645	633,645	-
Fund equity:													
Investment in general fixed assets	-	-	-	-	-	38,410,862	-	38,410,862	8,992,672	122,302	-	47,525,836	45,363,097
Retained earnings	-	-	-	188,426	-	-	-	188,426	-	-	75,538,348	75,726,774	75,852,000
Fund balances:													
Reserved for:													
Benefits	-	-	-	-	-	-	-	-	-	35,522,746	-	35,522,746	39,759,435
Loans	5,161,987	25,656,322	1,203,636	-	-	-	-	32,021,945	-	-	-	32,021,945	28,571,846
Related assets	6,008,484	1,002,857	3,833,274	-	-	-	-	10,844,615	-	-	-	10,844,615	11,218,819
Encumbrances	6,162,301	1,721,292	436,517	-	-	-	-	8,320,110	-	-	-	8,320,110	8,352,934
Continuing appropriations (note 7)	9,170,997	626,250	915,670	-	-	-	-	10,712,917	-	-	-	10,712,917	19,572,171
Unreserved	565,019	1,350,907	166,342	-	1,464,061	-	-	3,546,329	5,953,871	-	-	9,500,200	19,124,290
Total fund equity	27,068,788	30,357,628	6,555,439	188,426	1,464,061	38,410,862	-	104,045,204	14,946,543	35,645,048	76,171,993	230,808,788	247,814,592
Commitments and contingencies (note 3)													
Total liabilities and fund equity	\$ 156,506,694	\$ 43,290,285	\$ 8,033,432	\$ 188,426	\$ 3,447,366	\$ 38,410,862	\$ 31,769,980	\$ 281,647,045	\$ 21,577,633	\$ 35,724,615	\$ 117,280,760	\$ 456,230,053	\$ 456,378,208

See accompanying notes to financial statements

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Combined Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Fund Types, Expendable Trust Funds and Discretely Presented Component Units
Year Ended September 30, 2001
(With comparative totals for the year ended September 30, 2000)

	Governmental Fund Types			Fiduciary Fund Type	Totals Primary Government (Memorandum Only)	Component Units		Totals Reporting Entity (Memorandum Only)	
	General	Special Revenue	Capital Projects	Expendable Trust		Higher Education	Governmental	2001	2000
Revenues:									
Compact of Free Association:									
Base grant	\$ 3,499,200	\$ 3,649,780	\$ 1,500,800	\$ -	\$ 8,649,780	\$ -	\$ -	\$ 8,649,780	\$ 8,649,780
Inflation adjustment	1,959,552	448,056	840,448	-	3,248,056	-	-	3,248,056	3,074,053
U.S. federal contributions	-	6,299,127	-	-	6,299,127	17,387,632	-	23,686,759	13,427,765
FSM revenue sharing	5,530,378	-	-	-	5,530,378	-	-	5,530,378	6,339,259
Taxes and licenses	12,886,533	-	-	-	12,886,533	-	-	12,886,533	14,814,068
Investment income (loss)	(4,678,051)	-	-	-	(4,678,051)	-	(4,305,329)	(8,983,380)	7,170,405
Other	-	411,223	-	3,806,546	4,217,769	655,822	10,489,141	15,362,732	16,902,906
Total revenues	19,197,612	10,808,186	2,341,248	3,806,546	36,153,592	18,043,454	6,183,812	60,380,858	70,378,236
Expenditures:									
Executive branch	12,280,084	10,173,715	1,719,696	-	24,173,495	-	-	24,173,495	24,626,577
Judicial branch	914,585	-	-	-	914,585	-	-	914,585	985,512
Legislative branch	3,008,716	-	-	-	3,008,716	-	-	3,008,716	3,013,712
Office of the Public Auditor	367,613	-	-	-	367,613	-	-	367,613	322,241
Other National Government programs	5,182,615	-	-	-	5,182,615	-	-	5,182,615	3,414,349
Boards and commissions	1,080,208	-	-	-	1,080,208	-	-	1,080,208	1,227,117
Other legislative appropriations	10,573,942	-	-	-	10,573,942	-	-	10,573,942	11,716,759
Other	-	-	-	4,482,381	4,482,381	17,983,910	10,404,264	32,870,555	25,668,635
Total expenditures	33,407,763	10,173,715	1,719,696	4,482,381	49,783,555	17,983,910	10,404,264	78,171,729	70,974,902
Excess (deficiency) of revenues over (under) expenditures	(14,210,151)	634,471	621,552	(675,835)	(13,629,963)	59,544	(4,220,452)	(17,790,871)	(596,666)
Other financing sources (uses):									
Operating transfers in (out), net (note 8)	(4,370,466)	(662,726)	-	-	(5,033,192)	-	-	(5,033,192)	(6,030,517)
Others and proceeds from loan	-	2,711,849	-	-	2,711,849	-	(49,229)	2,662,620	3,523,562
Earnings (loss) on equity investment (note 2)	-	-	287,093	-	287,093	-	-	287,093	(319,883)
Total other financing (uses) sources, net	(4,370,466)	2,049,123	287,093	-	(2,034,250)	-	(49,229)	(2,083,479)	(2,826,838)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(18,580,617)	2,683,594	908,645	(675,835)	(15,664,213)	59,544	(4,269,681)	(19,874,350)	(3,423,504)
Fund balances at beginning of year (note 13)	45,649,405	27,674,034	5,646,794	2,139,896	81,110,129	14,886,999	39,914,729	135,911,857	139,335,361
Fund balances at end of year	\$ 27,068,788	\$ 30,357,628	\$ 6,555,439	\$ 1,464,061	\$ 65,445,916	\$ 14,946,543	\$ 35,645,048	\$ 232,075,014	\$ 135,911,857

See accompanying notes to financial statements.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Statement of Revenues, Expenditures and Changes in Fund
Balance - Budget and Actual, Budgetary Basis - General Fund
Year Ended September 30, 2001

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Compact	\$ 5,353,776	\$ 5,458,752	\$ 104,976
Local taxes	6,100,000	5,530,378	(569,622)
Fishing rights fees	14,000,000	11,307,836	(2,692,164)
Postal revenues	550,000	591,562	41,562
Investment earnings	1,700,000	(4,678,051)	(6,378,051)
Business fees, fines, penalties and interest on delinquent taxes	<u>1,130,000</u>	<u>987,135</u>	<u>(142,865)</u>
Total revenues	<u>28,833,776</u>	<u>19,197,612</u>	<u>(9,636,164)</u>
Expenditures:			
Executive branch	13,312,544	11,879,936	1,432,608
Judicial branch	976,294	876,922	99,372
Legislative branch	4,370,658	2,972,356	1,398,302
Office of the Public Auditor	828,323	347,088	481,235
Other National Government programs	4,679,858	4,798,455	(118,597)
Boards and commissions	1,846,110	1,542,840	303,270
Other legislative appropriations	<u>16,704,676</u>	<u>10,444,643</u>	<u>6,260,033</u>
Total expenditures	<u>42,718,463</u>	<u>32,862,240</u>	<u>9,856,223</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(13,884,687)</u>	<u>(13,664,628)</u>	<u>220,059</u>
Other financing sources (uses):			
Operating transfers in (out), net	<u>(4,617,294)</u>	<u>(4,318,579)</u>	<u>298,715</u>
Total other financing sources (uses), net	<u>(4,617,294)</u>	<u>(4,318,579)</u>	<u>298,715</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(18,501,981)	(17,983,207)	518,774
Unreserved fund balance at beginning of year	10,442,410	10,442,410	-
Other changes in unreserved fund balance:			
Net encumbrances adjustment	-	(106,638)	(106,638)
Increase in reserve for related assets	-	711,344	711,344
Decrease in reserve for continuing appropriations	-	7,001,110	7,001,110
Increase in loans	<u>-</u>	<u>500,000</u>	<u>500,000</u>
Unreserved fund balance at end of year	<u>\$ (8,059,571)</u>	<u>\$ 565,019</u>	<u>\$ 8,624,590</u>

See accompanying notes to financial statements.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Combined Statement of Revenues, Expenses and Changes in Fund Equity
All Proprietary Fund Types and Discretely Presented Component Unit
Year Ended September 30, 2001
(With comparative totals for the year ended September 30, 2000)

	Proprietary Fund Type Internal Service	Totals Primary Government (Memorandum Only)	Component Units Proprietary	Totals Reporting Entity (Memorandum Only)	
				2001	2000
Operating revenues:					
Charges for goods and services	\$ 10,612	\$ 10,612	\$ 17,771,273	\$ 17,781,885	\$ 13,736,250
Other	-	-	1,294,293	1,294,293	258,035
Total operating revenues	10,612	10,612	19,065,566	19,076,178	13,994,285
Operating expenses:					
Personnel services	-	-	4,388,610	4,388,610	3,686,990
Circuit lease	-	-	744,395	744,395	491,282
Bad debts	-	-	746,540	746,540	1,769,793
Utilities	-	-	536,520	536,520	419,857
Rent	-	-	316,383	316,383	170,532
Communications	-	-	352,837	352,837	338,583
Repairs and maintenance	-	-	436,163	436,163	397,770
Travel	-	-	416,192	416,192	338,689
Supplies and materials	-	-	163,129	163,129	168,634
Contractual services	-	-	203,462	203,462	253,447
Advertising	-	-	390,806	390,806	308,389
Professional fees	-	-	173,648	173,648	62,102
Training	-	-	104,734	104,734	70,873
Depreciation	-	-	2,852,932	2,852,932	2,459,354
Cost of sales	-	-	5,392,450	5,392,450	219,716
Other	-	-	550,674	550,674	501,108
Total operating expenses	-	-	17,769,475	17,769,475	11,657,119
Operating income	10,612	10,612	1,296,091	1,306,703	2,337,166
Nonoperating revenues (expenses)					
Transfers in from General Fund	-	-	1,644,330	1,644,330	699,573
Interest income (expense), net	-	-	(919,163)	(919,163)	(1,119,671)
Investment income	-	-	(1,958,910)	(1,958,910)	1,283,406
Loss on investment	-	-	(17,849)	(17,849)	(83,472)
Loss(Gain) on sale of fixed assets	-	-	(332,950)	(332,950)	2,417
Other income	-	-	1,325,057	1,325,057	56,160
Total nonoperating revenues (expense), net	-	-	(259,485)	(259,485)	838,413
Minority interest in consolidated subsidiaries	-	-	154,727	154,727	-
Net income	10,612	10,612	1,191,333	1,201,945	3,175,579
Retained earnings at beginning of year (note 12)	177,814	177,814	74,347,015	74,524,829	72,521,127
Retained earnings at end of year	\$ 188,426	\$ 188,426	\$ 75,538,348	\$ 75,726,774	\$ 75,696,706

See accompanying notes to financial statements

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Combined Statement of Cash Flows
All Proprietary Fund Types and Discretely Presented Component Unit:
Year Ended September 30, 2001
(With comparative totals for the year ended September 30, 2000)

	Proprietary Fund Type <u>Internal Service</u>	Totals Primary Government (Memorandum Only)	Component Units <u>Proprietary</u>	Totals Reporting Entity (Memorandum Only) <u>2001</u>	<u>2000</u>
Increase (decrease) in cash and equivalents					
Cash flows from operating activities:					
Operating income	\$ 10,612	\$ 10,612	\$ 1,296,091	\$ 1,306,703	\$ 2,337,166
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	-	-	2,852,932	2,852,932	2,459,354
Bad debts	-	-	746,540	746,540	1,769,793
Loss on disposal of fixed assets	-	-	346,043	346,043	-
Others	-	-	(203,892)	(203,892)	25,110
	<u>10,612</u>	<u>10,612</u>	<u>5,037,714</u>	<u>5,048,326</u>	<u>6,591,423</u>
Changes in assets and liabilities:					
Interest receivable	-	-	75,256	75,256	(145,385)
Accounts receivable trade	-	-	95,491	95,491	(606,822)
Accounts receivable other	-	-	(377,860)	(377,860)	(1,237)
Advances	-	-	30,472	30,472	(37,029)
Inventory trade	-	-	225,597	225,597	163,544
Prepaid expenses	-	-	76,726	76,726	(128,921)
Loans receivable	-	-	(3,581,090)	(3,581,090)	(3,629,947)
Accounts payable	-	-	199,303	199,303	(63,078)
Contract retentions payable	-	-	-	-	(90,958)
Due from other funds	(10,612)	(10,612)	247	(10,365)	(11,844)
Accrued payroll	-	-	(616,819)	(616,819)	4,307
Accrued leave payable	-	-	12,772	12,772	2,508
Deferred revenue	-	-	18,841	18,841	44,185
Accrued expenses, other	-	-	56,631	56,631	107,184
Interfund payables	-	-	1,556,329	1,556,329	(366,876)
	<u>(10,612)</u>	<u>(10,612)</u>	<u>(2,228,104)</u>	<u>(2,238,716)</u>	<u>(4,760,369)</u>
Net cash provided by operating activities	<u>-</u>	<u>-</u>	<u>2,809,610</u>	<u>2,809,610</u>	<u>1,831,054</u>
Cash flows for noncapital financing activities:					
CFSM appropriations received	-	-	1,644,330	1,644,330	699,573
Loan participations sold	-	-	-	-	(106,588)
Contributed capital received and other external funding	-	-	1,194,124	1,194,124	-
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>	<u>2,838,454</u>	<u>2,838,454</u>	<u>592,985</u>

See accompanying notes to financial statements

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Combined Statement of Cash Flows, Continued
All Proprietary Fund Types and Discretely Presented Component Unit
Year Ended September 30, 2001
(With comparative totals for the year ended September 30, 2000)

	Proprietary Fund Type <u>Internal Service</u>	Totals Primary Government (Memorandum Only)	Component Units <u>Proprietary</u>	Totals Reporting Entity (Memorandum Only) <u>2001</u> <u>2000</u>	
Cash flows from capital and related financing activities:					
Note repayments	-	-	(4,825,718)	(4,825,718)	(565,463)
Acquisition of fixed assets	-	-	(2,565,731)	(2,565,731)	(949,392)
Interest expense	-	-	(1,448,784)	(1,448,784)	(1,442,856)
Proceeds from other income-sale of fixed assets	-	-	3,327,712	3,327,712	2,417
Net cash used for capital and related financing activities	-	-	(5,512,521)	(5,512,521)	(2,955,294)
Cash flows from investing activities:					
Increase in investment	-	-	(1,379,020)	(1,379,020)	(79,620)
Withdrawals from (additions to) time deposits	-	-	33,942	33,942	(3,080,000)
Interest income received	-	-	759,954	759,954	315,747
Net cash used for investing activities	-	-	(585,124)	(585,124)	(2,843,873)
Net decrease in cash and equivalents	-	-	(449,581)	(449,581)	(3,375,128)
Cash and equivalents at beginning of year (note 12)	-	-	5,437,053	5,437,053	7,566,630
Cash and equivalents at end of year	\$ -	\$ -	\$ 4,987,472	\$ 4,987,472	\$ 4,191,502
See accompanying notes to financial statements					

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Statement of Changes in General Fixed Assets Account Group
Year Ended September 30, 2001
(With comparative totals for the year ended September 30, 2000)

	<u>2001</u>	<u>2000</u>
Balance at beginning of year	\$ 36,206,029	\$ 35,137,421
Current year additions	2,297,493	1,239,565
Current year deletions	<u>(92,660)</u>	<u>(170,957)</u>
Balance at end of year	<u>\$ 38,410,862</u>	<u>\$ 36,206,029</u>

See accompanying notes to financial statements.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2001

(1) Summary of Significant Accounting Policies

The general purpose financial statements of the Federated States of Micronesia (FSM) National Government have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing government accounting and financial reporting principles. The more significant of the FSM National Government's accounting policies are described below.

A. Reporting Entity

GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting", requires that proprietary activities apply all applicable GASB pronouncements as well as Statements and Interpretations issued by the Financial Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989. The FSM National Government has implemented GASB 20 and elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

As required by GAAP, the general purpose financial statements of the FSM National Government present the government and its component units; entities for which the government is considered to be financially accountable. Discretely presented component units are reported in separate columns in the general purpose financial statements to emphasize that they are legally separate from the government. Each discretely presented component unit has a September 30 year end except for the FSM Development Bank and the FSM Social Security Administration which have December 31 year ends.

Discretely Presented Component Units

Governmental Fund - FSM Social Security Administration (FSMSSA)

The FSMSSA has been included in the FSM National Government's general purpose financial statements as a component unit. This component unit has been presented on a discrete basis as it is administered separately and apart from other funds. The Component Unit's principal income may be expended in the course of its designated operations, and accordingly, the component unit is accounted for in essentially the same manner as a governmental fund. The financial statements of the component unit are presented under the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they become both measurable and available to finance expenditures of the current period and expenditures are generally recognized when the related liability is incurred. Financial statements for the FSMSSA are included as of December 31, 2001.

Higher Education Fund - College of Micronesia-FSM

The Higher Education Fund consists of the College of Micronesia-FSM (COM-FSM) which is included in the FSM National Government's general purpose financial statements based on the criteria for inclusion of component units. This component unit is presented on a discrete basis as it is administered separately.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2001

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

Discretely Presented Component Units, Continued

Higher Education Fund - College of Micronesia-FSM, Continued

COM-FSM was established by the FSM Public Law 7-79 on September 25, 1993 as a FSM public corporation to serve the varied post-secondary and adult educational needs of the Federated States of Micronesia. It is under the general management and control of a seven member Board of Regents, appointed by the FSM President with the advice and consent of the Congress. The term for all the board members is three years.

Proprietary Funds

Coconut Development Authority

The Federated States of Micronesia Coconut Development Authority (the Authority) was established in 1981 by Public Law 1-145, as amended by Public Law 2-8, and incorporated as Chapter Two, Title 22 of the Code of the Federated States of Micronesia. The purpose of the Authority is to manufacture, process, buy, collect, market, sell, export, inspect, improve the quality, and deal with, in general, all products derived from the coconut tree. The Authority has the additional responsibility to establish prices to producers or sellers of coconut products in the Federated States of Micronesia, to collect and receive all monies derived from the sales of coconut products, and to stabilize the price of these products. The Authority is a component unit of the Federated States of Micronesia National Government.

The affairs of the Authority are managed by a five-member board, consisting of representatives of the four FSM states and the FSM National Government. Daily operation of the Authority is delegated to a general manager, who is hired by and serves at the pleasure of the Board.

The operation of the Authority is funded by annual appropriations from the FSM Congress. The purchase of coconut products is funded by copra subsidy appropriations from the FSM Congress and revenues generated through sales of copra.

FSM Telecommunications Corporation

The Telecommunications Corporation of the Federated States of Micronesia (the Corporation) was established as a public corporation under the laws of the Federated States of Micronesia, the purpose of which is to provide telecommunications services, except radio and television broadcasting, throughout the FSM and to points outside the FSM. The Corporation began its operations on October 1, 1983.

Additional funding was made available under Section 215(a)(2) and Section 215(b)(2) of the Compact of Free Association, and loan funds from the USDA Rural Electrification Administration.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2001

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

Discretely Presented Component Units, Continued

Proprietary Funds, Continued

FSM Development Bank

The Federated States of Micronesia Development Bank (FSMDB) was created in 1979 by Public Law 1-37 of the First Congress of the Federated States of Micronesia. The FSM Development Bank began its operations on October 1, 1980. The FSMDB was reorganized in January of 1994 by Public Law 8-47 of the Eighth Congress of the Federated States of Micronesia. The purpose of the FSM Development Bank is to provide loans for the economic development of the FSM at below market rates.

The Investment Development Fund (IDF), which provides funds for loans made by the FSMDB, was established by Public Law 5-122 in January 1989. The purpose of the IDF is to finance projects which will (1) have their operations primarily located within the FSM; (2) improve the balance of payments position of the FSM; (3) increase the value of visible and invisible exports or result in import substitutions; (4) demonstrate positive economic returns; (5) contribute to the furtherance of close economic relations with the USA.

The Pohnpei Development Loan fund and the Yap Development Loan Fund are administered by the FSMDB in a Trust capacity. All loan decisions are made by executives of the respective state governments.

Due to a difference in the reporting period, financial statements for the FSM Development Bank are included as of December 31, 2001 and for the year then ended.

National Fisheries Corporation

The National Fisheries Corporation (the Corporation) was established on July 13, 1983 by FSM Public Law No. 3-14. The component unit is directed by a board composed of seven members. The purpose of the Corporation is to engage in activities dealing with the development of fisheries in the Federated States of Micronesia.

B. Fund Accounting

The FSM National Government uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain FSM National Government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. They are concerned only with the measurement of financial position and are not involved with measurement of results of operations.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2001

(1) Summary of Significant Accounting Policies, Continued

B. Fund Accounting, Continued

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds) and the acquisition or construction of general fixed assets (capital projects funds). The general fund is used to account for all activities of the general government not accounted for in some other fund.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds). The proprietary fund type of the FSM National Government is comprised of an internal service fund which is the Supply Stock Revolving Fund created by Public Law No. 4-74 for the government to benefit from discounted prices of supplies and other items available from volume purchasing.

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the FSM National Government. When these assets are held under the terms of a formal trust agreement, either a pension trust fund, a nonexpendable trust fund or an expendable trust fund is used. The terms "nonexpendable" and "expendable" refer to whether or not the FSM National Government is under an obligation to maintain the trust principal.

There are two account groups. The General Fixed Assets Account Group is used to account for fixed assets not accounted for in proprietary funds. The General Long-Term Debt Account Group is used to account for general long-term debt and certain other long-term liabilities that are not specific liabilities of proprietary funds.

C. Basis of Presentation

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financial sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2001

(1) Summary of Significant Accounting Policies, Continued

C. Basis of Presentation, Continued

The modified accrual basis of accounting is used by all governmental fund types and expendable trust funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means that the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Those revenues susceptible to accrual are FSM local taxes, charges for services, leases, interest revenue, fines and permits.

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

D. Budgetary Process

The Congress of the Federated States of Micronesia (CFSM) enacts the budget through passage of specific departmental appropriations. Before signing the Appropriations Act, the President may veto or reduce any specific appropriation, subject to Congressional override. Under the Compact of Free Association, which went into effect November 3, 1986, approval of all CFSM Laws is vested with the President of the Federated States of Micronesia.

During fiscal year 2001, supplemental appropriations were also made for both operating and capital purposes, to reflect the evolving priorities of the FSM National Government.

Budgetary control is maintained at the departmental level. Budget revisions during the year, reflecting program changes, may be effected by CFSM approval.

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 canceled. If an encumbrance is subsequently canceled, the funds revert to the applicable unreserved fund balance unless otherwise required by law.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2001

(1) Summary of Significant Accounting Policies, Continued

D. Budgetary Process, Continued

Budgetary expenditures, which are on a basis other than GAAP, represent current charges against appropriations; current charges consist of all current year liquidated and unliquidated encumbrances. Budgetary expenditures are therefore determined by subtracting both current year liquidations of prior year encumbrances and unliquidated prior year encumbrances from the combined total of current year. When reviewed in relation to respective budgets, budgetary expenditures provide the principal means of evaluating current year operating performance and management stewardship. Amounts included on the Statement of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual, Budgetary Basis - General Fund (which are presented on a non-GAAP budgetary basis) are reconciled to unreserved fund balance of the Combined Balance Sheet with the other changes in unreserved fund balance section of that statement.

E. Receivables

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

At September 30, 2001, the FSM National Government had rendered tax assessments of an unknown amount for delinquent taxes. If collected, 30% of these receivables will accrue as revenue to the FSM National Government; the other 70% will accrue to the collecting State Government. However, due to the uncertainty of collection, these amounts have not been reflected within the accompanying general purpose financial statements.

The General Fund includes \$3,600,000 in loans receivable from the National Fisheries Corporation (a Component Unit - Proprietary Fund) and \$1,561,987 from Chuuk State Government. These loans are fully reserved for in fund balance due to the terms of the loan (see note 5A).

For the Student Loan Fund, a Fiduciary Fund Type - Expendable Trust Fund, the policy of the FSM National Government is to reserve all loans until collection occurs since applicable loan terms are such that it is difficult to estimate when and if repayments may occur. As of September 30, 2001, \$1,606,953 was the outstanding balance of loans, the sum total of which was fully reserved as doubtful.

The Compact Capital Improvement Project Fund includes a loan receivable of \$1,203,636 from Caroline Fisheries Corporation. This outstanding loan balance has been fully reserved for in fund balance (see note 5C).

F. Interfund Transactions

The National Government has two potential types of 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).

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2001

(1) Summary of Significant Accounting Policies, Continued

G. Fixed Assets

Fixed assets used in governmental fund type operations (general fixed assets), are accounted for in the General Fixed Assets Account Group rather than in governmental funds. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. It is the FSM National Government's policy to not capitalize infrastructure costs. Depreciation is not charged against the General Fixed Assets Account Group. Substantially all fixed assets of the FSM National Government are equipment, furniture and fixtures and vehicles. Fixed assets comprised the following:

Buildings and improvements	\$ 13,958,076
Boats	14,912,746
Motor vehicle	4,649,405
Computer equipment	1,916,366
Aircraft	709,207
Furniture, equipment and machinery	<u>2,265,062</u>
	\$ <u>38,410,862</u>

All buildings and equipment transferred to COM-FSM were recorded at management's estimate of fair market value at the date of transfer. Subsequent additions have been recorded at cost and/or realizable value, as estimated and provided by COM-FSM. To the extent that current funds are used to finance plant assets, the amounts are accounted for as: (1) expenditures, in the case of normal replacements or movable equipment and library books; (2) mandatory transfers, in the case of required provisions for debt amortization and interest and equipment renewal and replacement; and (3) transfers of a non-mandatory nature for all other cases. The COM-FSM has adopted depreciation accounting beginning with fiscal year 1994. The provision for depreciation is reflected in the Plant Fund balance sheet as a depreciation allowance with the subsequent reduction of Plant Fund balances. Depreciation is calculated using the straight line method over estimated useful lives of three to fifteen years.

Real property and certain buildings, being used by COM-FSM, were contributed to the COM-FSM by the Pohnpei State Government. No user fee or allowance has been computed or charged to the COM-FSM by the Pohnpei State Government. Therefore, such costs have neither been recorded as in-kind contributions or expenditures.

H. Inventories

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

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2001

(1) Summary of Significant Accounting Policies, Continued

I. Actual Expenditures Contrasted With Budgetary Expenditures

Actual expenditures are charges which represent the total of all current year liabilities incurred which were attributable to operations; such liabilities may represent liquidations of either current or prior year encumbrances. In contrast, budgetary expenditures represent current charges against appropriations; current charges consist of all current year liquidated and unliquidated encumbrances.

J. Fund Balance Reserves and Designations

The FSM National Government's fund balance reserves represent those portions of fund balance (1) not appropriable for expenditure or (2) legally segregated for a specific future use. In the accompanying combined balance sheet, reserves for related assets such as imprest funds and petty cash are examples of the former. Reserves for encumbrances, contracts, and continuing appropriations are examples of the latter.

Reserves for related assets for the general fund as of September 30, 2001, are as follows:

World Bank Group securities	\$ 1,149,850
Imprest cash fund	280,622
Petty cash fund	4,061
Revolving Funds - FSM States	516,102
Other receivables	1,831,095
Equity investment - UMDA	1,500,000
Receivable – TTPI CIP Fund	<u>726,754</u>
Total	\$ <u>6,008,484</u>

Reserves for related assets of the capital projects funds relate to equity investments of those funds.

The FSM National Government is required to maintain in a trust account 100% of the 3 million dollars loan with ADB for the Early Retirement Program (See note 6A). As of September 30, 2001, \$772,857 of cash maintained in the trust account and \$230,000 in interest bearing account managed by Department of Economic Affairs both in the Special Revenue Fund were reserved for as a related asset.

K. Totals - Memorandum Only

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

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2001

(1) Summary of Significant Accounting Policies, Continued

L. Investments

The State adheres to the standards of GASB 31. GASB 31 provides the governmental activities shall, with certain exceptions, report investments at fair value in the balance sheet. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties. Investments in the equity of companies are carried at cost if less than twenty percent of the companies' total equity, on consolidated basis if greater than fifty percent. (See note 2).

M. Cash and Equivalents

For purposes of the Combined Balance Sheet and the Combined Statement of Cash Flows, cash and equivalents are defined as cash on deposit in banks including time certificates of deposit with an initial maturity of ninety days or less.

N. Management Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

(2) Cash and Equivalents and Investments

I. Compact Funds

Public Law No. 4-77, which approved the "Internal Budget and Finance Procedures Under the Compact of Free Association", established and designated the Federated Development Authority (FDA) as the agency under which Compact funds available for investment are obligated and placed. This law also provides that all FDA investment funds shall be managed by the FSM Secretary of Finance for the FDA.

The FSM National Government and each of the individual States of the Federated States of Micronesia channel their investments into combined investment pool accounts.

The investment managers and the trustee report on the investment pool accounts; the trustee also reports on each government-participant's total investments, showing the individual investments in the long-term and short-term accounts and each participant's balance which remains with the trustee.

Ownership or share in the long-term and short-term investment pools are accounted for in terms of units purchased at the time of investment or redeemed at the time of withdrawal. Purchase and redemption of units are made on the first working day of the month at the current market value of the units. Shares of the participants in the reinvested earnings and accrued income (net of management fees and miscellaneous expenses) in the long-term investment account (interest, dividends, realized gains/losses on sales of stocks) and in the short-term account (interest and realized gains/losses on sales of securities) are based on the outstanding units held.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2001

(2) Cash and Equivalents and Investments, Continued

I. Compact Funds, Continued

The investment managers 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 equivalents - The manager may engage in all normally accepted short-term investment practices including, but not limited to: U.S. Treasury and Agency securities, bankers' acceptances, certificates of deposit, commercial paper and repurchase agreements using any of the foregoing as collateral. The following restrictions apply:
 - a. Commercial paper must be rated A-1/P-1 or higher by Standard and Poors Corporation and Moodys Investor Services.
 - b. Certificates of deposit must be from FDIC insured banks 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 by the Secretary of Finance.

II. Other Funds

The Health Insurance Fund, an Expendable Trust Fund, has cash deposits of \$1,575,244 with Pacific Century Trust, which is invested in U.S. Treasury Notes.

III. Investment Management

The administration of the initial Compact Investment Development Fund (IDF) of \$12 million received under Section 111(b)(1) of the Compact agreement in October 1987 was transferred to the FSM Development Bank, a Component Unit - Proprietary Fund, together with all cumulative earnings in March 1989 pursuant to Public Law 5-122. The second installment of \$8 million received under this section of the Compact was received by the FSM National Government during fiscal year 1991, and was transferred to the FSM Development Bank together with all cumulative earnings on February 22, 1994, pursuant to Public Law 6-109.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2001

(2) Cash and Equivalents and Investments, Continued

III. Investment Management, Continued

The FSM National Government and its component units do not require collateralization of cash accounts. Therefore, cash and equivalents are substantially uncollateralized. For cash and investments of the FSM Social Security Administration, refer to note 9.

As of September 30, 2001, the details of the FSM National Government's Governmental and Fiduciary fund type cash and equivalents and investments are as follows:

	<u>Market Value</u>
<u>Cash and equivalents</u>	
Compact Funds	\$ 25,240
Others	<u>1,063,951</u>
	\$ <u>1,089,191</u>
<u>Investments</u>	
Compact Funds	\$ 14,587,911
Others	<u>6,734,925</u>
	\$ <u>21,322,836</u>
<u>Term Deposits</u>	
General Fund	\$ 4,512,628
Special Revenue Fund	230,000
Expendable Trust Fund	<u>817,606</u>
	\$ <u>5,560,234</u>

IV. FSM Development Bank (FSMDB)

FSM National Government statutes permit the FSMDB to invest in shares, stocks, mortgages, bonds, obligations, securities and investments of all kinds. IDF funds must be invested in short-term, readily marketable, investment grade nonconvertible bonds, guaranteed investment contracts issued by an insurance company with over \$1 billion in assets, or shares in a money market, open-ended, mutual fund.

Deposits by FSMDB with financial institutions at December 31, 2001, are categorized by risk as follows:

Amount insured or collateralized	\$ 300,000
Uninsured or uncollateralized	<u>1,429,354</u>
Total Deposits	\$ <u>1,729,354</u>

FSMDB management's confidence in the financial strength of their banking institutions was the basis of the decision to not require collateralization. No losses as a result of this practice were incurred for the year ended December 31, 2001.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2001

(2) Cash and Equivalents and Investments, Continued

IV. FSM Development Bank (FSMDB), Continued

GASB Statement No. 3 requires government entities to categorize investments in the following categories to give an indication of the level of risk assumed by the entity at year-end.

- Category 1 - Securities insured or registered and held by the FSMDB or IDF or its agent in the FSMDB's or IDF's name.
- Category 2 - Securities uninsured and unregistered and held by a party other than the FSMDB or IDF or its agent, in the FSMDB's or IDF's name.
- Category 3 - Securities uninsured and unregistered and held by a party other than the FSMDB or IDF and not in the FSMDB's or IDF's name.

Investments as of December 31, 2001, are carried at cost, which approximates market value, and are comprised of the following:

	<u>FSMDB</u>	<u>IDF</u>	<u>Pohnpei Development Loan Fund</u>	<u>Yap Development Loan Fund</u>
U.S. Government Obligations	\$ 9,011,102	\$ 8,850,000	\$ -	\$ -
Time certificates of deposit with original maturities of greater than ninety days	1,240,000	-	300,000	120,000
Investment premiums and discounts	<u>874</u>	<u>(133,337)</u>	<u>-</u>	<u>-</u>
	<u>\$ 10,251,976</u>	<u>\$ 8,716,663</u>	<u>\$ 300,000</u>	<u>\$ 120,000</u>

The difference between book and market values is not material. Management is of the opinion that it has the intent and ability to hold all of the securities to maturity and, therefore, no losses will be incurred. The investments held by the FSMDB and IDF have been classified as category 1 investments in accordance with the GASB Statement No. 3 as all investments are held in the name of FSMDB or IDF by Merrill Lynch, Inc.

The FSMDB, a component unit - proprietary fund, owns 100,000 shares of the stock of a commercial bank incorporated within the FSM. The investment is now accounted for on the cost method after previously being accounted for on the equity method. The investment constitutes a 10.84% ownership share.

Opening balance	\$ 662,188
FY2001 activity	<u>-</u>
Ending balance	\$ <u>662,188</u>

V. FSM Telecommunications Corporation

Investments in Securities

Investments in securities are carried at fair value in accordance with the requirements of GASB Statement No. 31.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2001

(2) Cash and Equivalents and Investments, Continued

V. FSM Telecommunications Corporation, Continued

Generally, the Corporation can invest in bonds and other existence of indebtedness of the U.S. and in preferred or common stock of any corporation created or existing under the laws of the U.S. or any U.S. state, territory, or commonwealth. Additionally, a maximum of 10% of the total portfolio may be invested in non-U.S. equities.

Investments in securities comprise the following as of September 30, 2001:

Equities	\$ 5,981,938
U.S. government obligations	1,139,198
Corporate bonds and others	<u>3,282,135</u>
	\$ <u>10,403,271</u>

Investment - IntelSat

In September 1994, the Corporation became a member of the International Telecommunications Satellite organization (IntelSat). The Corporation paid its initial capital investment share of \$910,114 representing a .05% valuation of the operating agreement at the time of acquisition. At September 30, 2001, the investment balance of \$910,114 is carried at cost. Interest earned on this investment was \$249,912 during the year ended September 30, 2001.

Investment – Island Cable Television

On December 8, 1998, FSM Telecommunications Corporation acquired a 50% ownership in Island Cable Television - Pohnpei for \$450,000. The Corporation has recorded this investment under the equity method of accounting. Goodwill of \$383,062 resulting from the purchase is being amortized over a period of fifteen (15) years. For the year ended September 30, 2001, amortization expense of \$19,153 is netted with the Corporation's pro rata share of earnings of \$1,304 to derive a loss on the investment of \$17,849.

VI. Investment Categorization

GASB No. 3 requires government entities to categorize investments to give an indication of the level of risk assumed by the entity at year end.

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

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2001

(2) Cash and Equivalents and Investments, Continued

VI. Investment Categorization, Continued

The FSM National Government's demand and time deposits are non-categorized investments in accordance with GASB Statement # 3. Compact of Free Association funds held by the designated trustee have been classified as category 2 investments as all Compact investments are held in the name of the Federated Development Authority. Other fund investments are classified as category 1 investments as investments are either registered or held in the agency's name. All other investments are classified as category 2 investments as they are held by the designated trustee in the FSM National Government's name.

VII. Equity Investment

The FSM National Government owns 298,745 shares of the stock of a commercial bank incorporated within the FSM. The principal investment of \$3,000,000 is accounted for on the equity method since the investment constitutes a 32% ownership share. The investment is recorded in the Capital Projects Fund and is reserved for as a related asset within that fund.

Opening balance	\$ 3,546,181
FSM's share of subsidiary fund equity (loss)	<u>287,093</u>
Carrying value	\$ <u>3,833,274</u>

The FSM National Government also owns 50,000 shares of the stock of a commercial enterprise located in the Commonwealth of the Northern Marianas. The investment of \$1,500,000 resulted from a contribution and is accounted for in the General Fund at cost since the investment constitutes a .05% ownership share. This investment is reserved for as a related asset in the general fund.

The FSM National Fisheries Corporation has recorded various investments in for-profit fishing corporations whose carrying values have each been reduced to zero. NFC has not provided audited financial statements for these investments.

(3) Commitments and Contingencies

1. Sick Leave. It is the policy of the FSM National Government to record sick leave when leave is actually taken and a liability is actually incurred. The accumulated estimated amount of unused sick leave at September 30, 2001, was not available.
2. Litigation. The FSM National Government is party to several legal proceedings arising from governmental operations. Claims are filed with the FSM Attorney General. Approved claims are paid from appropriations to the affected government agency. At September 30, 2001, there existed several unapproved claims. The Attorney General of the FSM National Government represents that the ultimate resolution of these claims is undeterminable, but could have a material impact on the accompanying general purpose financial statements.

Such impact has currently been estimated to approximate \$1,955,870. Accordingly, this amount has been accrued with in the General Long-Term Debt Account Group.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2001

(3) Commitments and Contingencies, Continued

3. Leases. The FSM National Government has entered into house lease agreements varying from one to five years. The aggregate amount of future lease payments has not been accumulated as renewal is subject to annual appropriation.
4. Federal Program Questioned Costs. The National Government participates in a number of U.S. federally assisted grant programs. These programs are subject to financial and compliance audits to ascertain if Federal laws and guidelines have been followed. Currently, \$322,448 of unresolved questioned costs exists for FSM National Government. Ultimate resolution is not predictable but may impact the general fund if repayment is required. No provision for any related liability is made in the general purpose financial statements.

Additionally, a material amount of questioned costs exists from the four States of the Federated States of Micronesia which receive federal funds in a subrecipient capacity. If these questioned costs are sustained, such will be funded by State resources.

Pursuant to Title I, Section 105 of United States Public Law 99-290, the Government of the Federated States of Micronesia (FSM) is no longer liable for debts to U.S. federal agencies arising prior to the date of the implementation of the Compact of Free Association. This matter has not yet been officially resolved with the U.S. Government. Accordingly, the States have made no adjustment to the above questioned costs for amounts which were incurred prior to the implementation of the Compact of Free Association.

5. Insurance. The FSM National Government does not carry insurance to cover its potential risks. The FSM National Government is substantially self-insured for all risks. Management is of the opinion that no material losses have been sustained as a result of this practice.

(4) Interfund Receivables and Payables

As of September 30, 2001, interfund receivables and payables that resulted from various interfund transactions were as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 131,799,856	\$ 123,141,529
Special Revenue Funds:		
Maritime Operations	413,456	-
Disaster Relief	125,648	-
Federal grants direct	1,510,865	706,377
OIA	-	119,578
Passport Revolving Fund	40,000	-
Fisheries Revolving Fund	147,794	-
FSM Medical Revolving Fund	5,341	-
Asian Development Loan Fund	181,786	-
Aqua Center Revolving Fund	32,078	-
Early Retirement Program Fund	-	467,799
Section 215 (a)(2) - Communication - Annual	-	954,074
Section 215 (b)(2) - Communication - One Time	108,010	-
Section 216 (a)(1) - Marine Surveillance - Annual	-	2,526,960
Section 216 (b) - Marine Surveillance - One Time	-	940,991

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2001

(4) Interfund Receivables and Payables. Continued

Special Revenue Funds, Continued:		
Section 216 (a)(3) - Post Secondary Education	-	2,819,829
Section 216 (a)(2) - Health and Medical	-	1,466,996
Section 221 (b) - Special Block	696,777	-
Section 214 - Energy	-	1,040,086
Special Development Fund	168,208	-
Capital Projects Funds:		
Compact	-	782,684
OIA/TTPI	-	572,575
Internal Service Fund	76,719	-
Expendable Trust Funds:		
Health insurance	-	361,246
Student loan fund	594,186	-
Total	\$ 135,900,724	\$ 135,900,724

(5) Loans Receivable

A. 1) General Fund- NFC

As of September 30, 2001, an amount of \$3,600,000 was outstanding from the National Fisheries Corporation (a component unit-proprietary fund). The first three notes were used for the purchase of common and preferred stock of Yap Fishing Corporation and two longline fishing boats, including initial working capital.

The additional four notes were used for longline training activities, purchase of common stock of Yap Fresh Tuna, and business joint ventures:

<u>Date</u>	<u>Principal</u>	<u>Annual Installments</u>	<u>First Payment Date</u>	<u>Term</u>
3/29/91	\$ 750,640	\$ 44,155	3/29/94	20 years
7/11/91	1,212,940	86,639	7/11/94	17 years
9/27/91	397,176	23,363	9/27/94	20 years
10/1/91	500,000	29,412	10/18/94	17 years
4/2/92	100,000	5,000	4/30/95	23 years
4/2/92	39,244	1,962	4/30/95	23 years
11/1/91	100,000	5,000	11/30/95	20 years
-	<u>500,000</u>	-	-	-
	\$ <u>3,600,000</u>			

Pursuant to Public Law 6-69, no interest is payable on these loans. The FSM National Government has reserved this loan within fund balance at September 30, 2001.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2001

(5) Loans Receivable, Continued

A. 2) General Fund- Chuuk State Recovery Loan

During the fiscal year ended September 30, 1998, Chuuk State Government and the FSM National Government entered into a loan agreement whereby the FSM National Government agreed to loan the State of Chuuk the sum of \$5,000,000 dollars ("Chuuk Recovery Loan"). The primary purpose of this loan was to assist the State in satisfying amounts due to various vendors for payroll allotments and the principal portion of the State's tax liabilities to the FSM Revenue and Taxation and the FSM Social Security Administration. Under the terms of the loan agreement, a total of \$3,761,987 was earmarked for this purpose.

The remaining principal amount \$1,238,013, to be disbursed subsequent to fiscal year 2001, is earmarked to finance amounts owed by Chuuk State for payroll allotments, principal, penalties and interest due to the FSM Revenue and Tax Division and the FSM Social Security Administration and payment of amounts due to outside vendors for medical referrals and purchases. The loan is to be repaid in quarterly allotments of \$416,667 including interest thereon beginning October 1, 1998. Interest is at 1% per annum. The total amount outstanding on this loan at September 30, 2001 was \$1,561,987. Chuuk State has defaulted on the note by not making any repayment during the year. The FSM National Government has reserved this loan within fund balance at September 30, 2001.

B. Loans Receivable - Special Revenue Funds

As set forth in note 6, the FSM National Government has borrowed \$29,189,487 and relent \$25,656,322 of Asian Development Bank (ADB) funds under the same terms and conditions imposed by ADB. (See Note 6A and 6B). The FSM National Government has reserved this loan within fund balance at September 30, 2001.

C. Compact Capital Projects Fund

As of September 30, 2001, an amount of \$1,203,636 was outstanding from the Caroline Fisheries Corporation (CFC), a joint venture between the National Fisheries Corporation (NFC) (a component unit-proprietary fund), Pohnpei State Economic Development Authority and the Australian-owned Tuna Development Company, Pty. Ltd. (TDC). The loan was restructured during the year ended September 30, 1998 where Caroline Fisheries Corporation paid FSM National Government \$1,000,000 and the original note of \$3,750,000 was reduced to \$1,500,000. The FSM National Government recorded a loss of \$1,250,000 on this transaction during the year ended September 30, 1998. The new note has an annual interest rate of 8%, is uncollateralized, and is due in monthly installments of \$67,841. The FSM National Government has reserved this loan within fund balance at September 30, 2001.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2001

(5) Loans Receivable, Continued

D. Loans Receivable - FSM Development Bank (FSMDB)

The FSMDB's policy is to report loans receivable net of an allowance for uncollectible loans. Following is a schedule of loan balances and the respective allowances:

<u>December 31, 2001</u>	<u>Loan Balance</u>	<u>Allowance for D/A</u>	<u>Net Amount</u>
FSM Development Bank	\$ <u>19,925,249</u>	\$ <u>(2,356,390)</u>	\$ <u>17,568,859</u>

The loans receivable for State Development Funds and IDF are included as restricted assets as set forth in the accompanying general purpose financial statements.

As of December 31, 2001, the Bank has thirty-six loans totaling \$3,783,650 to employees and spouses of employees of the Bank of which eight loans totaling \$3,350,431 are considered to be normal bank project loans. Certain of the above loans are made from IDF and State Development Funds which are classified in restricted assets (note 11).

(6) Notes Payable

A. Early Retirement Loan

As of fiscal year 2001, the FSM National Government has a total of \$18,200,000 outstanding from the Asian Development Bank borrowed to fund an early retirement program for all eligible public service employees of the FSM National Government, Kosrae State Government, Pohnpei State Government, Yap State Government and Chuuk State Government. The loan has a maturity date of 2037 with payment of principal to commence on February 1, 2008. The loan is guaranteed by the FSM National Government with a service charge of 1% payable semiannually on February 1 and August 1. As of September 30, 2001, \$4,200,000, \$3,500,000, \$5,300,000 and \$2,200,000 had been relent to Pohnpei State, Yap State, Chuuk State and Kosrae State respectively, to fund early retirement programs, and \$3,000,000 was allocated to the FSM National Government for its early retirement program. These notes receivable are included in the Special Revenue Funds.

B. Fisheries & Water Project Loans

As of fiscal year 2001, the FSM National Government has borrowed a total of \$10,989,487 from the Asian Development Bank on behalf of Micronesian Longline Fishing Company, Chuuk Public Utilities Corporation, Pohnpei Utilities Corporation, Yap State Public Services Corporation, and FSM Department of Economic Affairs for fisheries projects and water projects.

The loans have a maturity date of July 15, 2033 with payment of principal to commence on January 15, 2004. These loans are guaranteed by the FSM National Government with a service charge of 1% payable semiannually on January 15 and July 15.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2001

(6) Notes Payable, Continued

B. Fisheries & Water Project Loans, Continued

As of September 30, 2001, FSM National Government has relented the following:

FSM Economic Affairs	\$ 533,166
Micronesia Longline Fishing Company	4,387,486
Chuuk Public Utility Corporation	2,817,718
Pohnpei Utilities Corporation	1,474,779
Yap State Public Services Corporation	<u>1,776,338</u>
	<u>\$ 10,989,487</u>

C. Component Unit - Proprietary Funds

FSM Telecommunications Corporation

As of fiscal year 2001, FSM Telecommunications Corporation (FSMTC) (a component unit-proprietary fund) had drawn down a total of \$40,195,300 from U.S. Department of Agriculture Rural Electrification Administration as part of a \$41 million loan package to be used for telephone network expansion in the FSM.

The following summarizes the FSMTC debt service requirements for the next five years and thereafter:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2002	\$ 611,436	\$ 1,396,884
2003	642,008	1,366,312
2004	674,108	1,334,212
2005	707,814	1,300,506
2006	743,205	1,265,115
Thereafter	<u>24,559,105</u>	<u>14,362,895</u>
Total	<u>\$ 27,937,676</u>	<u>\$ 21,025,924</u>

National Fisheries Corporation

Notes payable of the National Fisheries Corporation (NFC) (a component unit-proprietary fund) are as follows:

Various notes payable to the FSM National Government, due in various annual installments, noninterest bearing, uncollateralized, due between 2007 and 2014. \$ 3,600,000

Various notes payable to the FSM Development Bank, a component unit of the FSM National Government, due in various quarterly and monthly installments at various interest rates, due between 1998 and 2010. 3,894,526

Loan payable to OPIC, payable in June 30, 2002, with interest of 5.87% commencing January 1999. 255,247

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2001

(6) Notes Payable, Continued \$ 7,749,773

C. Component Unit - Proprietary Fund, Continued

National Fisheries Corporation, Continued

Future maturities of NFC notes payable are as follows:

2002	\$ 2,567,130
2003	195,529
2004	195,529
2005	195,529
2006	195,529
Thereafter	<u>4,400,527</u>
	<u>\$ 7,749,773</u>

(7) Continuing Appropriations

General Fund

At September 30, 2001, the General Fund reflected \$9,170,997 as continuing appropriations, primarily representing appropriations for State Projects.

Capital Project Funds

Continuing appropriations of the Capital Projects Funds as of September 30, 2001, follow:

Public Law No.	5-75	\$ 4,328
	6-4	64,102
	6-7	70,478
	6-19	27,875
	5-118	90,984
	6-10	95,456
	6-91	258,517
	7-78	667
	8-018	55,254
	8-096	73,174
	9-030	71,609
	9-096	214,427
	9-125	41,439
	10-026	416,417
	10-024	175,602
	10-094	38,578
	10-119	240,803
	10-126	192,606
	10-145	500,000
	11-59	<u>1,000,000</u>
		3,632,316
	Less expenditures and encumbrances	<u>(2,784,593)</u>
	Sub-Total	<u>847,723</u>

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2001

(7) Continuing Appropriations, Continued

CFSM Capital Projects Funds

Staff housing	3,283
Finance warehouse	27,680
Capitol wells	<u>36,984</u>
	<u>67,947</u>

Total Capital Projects Funds	\$ <u>915,670</u>
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Special Revenue Funds

Continuing appropriations for Special Revenue Funds as of September 30, 2001, follow:

Scholarship Grants:

Pohnpei	\$ 78,522
Chuuk	78,174
Kosrae	1,547
Graduate Scholarship	57,061
College of Micronesia Assistance	<u>4,758</u>
Total	<u>220,062</u>

Communications One-Time (PL 5-3):

FSM Telecommunications Corp. - Building	1,824
FSM Telecommunications Corp. - Switch and others	112,945
FSM Telecommunications Corp. - Telephone System	<u>32,112</u>
	<u>146,881</u>

Energy

Kosrae Projects	37,790
Chuuk Projects	<u>135,522</u>
	<u>173,312</u>

Special Block Grant

Leptospirosis, Dengue Fever and Cholera	3,824
Yap Continuing Education (PL-7-96)	<u>14,751</u>
	<u>18,575</u>

Total Compact Special Revenue Funds	558,830
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Disaster Revolving Fund	<u>67,420</u>
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Total Special Revenue Funds	\$ <u>626,250</u>
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**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2001

(8) Transfers Out/In

Net transfers for the year ended September 30, 2001, consist of the following:

General Fund transfers in/out:	
Coconut Development Authority	\$ (344,118)
Maritime Operations Revolving Fund	(796,000)
National Fisheries Corporation	(418,212)
COM-FSM	(3,088,862)
Passport Revolving Fund	<u>276,726</u>
Net General Fund transfers out	\$ <u>(4,370,466)</u>
Special Revenue Funds transfers in (out):	
Passport Revolving Corporation	\$ (276,726)
Maritime Operations Revolving Fund	796,000
FSM Telecommunications Corporation	(882,000)
Post Secondary Education transfer out to COM-FSM	<u>(300,000)</u>
Net Special Revenue Funds transfers out	\$ <u>(662,726)</u>

(9) FSM Social Security Administration

The Social Security Administration of the Federated States of Micronesia National Government was established by Public Law 2-74, passed on February 8, 1983, and began operations on October 1, 1987, for the purpose of providing retirement, disability and death benefits to qualified individuals and their survivors. The Administration is administered under the authority of a six-member board appointed by the President of the Federated States of Micronesia (FSM).

A. Basis of Accounting

The FSM Social Security Administration has prepared financial statements using the modified accrual basis of accounting (refer Note 1C). Accounting for the Social Security system does not strictly follow pension fund accounting and accordingly the present value of the liability of prospective benefit payments and the present value of future contributions are not recorded. However, investments are recorded at market value in accordance with pension fund accounting guidelines.

B. Investments

Securities are stated at market value. Gains or losses on securities sold or disposed of are computed on the basis of specific identification.

Generally, the FSM Social Security Administration can invest in bonds and other evidence of indebtedness of the FSM or U.S.; or of any State of the FSM and U.S.; in bonds, debentures, notes, and other evidence of indebtedness issued or assumed by FSM or U.S. institutions, and in common stock on a U.S. stock exchange.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2001

(9) FSM Social Security Administration, Continued

B. Investments, Continued

All investments are registered or held by the Hawaiian Trust Company in the name of the FSM Social Security Administration.

As of December 31, 2001, the details of the FSM Social Security Administration's cash and investments are as follows:

Cash and equivalents

Cash on deposit with Hawaiian Trust Company ACM	\$ 1,855,281
All other cash on deposit with FDIC insured banks	<u>410,027</u>
Total cash and equivalents	\$ <u>2,265,308</u>

Investments

Market

Common stock	\$ 18,259,889
U.S. government obligations	3,327,121
Government agencies	5,416,384
Corporate bonds	<u>6,306,956</u>
Total investments	\$ <u>33,310,350</u>

The FSM Social Security Administration's demand and time deposits are non-categorized investments in accordance with GASB Statement No. 3. All other investments held by the Administration have been classified as category 1 investments in accordance with GASB No. 3 as all investments are held in the name of the FSM Social Security Administration by the Hawaiian Trust Co., the trustee.

GASB Statement No. 3 requires government entities to categorize investments in the following categories to give an indication of the level of risk assumed by the entity at year end.

Category 1 - Insured or registered, or securities held by the FSM Social Security Administration or its agent in the Administration's name.

Category 2 - Uninsured and unregistered, or securities held by a party other than the FSM Social Security Administration or its agent, in the Administration's name.

Category 3 - Uninsured and unregistered, with securities held by a party other than the FSM Social Security Administration and not in the Administration's name.

C. Fixed Assets

Fixed assets are accounted for in the General Fixed Assets Account Group rather than in governmental funds. During the year ended December 31, 2001, the net investment in fixed assets of \$122,302 was accounted for in the Administration's General Fixed Assets Account Group. Fixed assets consist of furniture, fixtures and equipment and are recorded at cost. Depreciation is provided over the estimated useful lives of the assets by the straight-line method.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2001

(9) FSM Social Security Administration, Continued

C. Fixed Assets, Continued

This account group is not a "fund." It is concerned only with the measurement of financial position and is not involved with measurement of results of operations.

(10) Component Units – Fixed Assets

A. Fixed Assets - Component Units-Proprietary Funds

Fixed assets are stated at cost, less accumulated depreciation. Depreciation is based on the straight-line method over the estimated useful lives of the respective assets.

Fixed assets of the component units-proprietary funds as of September 30, 2001, are as follows:

	FSM Telecom- munications <u>Corporation</u>	FSM Development <u>Bank</u>	National Fisheries <u>Corporation</u>	FSM Coconut Development <u>Authority</u>	<u>Total</u>
Estimated useful lives	5-35 years	3 years	3-15 years	5-20 years	
Building and leasehold improvement	\$ -	\$ -	\$ -	\$ 249,588	\$ 249,588
Fish processing plants	-	-	5,765,282	-	5,765,282
Fishing vessels	-	-	3,687,059	-	3,687,059
Fishing equipment	-	-	123,605	-	123,605
Fishing supplies	-	-	199,296	-	199,296
Donated assets	-	-	464,099	-	464,099
Furniture and fixtures	-	172,769	375,331	84,656	632,756
Vehicles	-	235,995	12,745	28,082	276,822
Equipment and machinery	-	313,730	1,995,965	3,489	2,313,184
General support assets	11,838,342	-	-	-	11,838,342
Central office assets	9,027,649	-	-	-	9,027,649
Earth station	4,903,665	-	-	-	4,903,665
Terminal equipment	3,662,232	-	-	-	3,662,232
Cable, pole & wiring facilities	29,792,150	-	-	-	29,792,150
Construction in progress	2,155,202	-	-	-	2,155,202
Less accumulated depreciation	(21,674,789)	(547,480)	(5,217,819)	(167,444)	(27,607,532)
	\$ <u>39,704,451</u>	\$ <u>175,014</u>	\$ <u>7,405,563</u>	\$ <u>198,371</u>	\$ <u>47,483,399</u>

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2001

(10) Component Units – Fixed Assets, Continued

B. Fixed Assets - Higher Education Fund

Fixed assets of the Higher Education Fund comprise the following:

Land	\$ 1,245,685
Buildings and improvements	8,897,754
Furniture and equipment	3,792,265
Library	367,582
Less accumulated depreciation	(5,310,614)
	\$ <u>8,992,672</u>

(11) Restricted Assets

Component Units - Proprietary Funds - Restricted assets at September 30, 2001, are primarily comprised of the following:

FSM Development Bank - Restricted assets are related to various funds which are administered substantially in a trust capacity on behalf of the FSM National Government, Pohnpei State and Yap State. These restricted assets include, among others, approximately \$9,136,663 of U.S. Government obligations and loans receivable of \$6,430,158.

Component Units – Higher Education – The \$3,037,849 of restricted assets are related to the current restricted fund. These restricted assets include, among others, receivable of \$2,109,225 from U.S Government.

(12) Reconciliation of Opening Fund Balance and Cash and Equivalents – Component Units – Proprietary Fund

Fund balance, beginning of year, as previously reported	\$ 75,518,892
Inclusion of National Fisheries Corporation	<u>(1,171,877)</u>
Fund balance, beginning of year, as reported in the accompanying general purpose financial statements	\$ <u>74,347,015</u>
Cash and equivalents, beginning of year, as previously reported	\$ 4,191,502
Inclusion of National Fisheries Corporation	<u>1,245,551</u>
Cash and equivalents, beginning of year, as reported in the accompanying general purpose financial statements	\$ <u>5,437,053</u>

(13) Adoption of New Accounting Principle

Effective October 1, 2000, FSM National Government adopted GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions." GASB No. 33 establishes more uniform revenue recognition criteria and financial reporting standards regarding the timing of recognition of the results of nonexchange transactions involving cash and other financial and capital resources. The provisions of GASB No. 33 were applied to all periods presented. The impact from the implementation of GASB No. 33 on the 2000 financial statements is documented below:

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2001

(13) Adoption of New Accounting Principle, Continued

	General <u>Fund</u>
Fund balance at September 30, 2000	\$ 44,770,384
Accrual of revenue share	<u>879,021</u>
Fund balance at September 30, 2000, as restated	\$ <u>45,649,405</u>

For component units, as a result of GASB 33, total fund equity has not been changed. However, contributed capital has been combined with retained earnings as follows:

2000 retained earnings, beginning of year, as previously reported	\$ 38,720,328
Add contributed capital as adjusted for GASB 33 application	<u>36,798,564</u>
2000 retained earnings, beginning of year, as restated	\$ <u>75,518,892</u>

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Combined Schedule of Expenditures by Account -
All Governmental Fund Types and Expendable Trust Funds
Year Ended September 30, 2001
(With comparative totals for the year ended September 30, 2000)

	Governmental Fund Types			Fiduciary	Totals	
	General	Special Revenue	Capital Projects	Expendable Trust	(Memorandum Only)	
					2001	2000
Expenditures:						
Personnel	\$ 8,859,893	\$ 2,749,464	\$ 38,175	\$ -	\$ 11,647,532	\$ 11,382,933
Travel	3,689,080	1,491,398	55,282	-	5,235,760	4,971,049
Capital asset purchases	1,254,352	341,657	10,770	-	1,606,779	2,735,371
Contractual services, contributions and subsidies	8,031,000	1,944,911	1,432,506	-	11,408,417	12,150,029
Communications	718,703	143,763	54,400	-	916,866	936,380
Supplies and materials	2,551,905	694,395	88,515	-	3,334,815	3,546,179
Office/house rent/lease	1,529,706	42,725	-	-	1,572,431	1,753,725
Construction in progress	942,505	-	-	-	942,505	1,089,771
Scholarships	243,039	1,272,217	-	-	1,515,256	1,166,456
Utilities	182,385	336,948	-	-	519,333	526,562
POL	559,990	242,986	-	-	802,976	957,983
Insurance and fees	63,007	85,306	-	-	148,313	146,420
Drydocking	-	-	-	-	-	344,880
Other	4,782,198	827,945	40,048	4,482,381	10,132,572	7,785,347
Total expenditures	\$ <u>33,407,763</u>	\$ <u>10,173,715</u>	\$ <u>1,719,696</u>	\$ <u>4,482,381</u>	\$ <u>49,783,555</u>	\$ <u>49,493,085</u>

See Accompanying Independent Auditors' Report.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

GENERAL FUND
Schedule of Revenues and Transfers In
Year Ended September 30, 2001
(With comparative totals for the year ended September 30, 2000)

	2001	2000 (As Restated)
Compact funding current:		
Base amount	\$ 3,499,200	\$ 3,499,200
Inflation adjustment	1,959,552	1,854,576
	<u>5,458,752</u>	<u>5,353,776</u>
Local taxes:		
Import	2,103,974	2,046,612
Fuel	172,117	237,859
Income tax, individuals, net of tax refunds	1,478,321	1,512,464
Gross receipts tax, businesses	1,775,966	1,840,382
	<u>5,530,378</u>	<u>5,637,317</u>
Fees, licenses, and other income:		
Fishing rights fees	11,307,836	16,001,719
Postal collections	591,562	548,159
Business license and firearms fees	119,633	52,098
Other income	703,684	264,201
Penalties and interest on delinquent taxes	163,818	729,874
	<u>12,886,533</u>	<u>17,596,051</u>
Investment income:		
Unrealized (losses) gains on equities	(5,889,641)	5,057,354
Realized gain on sale of equities	751,296	3,609,376
Dividend and interest income	460,294	1,249,981
	<u>(4,678,051)</u>	<u>9,916,711</u>
Other sources:		
Transfer in	276,726	160,405
Total revenues and transfers in	<u>\$ 19,474,338</u>	<u>\$ 38,664,260</u>

See Accompanying Independent Auditors' Report.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

GENERAL FUND
Schedule of Expenditures by Function and Department
Year Ended September 30, 2001
(With comparative totals for the year ended September 30, 2000)

	2001	2000
Executive Branch:		
President's Office	\$ 933,412	\$ 909,229
Department of External Affairs and LNO's	3,675,975	3,661,876
Department of Health, Education & Social Affairs	927,749	878,383
Department of Economic Affairs	1,110,769	1,447,112
Department of Transportation, Communication & Infrastructure	681,497	697,528
Department of Finance and Administration	2,185,399	2,222,879
Department of Justice	2,340,757	2,021,469
Office of the Public Defender	424,526	450,111
Total Executive Branch	<u>12,280,084</u>	<u>12,288,587</u>
Judicial Branch	<u>914,585</u>	<u>985,512</u>
Legislative Branch:		
Office of the Speaker	832,300	600,551
Congress staff	1,042,810	1,080,434
Delegation offices	435,283	403,739
Official representation and others	445,716	543,213
Members travel	20,560	153,568
Legislative committees	232,047	192,189
Others	-	40,018
Total Legislative Branch	<u>3,008,716</u>	<u>3,013,712</u>
Office of the Public Auditor	<u>367,613</u>	<u>322,241</u>
Other National Government Programs:		
Joint Committee Compact Economic	829,849	783,794
MMFA - College of Micronesia	660,213	204,235
FSM 2001 Games in Yap State	499,131	-
Micronesian Maritime Fisheries	450,000	-
Aid to Non-Public Schools	400,000	400,298
FSM ADB Water Supply & Sanitation	158,886	231,397
Micronesian Legal Services	150,000	150,000
Kosrae State Joint Law Enforcement	139,898	-
A&E Associates Cost/COM Chuuk	111,323	2,096
Chuuk State Judiciary	107,636	59,729
Aquaculture Center Program	94,754	87,121
FSM National Government Office Building	89,810	-
FY2001 Chuuk Congress/ConCon Election	86,412	489
FY2001 National Congress/ConCon Election	83,290	832
Infrastructure Development Plan	81,225	-
Yap State Joint Law Enforcement	73,632	68,961
FY2001 Pohnpei Congress/ConCon Election	69,847	270
FY2001 Yap Congress/Concon Election	69,275	-
Micronesia Red Cross Society	67,000	67,000
Yap State Judiciary	62,717	62,342
Plant Protection Program	60,000	-
International Telecommunication Union	57,639	-
Graduate Scholarship	50,000	-
FSM National Close Up Local	48,953	5,791
EMPAT - Phase II	43,424	61,857
World Health Organization	41,385	41,385
Ponape Agriculture and Trade School	40,000	177,000
Forum Secretariat	35,428	35,000
Air Continental scholarship	35,000	34,995
Kosrae Law School Scholarship	34,807	-
Kosrae State Court	33,546	65,427
Subtotal - Other National Government Programs	<u>4,765,080</u>	<u>2,540,019</u>

See Accompanying Independent Auditors' Report.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

GENERAL FUND
Schedule of Expenditures by Function and Department, Continued
Year Ended September 30, 2001
(With comparative totals for the year ended September 30, 2000)

	2001	2000
Other National Government Programs Balance Forwarded	4,765,080	2,540,019
The Pacific Community (Formerly SPC)	30,000	30,000
Internal Civil Aviation Organization	28,050	28,050
MEDC II Project	26,600	
FSM Amateur Sports Association	26,511	2,295
Kosrae ConCon/2001 Congress General Election	22,783	8,686
Pre-Constitutional Convention	21,412	-
Forum Fisheries Agencies	21,000	21,000
National Election Directory	20,566	-
FY2001 Kosrae Congress/Concon Election	20,506	-
Asia Pacific Coconut Community	16,618	20,500
Construction of Chuuk Campus Facilities-COM-FSM	15,847	-
Pacific Island Development Program	15,000	15,000
FY2001 Special Election	14,852	-
Pohnpei State Judiciary	14,562	47,602
FSM Giant Clam Culture Workshop	10,616	-
East West Center	10,000	10,000
Micronesia Shipping Commission	10,000	10,854
FSM Coastal Fishing Consortium	9,924	-
Asia Pacific Telecommunity	9,000	9,000
United Nations Membership Fee	9,000	-
SOPAC	8,000	8,000
South Pacific Regional Env.	7,375	65,014
National Chuuk Election Commission Office	7,209	-
Pohnpei ConCon/2001 Congress General Election	5,075	8,779
ESCAP	5,000	5,000
PATA	5,000	2,800
National Pohnpei Election Commission Office	4,315	-
National ConCon/2001 Congress General Election	3,380	15,780
UNDP	3,000	26,800
National Yap Election Commission Office	2,844	-
Yap State Judiciary	2,604	10,895
Official Intra and Inter State Travel	2,160	-
Yap ConCon/2001 Congress General Election	1,631	8,110
Chuuk Community Improvement Project	1,472	54,439
National Kosrae Election Commission Office	1,462	-
COMFSM Yap Campus Construction	1,172	24,995
Housing/Lease Rental Payment	1,064	2,750
Executive Director, Chuuk	1,010	19,341
NEMA Construction and Governor Rep. - INS	600	-
Mobil Games 2001	200	-
Chuuk ConCon/2001 Congress General Election	107	8,327
South Pacific Forum	8	-
SNDA Youth Development Needs	-	2,160
Fisheries Development Project	-	109,205
Vehicle Purchase	-	55,802
Financial Assistance - FSM Students in CNI/PCC	-	50,000
JCN Supplemental Funding	-	35,119
Pohnpei State Judiciary	-	17,242
Mobil Invitational Basebass Tournament	-	15,545
International Pepper Association	-	15,000
Micronesian Basketball	-	14,928
Yap Rural Development	-	12,877
Construction/Renovation of State Centers	-	12,269
1994 National Census House/Population	-	10,149
Georgetown Initiative of CMCE	-	10,000
Subtotal - Other National Government Programs	5,182,615	3,364,332

See Accompanying Independent Auditors' Report.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

GENERAL FUND
Schedule of Expenditures by Function and Department, Continued
Year Ended September 30, 2001
(With comparative totals for the year ended September 30, 2000)

	2001	2000
Other National Government Programs balance forwarded	5,182,615	3,364,332
FY99 National Election	-	9,858
Pohnpei Joint Law Enforcement	-	9,116
Yap MMFA	-	8,126
Chuuk Rural Development	-	6,923
UNFPA	-	3,000
Consultant Services	-	3,000
NDA Community Meeting Hall	-	2,400
Kosrae Tourism Development Strategies	-	2,344
Cons/Rev. CE Center/State	-	2,241
Kosrae Rural Development	-	1,621
Pohnpei Rural Development	-	836
Sports/Youth Activities Faichuk	-	356
1999 Yap Congress Special Election	-	156
Medical Financial Assistance	-	40
Total Other National Government Programs	<u>5,182,615</u>	<u>3,414,349</u>
Boards and Commissions:		
FSM Postmaster Postal Services	588,138	652,619
Micronesia Maritime Authority	316,897	338,199
FSM Banking Board	134,908	109,317
College of Micronesia	25,000	76,742
National Board of Nursing	<u>15,265</u>	<u>22,986</u>
Total Boards and Commissions	<u>1,080,208</u>	<u>1,199,863</u>
Other Legislative Appropriations:		
Public Projects - National Government	<u>10,573,942</u>	<u>11,716,759</u>
Total Other Legislative Appropriations	<u>10,573,942</u>	<u>11,716,759</u>
Total General Fund expenditures before operating transfers	<u>\$ 33,407,763</u>	<u>\$ 32,941,023</u>

See Accompanying Independent Auditors' Report.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

GENERAL FUND
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual, Budgetary Basis
Year Ended September 30, 2001

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Compact	\$ 5,353,776	\$ 5,458,752	\$ 104,976
Local taxes	6,100,000	5,530,378	(569,622)
Fishing right fees	14,000,000	11,307,836	(2,692,164)
Postal revenues	550,000	591,562	41,562
Investment earnings	1,700,000	(4,678,051)	(6,378,051)
Business fees, fines, penalties and interest on delinquent taxes	1,130,000	987,135	(142,865)
Total revenues	28,833,776	19,197,612	(9,636,164)
Expenditures-budgetary basis by department:			
Executive Branch:			
Office of the President	739,435	687,549	51,886
Disaster Office	47,742	40,951	6,791
Public Information	151,342	112,941	38,401
Total	938,519	841,441	97,078
Department of External Affairs:			
Administration	297,378	264,854	32,524
Division of APA & Multilateral Affairs	116,121	106,543	9,578
Division of American and European Affairs	66,796	67,325	(529)
FSM Consulate - Guam	253,050	257,793	(4,743)
FSM Consulate - Honolulu	226,895	217,043	9,852
FSM Embassy - Tokyo	987,586	923,331	64,255
FSM Embassy - Washington D.C.	935,672	861,014	74,658
FSM Embassy - Fiji	200,644	182,090	18,554
FSM Permanent Mission - New York	604,016	737,657	(133,641)
Total	3,688,158	3,617,650	70,508
Department of Health, Education & Social Affairs			
Administration	118,500	118,004	496
Division of Health	163,635	149,253	14,382
Division of Education	412,396	378,423	33,973
Archive & Historic Preservation Unit	95,221	88,659	6,562
Environmental	103,048	108,128	(5,080)
Women's Interests Unit	29,900	15,364	14,536
Sports & Youth Unit	46,200	45,192	1,008
Vocational and Manpower	-	1,967	(1,967)
Total	968,900	904,990	63,910
Department of Economic Affairs:			
Administration	134,903	137,817	(2,914)
Division of Economic Policy	-	13,793	(13,793)
Division of Sectoral Development	160,001	43,940	116,061
Planning and Economic Management	195,518	120,521	74,997
Trade and Investment	-	5,979	(5,979)
Statistics	364,768	319,047	45,721
Tourism	103,268	79,755	23,513
Agriculture	93,828	82,015	11,813
Fisheries	245,049	211,013	34,036
Public Enterprise Unit	54,529	-	54,529
Environmental and Sustainable Development	78,464	55,867	22,597
Total	1,430,328	1,069,747	360,581
Department of Transportation, Communication & Infrastructure			
Administration	160,100	150,803	9,297
Division of Marine Transportation	144,240	97,817	46,423
Division of Infrastructure	354,900	341,669	13,231
Civil Aviation and Communication	120,275	83,020	37,255
Total	779,515	673,309	106,206

See Accompanying Independent Auditors' Report

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

GENERAL FUND
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual, Budgetary Basis, Continued
Year Ended September 30, 2001

	Budget	Actual	Variance Favorable (Unfavorable)
Department of Finance and Administration			
Administration	225,927	202,995	22,932
Division of National Treasury & Investment	568,560	446,127	122,433
Division of Customs and Tax Administration	728,471	687,632	40,839
Division of Budget	130,340	141,261	(10,921)
Division of Personnel	117,173	99,813	17,360
Recruitment and Repatriation	126,000	3,247	122,753
Staff Housing	495,890	482,852	13,038
Total	2,392,361	2,063,927	328,434
Department of Justice:			
Administration	162,933	154,494	8,439
Division of Litigation	130,912	124,022	6,890
Division of Law	137,216	71,537	65,679
Division of Immigration & Labor	592,457	543,384	49,073
FSM National Police	1,586,097	1,408,875	177,222
Total	2,609,615	2,302,312	307,303
Office of the Public Defender	505,148	406,560	98,588
Total Executive Branch	13,312,544	11,879,936	1,432,608
Judicial Branch	976,294	876,922	99,372
Legislative Branch:			
Office of the Speaker	1,068,168	853,611	214,557
Congress staff	2,161,191	1,005,515	1,155,676
Delegation offices	352,800	380,133	(27,333)
Members official representation	788,499	733,097	55,402
Total Legislative Branch	4,370,658	2,972,356	1,398,302
Office of the Public Auditor	828,323	347,088	481,235
Other National Government Programs:			
JCN	956,082	790,686	165,396
FSM Gamrs in Yap	550,000	519,272	30,728
Aid to Non Public Schools Fund	400,000	400,000	-
Infrastructure Development/Concon and preconcon	270,000	235,937	34,063
Joint Law Enforcement - Chuuk	160,000	158,117	1,883
Micronesian Legal Services	150,000	150,000	-
Joint Law Enforcement - Pohnpei	140,000	-	140,000
Aquaculture Center	123,319	90,055	33,264
Empact Phase II	113,245	106,748	6,497
FY2001 National Congress/ConCon Election	109,869	83,290	26,579
FY2001 Chuuk Congress/ConCon Election	94,706	86,412	8,294
State Judiciary - Chuuk	90,000	103,564	(13,564)
Joint Law Enforcement - Yap	90,000	76,382	13,618
FY2001 Pohnpei Congress/ConCon Election	82,190	69,847	12,343
Joint Law Enforcement - Kosrae	70,000	69,923	77
State Judiciary - Yap	70,000	64,378	5,622
Micronesia Red Cross Society	67,000	67,000	-
FY2001 Yap Congress/ConCon Election	66,668	69,275	(2,607)
Plant Protection Program	60,000	60,000	-
International Telecommunications Unior	57,639	57,639	-
MMFA-COM	-	660,213	(660,213)
FSM ADB Water Supply and Sanitation	-	60,922	(60,922)
Sub-total Other National Government Programs	3,720,718	3,979,660	(258,942)
See Accompanying Independent Auditors' Report			

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

GENERAL FUND
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual, Budgetary Basis, Continued
Year Ended September 30, 2001

	Budget	Actual	Variance Favorable (Unfavorable)
Other National Government Programs Balance Forwarded	3,720,718	3,979,660	(258,942)
State Judiciary-Pohnpei	90,000	14,562	75,438
UN Membership Fee	40,000	40,000	-
National Election Director	54,289	22,027	32,262
Graduate School	50,000	50,000	-
Financial Assistance for FSM Students at CMI & PCC	50,000	-	50,000
WHO	41,385	41,385	-
Ponape Agriculture and Trade School	40,000	40,000	-
Yap Supper Dispensary	40,000	-	40,000
Forum Secretariat	35,000	35,428	(428)
Scholarship - Continental Airline	35,000	35,000	-
Kosrae Law School Scholarship	35,000	34,807	193
FSM Amateur Sports Association	35,000	29,566	5,434
State Judiciary - Kosrae	30,000	33,545	(3,545)
South Pacific Commission	30,000	30,000	-
Concon and preconcon	30,000	28,337	1,663
Plant Protection and Quarantine Co.	29,700	-	29,700
International Civil Aviation Organization	28,050	28,050	-
Medic II Project	26,600	26,600	-
Forum Fisheries Agencies	21,000	21,000	-
Asia Pacific Coconut Community	20,500	16,618	3,882
Pacific Islands Health	20,000	-	20,000
Mobil Games 2001	19,000	19,200	(200)
Pacific Islands Development Program	15,000	15,000	-
FY2001 Special Election	15,000	14,852	148
FY2001 Kosrae Congress/ConCon Election	13,380	20,506	(7,126)
FSM Coastal Fisheries	11,702	15,522	(3,820)
FSM Giant Clam	11,440	12,583	(1,143)
Micronesian Shipping Commission	10,000	10,000	-
East West Center	10,000	10,000	-
FSM Nurse Licensing Board/Kosrae	10,000	-	10,000
Asia Pacific Telecommunity	9,000	9,000	-
SOPAC	8,000	8,000	-
South Pacific Regional Environment	7,375	7,375	-
National Chuuk Election Office	7,219	7,209	10
FSM National Close Up Local	5,000	53,194	(48,194)
ESCAP	5,000	5,000	-
PATA	5,000	5,000	-
National Pohnpei Commission Office	5,000	4,315	685
UNDP	3,000	3,000	-
National Yap Commission Office	3,000	2,844	156
UNFPA	3,000	-	3,000
National Kosrae Commission Office	1,500	1,462	38
Kosrae Concon/2001 Congress General Election	-	22,783	(22,783)
Construction of COM-FSM Chuuk Facilities	-	15,847	(15,847)
Construction Renovation of States Centers	-	6,056	(6,056)
Pohnpei Concon/2001 Congress General Election	-	4,925	(4,925)
COM-FSM Yap Campus Construction	-	3,399	(3,399)
SNDA Youth Development Needs	-	3,350	(3,350)
National Concon/2001 Congress General Election	-	3,304	(3,304)
Official intra and interstate travel	-	2,160	(2,160)
Yap Concon/2001 Congress General Election	-	1,631	(1,631)
Chuuk Commission Improvement Project	-	1,472	(1,472)
Housing Lease Rental Payment	-	1,064	(1,064)
Executive Director, Chuuk	-	1,009	(1,009)
Nema Construction & Governor Rep. INS	-	600	(600)
Chuuk Concon/2001 Congress General Election	-	106	(106)
Yap State Judiciary	-	102	(102)
Total Other National Government Programs	4,679,858	4,798,455	(118,597)

See Accompanying Independent Auditors' Report

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

GENERAL FUND
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual, Budgetary Basis, Continued
Year Ended September 30, 2001

	Budget	Actual	Variance Favorable (Unfavorable)
Board and Commissions:			
Micronesia Maritime Authority	891,705	768,689	123,016
FSM Banking Board	158,005	114,256	43,749
College of Micronesia Treaty/Board of Regents	157,920	73,410	84,510
Postal services	610,480	576,063	34,417
National Board of Nursing	28,000	10,422	17,578
Total Boards and Commissions	1,846,110	1,542,840	303,270
Other Legislative Appropriations:			
Public projects - National Government	16,704,676	10,444,643	6,260,033
Total Other Legislative Appropriations	16,704,676	10,444,643	6,260,033
Total expenditures	42,718,463	32,862,240	9,856,223
Excess (deficiency) of revenues over (under) expenditures	(13,884,687)	(13,664,628)	220,059
Other financing sources (uses):			
Passport Revolving Fund	40,000	276,726	(236,726)
Coconut Development Authority	(402,382)	(340,641)	(61,741)
COM-FSM	(3,040,700)	(3,040,452)	(248)
FSM National Fisheries	(418,212)	(418,212)	-
Maritime Revolving Fund	(796,000)	(796,000)	-
Total other financing sources (uses), net	(4,617,294)	(4,318,579)	(298,715)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(18,501,981)	(17,983,207)	518,774
Unreserved fund balance at beginning of year	10,442,410	10,442,410	-
Other changes in unreserved fund balance:			
Net encumbrances adjustment	-	(106,638)	(106,638)
Decrease in reserve for related assets	-	711,344	711,344
Decrease in reserve for continuing appropriations	-	7,001,110	7,001,110
Decrease in reserve for loans	-	500,000	500,000
Unreserved fund balance at end of year	\$ (8,059,571)	\$ 565,019	\$ 8,624,590

See Accompanying Independent Auditors' Report

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Special Revenue Funds
September 30, 2001

Specific revenues that are legally restricted to expenditures for particular purposes are accounted for in the Special Revenue Funds. The special revenue funds as of September 30, 2001 are discussed below.

Non-Compact Related Special Revenue Funds:

Disaster Relief Fund - This fund was established by the Congress of the Federated States of Micronesia Public Law 2-64 to provide funds for emergency disaster relief.

Transition Grants, and OIA Technical Assistance and Operation and Maintenance Funds - These funds account for special appropriations made by the U.S. Department of the Interior which are to be used for specific purposes and remain available until expended. Expenditures against these grants are on a reimbursable basis.

U.S. Federal Assistance and Other Direct Assistance Funds - These funds account for drawdowns and disbursements related to the grants awarded to the National Government as a primary grantee of U.S. federal assistance programs and direct assistance from other agencies and foreign entities.

Maritime Operations Revolving Fund - This fund was established by the Congress of the Federated States of Micronesia P. L. 3-8. All revenues generated through the conduct of ship operations and all appropriations from the Congress for funding ship repair, maintenance and operations are accounted for in this fund.

Passport Revolving Fund - This fund was established by the Congress of the Federated States of Micronesia Public Law 4-68 to account for the costs and revenues associated with the issuance and renewal of passports. Any funds exceeding a \$40,000 limit are transferred to the General Fund.

Fisheries Revolving Fund - This fund accounts for the use of certain fisheries related collections.

Medical Revolving Fund - This fund was established by Public Law No. 7-81 to provide an ongoing revolving fund for the receipt and disbursement of funds associated with the purchase and sale of controlled substances for the health care systems of the FSM.

Asian Development Bank Loan Fund - The Asian Development Bank Loan Fund was established by Public Law No. 7-101 mainly to carry out the purpose of the Fisheries Development Project Loan Agreement of 1992 between the Government of the Federated States of Micronesia and the Asian Development Bank, and the Technical Assistance Agreement of 1992 for Institutional Strengthening for Marine Resource Management and Conservation between the FSM and ADB.

Early Retirement Fund - This fund accounts for the Early Retirement Program activities.

Aqua Center Revolving Fund - This fund accounts for financial activities of the Aqua Center.

See Accompanying Independent Auditors' Report.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Special Revenue Funds, Continued
September 30, 2001

Compact Grants

Compact grant funds account for special assistance given by the United States Government to the Federated States of Micronesia under the "Compact of Free Association Act of 1985" per United States Public Law 99-239.

A. Section 214 - The energy grant is a contribution aimed at aiding the FSM Government in achieving increased self-sufficiency in energy production.

B. Section 215

1. (a) 2 - Communications Annual is a contribution for the current operations and maintenance of communication systems. The FSM Government receives \$600,000 annually from the United States for fifteen years commencing on the effective date of the Compact.

2. (b)2 - Communications One Time Contribution is restricted for the purpose of acquiring communications hardware and for such other current or capital account activity as may be selected.

C. Section 216

1. (a) 1 - Marine Surveillance Annual Contribution is restricted for the surveillance and enforcement of the FSM Maritime Zone. The FSM National Government receives \$519,000 annually through the year 2002.

2. (a) 2 - Health and Medical Contribution is restricted for health and medical programs including referrals to hospital and treatment centers. The National Government received \$125,980 in 1997, and will receive \$125,980 annually.

3. (a) 3 - Post Secondary Education Contribution is restricted for scholarship funds or funds to support the post secondary education of FSM citizens. The FSM Government received \$1,889,700 in fiscal year 1997, and will receive \$1,889,700 annually.

4. (b) - Marine Surveillance One Time Contribution is restricted for the surveillance and enforcement of the Maritime Zone.

D. Section 221

1. (b) - Special Block Grants Fund is restricted for education and health care. The National Government received \$315,000 in 1997, and will receive \$315,000 annually.

E. Special Development Fund Section 212 - This Fund is restricted for special development needs of the Federated States of Micronesia. The FSM National Government receives \$1 million annually for fourteen years, commencing on the first anniversary of the effective date of the Compact. Funds may be used to defray current account expenditures attendant to the operation of U.S. military Civic Action Teams.

See Accompanying Independent Auditors' Report.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

SPECIAL REVENUE FUNDS

Combining Balance Sheet

September 30, 2001

(With comparative totals as of September 30, 2000)

<u>Assets</u>	<u>Noncompact</u>	<u>Compact</u>	<u>Totals</u>	
			<u>2001</u>	<u>2000</u>
Cash and equivalents	\$ 773,257	\$ 80,701	\$ 853,958	\$ 1,776,287
Time certificates and other term deposits	230,000	-	230,000	230,000
Investments	-	12,100,114	12,100,114	19,281,418
Receivables from:				
U.S. Department of the Interior (DOI)	376,347	-	376,347	1,074,336
Federal agencies, direct	372,639	-	372,639	1,940,694
General receivables	3,102	-	3,102	3,102
Advances	110,152	23,548	133,700	134,114
Loans receivable, net	25,656,322	-	25,656,322	21,681,223
Due from other funds	2,456,968	972,995	3,429,963	3,210,761
Interest receivable	-	134,140	134,140	120,246
Total assets	<u>\$ 29,978,787</u>	<u>\$ 13,311,498</u>	<u>\$ 43,290,285</u>	<u>\$ 49,452,181</u>
 <u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 925,915	\$ 222,152	\$ 1,148,067	\$ 754,390
Accrued payroll and others	1,674	-	1,674	1,652
Due to other funds	1,293,754	9,748,936	11,042,690	21,013,700
Due to FSM State governments	664,316	-	664,316	63,469
Other liabilities	75,910	-	75,910	(55,064)
Total liabilities	<u>2,961,569</u>	<u>9,971,088</u>	<u>12,932,657</u>	<u>21,778,147</u>
Fund balances:				
Reserved for loans	25,656,322	-	25,656,322	21,681,223
Reserved for related assets	1,002,857	-	1,002,857	952,810
Reserved for encumbrances	1,272,253	449,039	1,721,292	1,162,448
Reserved for continuing appropriations	67,420	558,830	626,250	2,127,373
Unreserved	(981,634)	2,332,541	1,350,907	1,750,180
Total fund balances	<u>27,017,218</u>	<u>3,340,410</u>	<u>30,357,628</u>	<u>27,674,034</u>
Total liabilities and fund balances	<u>\$ 29,978,787</u>	<u>\$ 13,311,498</u>	<u>\$ 43,290,285</u>	<u>\$ 49,452,181</u>

See Accompanying Independent Auditors' Report

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

SPECIAL REVENUE FUNDS
Combining Statement of Revenues, Expenditures and Changes in Fund Balance:
Year Ended September 30, 2001
(With comparative totals for the year ended September 30, 2000)

	Noncompact	Compact	Totals	
			2001	2000
Revenues:				
Compact grants:				
Base amount	\$ -	\$ 3,649,780	\$ 3,649,780	\$ 3,649,780
Inflation adjustment	-	448,056	448,056	424,053
Federal contributions	5,293,477	-	5,293,477	5,201,116
U.S. Department of the Interior grants	1,005,650	-	1,005,650	1,866,493
Sales of goods and services	411,223	-	411,223	547,847
Total revenues	<u>6,710,350</u>	<u>4,097,836</u>	<u>10,808,186</u>	<u>11,689,289</u>
Expenditures:				
Executive branch	<u>7,355,949</u>	<u>2,817,766</u>	<u>10,173,715</u>	<u>11,352,472</u>
Total expenditures	<u>7,355,949</u>	<u>2,817,766</u>	<u>10,173,715</u>	<u>11,352,472</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(645,599)</u>	<u>1,280,070</u>	<u>634,471</u>	<u>336,817</u>
Other financing sources (uses):				
Operating and other transfers, net	519,274	(1,182,000)	(662,726)	(380,564)
Others and Proceeds from loan	<u>2,711,849</u>	<u>-</u>	<u>2,711,849</u>	<u>3,523,562</u>
Total other financing sources (uses), net	<u>3,231,123</u>	<u>(1,182,000)</u>	<u>2,049,123</u>	<u>3,142,998</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	2,585,524	98,070	2,683,594	3,479,815
Fund balances at beginning of year	<u>24,431,694</u>	<u>3,242,340</u>	<u>27,674,034</u>	<u>24,194,219</u>
Fund balances at end of year	<u>\$ 27,017,218</u>	<u>\$ 3,340,410</u>	<u>\$ 30,357,628</u>	<u>\$ 27,674,034</u>

See Accompanying Independent Auditors' Report

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

SPECIAL REVENUE FUNDS

Combining Statement of Revenues, Expenditures by Account and Changes in Fund Balance:

Year Ended September 30, 2001

(With comparative totals for the year ended September 30, 2000)

	Noncompact	Compact	Totals	
			2001	2000
Revenues:				
Compact grants:				
Base amount	\$ -	\$ 3,649,780	\$ 3,649,780	\$ 3,649,780
Inflation adjustment	-	448,056	448,056	424,053
Federal contributions	5,293,477	-	5,293,477	5,201,116
U.S. Department of the Interior grants	1,005,650	-	1,005,650	1,866,493
Sales of goods and services	411,223	-	411,223	547,847
Total revenues	<u>6,710,350</u>	<u>4,097,836</u>	<u>10,808,186</u>	<u>11,689,289</u>
Expenditures:				
Personnel	2,722,059	27,405	2,749,464	2,844,063
Travel	1,288,636	202,762	1,491,398	1,370,346
Capital asset purchases	265,905	75,752	341,657	414,091
Contractual services, contributions and subsidies	1,505,463	439,448	1,944,911	2,904,428
Communications	112,541	31,222	143,763	166,485
Supplies and materials	636,429	57,966	694,395	444,696
Office/house rent/lease	42,725	-	42,725	34,179
Scholarships	36,000	1,236,217	1,272,217	1,015,282
Utilities	-	336,948	336,948	328,172
POL	242,986	-	242,986	303,498
Insurance and fee	85,306	-	85,306	65,361
Drydocking	-	-	-	240,000
Other	417,899	410,046	827,945	1,221,871
Total expenditures	<u>7,355,949</u>	<u>2,817,766</u>	<u>10,173,715</u>	<u>11,352,472</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(645,599)</u>	<u>1,280,070</u>	<u>634,471</u>	<u>336,817</u>
Other financing sources (uses):				
Operating and other transfers, net	519,274	(1,182,000)	(662,726)	(380,564)
Others and Proceeds from loan	2,711,849	-	2,711,849	3,523,562
Total other financing sources (uses), net	<u>3,231,123</u>	<u>(1,182,000)</u>	<u>2,049,123</u>	<u>3,142,998</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>2,585,524</u>	<u>98,070</u>	<u>2,683,594</u>	<u>3,479,815</u>
Fund balances at beginning of year	<u>24,431,694</u>	<u>3,242,340</u>	<u>27,674,034</u>	<u>24,194,219</u>
Fund balances at end of year	<u>\$ 27,017,218</u>	<u>\$ 3,340,410</u>	<u>\$ 30,357,628</u>	<u>\$ 27,674,034</u>

See Accompanying Independent Auditors' Report.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

SPECIAL REVENUE FUNDS - NON-COMPACT
Combining Balance Sheet
September 30, 2001
(With comparative totals as of September 30, 2000)

			OIA Technical Assistance & Operations & Maintenance								Totals	
	Maritime Operations Revolving	Disaster Relief	Federal and Other Direct Assistance	Passport Revolving	Fisheries Revolving	Medical Revolving	Asian Development Bank Loan	Aqua Center Revolving	Early Retirement Program		2001	2000
ASSETS												
Cash and equivalents	\$ -	\$ -	\$ 400	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 772,857	\$	773,257	\$ 953,210
Time certificates and other term deposits	-	-	-	-	-	-	230,000	-	-		230,000	230,000
Receivables from:												
U.S. Department of the Interior (DOI)	-	-	-	376,347	-	-	-	-	-		376,347	1,074,336
Federal agencies, direct	-	-	372,639	-	-	-	-	-	-		372,639	1,940,694
General receivables	3,102	-	-	-	-	-	-	-	-		3,102	3,102
Advances	10,115	-	87,352	8,956	-	3,729	-	-	-		110,152	110,566
Loans receivables, net	-	-	-	-	-	-	25,656,322	-	-		25,656,322	21,681,223
Due from other funds	413,456	125,648	1,510,865	-	40,000	147,794	5,341	181,786	32,078		2,456,968	2,696,546
Total assets	<u>\$ 426,673</u>	<u>\$ 125,648</u>	<u>\$ 1,971,256</u>	<u>\$ 385,303</u>	<u>\$ 40,000</u>	<u>\$ 151,523</u>	<u>\$ 5,341</u>	<u>\$ 26,068,108</u>	<u>\$ 32,078</u>	<u>\$ 772,857</u>	<u>\$ 29,978,787</u>	<u>\$ 28,689,677</u>
LIABILITIES AND FUND BALANCES (DEFICIT)												
Liabilities:												
Account payable	\$ 53,744	\$ -	\$ 603,826	\$ 258,535	\$ -	\$ 8,557	\$ -	\$ -	\$ 1,253	\$	925,915	\$ 491,736
Accrued payroll and others	1,652	-	22	-	-	-	-	-	-		1,674	1,652
Due to other funds	-	-	706,377	119,578	-	-	-	-	467,799		1,293,754	3,756,190
Due to FSM State governments	-	-	663,287	1,029	-	-	-	-	-		664,316	63,469
Other liabilities	-	-	-	-	-	-	34,702	-	41,208		75,910	(55,064)
Total liabilities	<u>55,396</u>	<u>-</u>	<u>1,973,512</u>	<u>379,142</u>	<u>-</u>	<u>8,557</u>	<u>34,702</u>	<u>-</u>	<u>510,260</u>		<u>2,961,569</u>	<u>4,257,983</u>
Fund balances (deficit):												
Reserved for loans	-	-	-	-	-	-	25,656,322	-	-		25,656,322	21,681,223
Reserved for related assets	-	-	-	-	-	-	230,000	-	772,857		1,002,857	952,810
Reserved for encumbrances	97,755	-	802,096	274,071	-	95,217	3,114	-	-		1,272,253	540,710
Reserved for continuing appropriations	-	67,420	-	-	-	-	-	-	-		67,420	1,178,784
Unreserved (deficit)	<u>273,522</u>	<u>58,228</u>	<u>(804,352)</u>	<u>(267,910)</u>	<u>40,000</u>	<u>47,749</u>	<u>2,227</u>	<u>147,084</u>	<u>32,078</u>	<u>(510,260)</u>	<u>(981,634)</u>	<u>78,167</u>
Total fund balances (deficit)	<u>371,277</u>	<u>125,648.00</u>	<u>(2,256)</u>	<u>6,161</u>	<u>40,000</u>	<u>142,966</u>	<u>5,341</u>	<u>26,033,406</u>	<u>32,078</u>	<u>262,597</u>	<u>27,017,218</u>	<u>24,431,694</u>
Total liabilities and fund balances (deficit)	<u>\$ 426,673</u>	<u>\$ 125,648</u>	<u>\$ 1,971,256</u>	<u>\$ 385,303</u>	<u>\$ 40,000</u>	<u>\$ 151,523</u>	<u>\$ 5,341</u>	<u>\$ 26,068,108</u>	<u>\$ 32,078</u>	<u>\$ 772,857</u>	<u>\$ 29,978,787</u>	<u>\$ 28,689,677</u>

See Accompanying Independent Auditors' Report.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

SPECIAL REVENUE FUNDS - NON-COMPACT
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)
Year Ended September 30, 2001
(With comparative totals for the year ended September 30, 2000)

	Maritime Operations Revolving	Disaster Relief	Federal and Other Direct Assistance	OIA Technical Assistance & Operations & Maintenance	Passport Revolving	Fisheries Revolving	Medical Revolving	Asian Development Bank Loan	Aqua Center Revolving	Early Retirement Program	Totals	
											2001	2000
Revenues:												
Federal contributions	\$ -	\$ -	\$ 5,293,477	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,293,477	\$ 5,201,116
U.S. Department of the Interior grants	-	-	-	1,005,650	-	-	-	-	-	-	1,005,650	1,866,493
Sales of goods and services	41,261	-	-	-	289,464	77,450	1,765	-	1,283	-	411,223	547,847
Total revenues	41,261	-	5,293,477	1,005,650	289,464	77,450	1,765	-	1,283	-	6,710,350	7,615,456
Expenditures:												
Executive Branch	923,566	-	5,293,477	1,006,427	12,738	119,741	-	-	-	-	7,355,949	8,805,602
Total expenditures	923,566	-	5,293,477	1,006,427	12,738	119,741	-	-	-	-	7,355,949	8,805,602
Excess (deficiency) of revenues over (under) expenditures	(882,305)	-	-	(777)	276,726	(42,291)	1,765	-	1,283	-	(645,599)	(1,190,146)
Other financing sources (uses):												
Operating and other transfers, net	796,000	-	-	-	(276,726)	-	-	-	-	-	519,274	734,944
Others and Proceeds from loan	-	-	-	-	-	-	-	2,964,655	-	(252,806)	2,711,849	3,523,562
Total other financing sources (uses), net	796,000	-	-	-	(276,726)	-	-	2,964,655	-	(252,806)	3,231,123	4,258,506
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(86,305)	-	-	(777)	-	(42,291)	1,765	2,964,655	1,283	(252,806)	2,585,524	3,068,360
Fund balances (deficit) at beginning of year	457,582	125,648	(2,256)	6,938	40,000	185,257	3,576	23,068,751	30,795	515,403	24,431,694	21,363,334
Fund balances (deficit) at end of year	\$ 371,277	\$ 125,648	\$ (2,256)	\$ 6,161	\$ 40,000	\$ 142,966	\$ 5,341	\$ 26,033,406	\$ 32,078	\$ 262,597	\$ 27,017,218	\$ 24,431,694

See Accompanying Independent Auditors' Report.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Combining Statement of Revenues, Expenditures by Account and Changes in Fund Balances (Deficit)
Year Ended September 30, 2001
(With comparative totals for the year ended September 30, 2000)

	Maritime Operations Revolving	Disaster Relief	Federal and Other Direct Assistance	OIA Technical Assistance & Operations & Maintenance	Passport Revolving	Fisheries Revolving	Medical Revolving	Asian Development Bank Loan	Aqua Center Revolving	Early Retirement Program	Totals	
											2001	2000
Revenues:												
Federal contributions	\$ -	\$ -	\$ 5,293,477	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,293,477	\$ 5,201,116
U.S. Department of the Interior grants	-	-	-	1,005,650	-	-	-	-	-	-	1,005,650	1,866,493
Sales of goods and services	41,261	-	-	-	289,464	77,450	1,765	-	1,283	-	411,223	547,847
Total revenues	41,261	-	5,293,477	1,005,650	289,464	77,450	1,765	-	1,283	-	6,710,350	7,615,456
Expenditures:												
Personnel	427,836	-	2,178,996	106,945	-	8,282	-	-	-	-	2,722,059	2,444,063
Travel	(190)	-	1,159,206	81,054	-	48,566	-	-	-	-	1,288,636	1,163,460
Capital asset purchases	4,895	-	237,788	23,222	-	-	-	-	-	-	265,905	288,640
Contractual services, contributions and subsidies	31,064	-	760,524	663,330	-	50,545	-	-	-	-	1,505,463	2,838,937
Communications	-	-	102,217	4,824	-	5,500	-	-	-	-	112,541	140,045
Supplies and materials	89,318	-	446,640	85,112	12,738	2,621	-	-	-	-	636,429	408,149
Office/house rent/lease	-	-	42,725	-	-	-	-	-	-	-	42,725	28,564
Scholarships	-	-	36,000	-	-	-	-	-	-	-	36,000	59,250
POL	203,588	-	39,336	-	-	62	-	-	-	-	242,986	303,498
Insurance and fee	70,701	-	14,505	100	-	-	-	-	-	-	85,306	65,361
Drydocking	-	-	-	-	-	-	-	-	-	-	-	240,000
Other	96,354	-	275,540	41,840	-	4,165	-	-	-	-	417,899	825,635
Total expenditures	923,566	-	5,293,477	1,006,427	12,738	119,741	-	-	-	-	7,355,949	8,805,602
Excess (deficiency) of revenues over (under) expenditures	(882,305)	-	-	(777)	276,726	(42,291)	1,765	-	1,283	-	(645,599)	(1,190,146)
Other financing sources (uses):												
Operating and other transfers, net	796,000	-	-	-	(276,726)	-	-	-	-	-	519,274	734,944
Others and proceeds from loan	-	-	-	-	-	-	-	2,964,655	-	(252,806)	2,711,849	3,523,562
Total other financing sources (uses), net	796,000	-	-	-	(276,726)	-	-	2,964,655	-	(252,806)	3,231,123	4,258,506
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(86,305)	-	-	(777)	-	(42,291)	1,765	2,964,655	1,283	(252,806)	2,585,524	3,068,360
Fund balances (deficit) at beginning of year	457,582	125,648	(2,256)	6,938	40,000	185,257	3,576	23,068,751	30,795	515,403	24,431,694	21,363,334
Fund balances (deficit) at end of year	\$ 371,277	\$ 125,648	\$ (2,256)	\$ 6,161	\$ 40,000	\$ 142,966	\$ 5,341	\$ 26,033,406	\$ 32,078	\$ 262,597	\$ 27,017,218	\$ 24,431,694

See Accompanying Independent Auditors' Report.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

SPECIAL REVENUE FUNDS - COMPACT
Combining Balance Sheet
September 30, 2001

<u>Assets</u>	Communications Annual Section 215(a)2	Communications One Time Section 215(b)2	Marine Surveillance Annual Section 216(a)1	Marine Surveillance One Time Section 216(b)	Post Secondary Education Section 216(a)3	Health and Medical Section 216(a)2	Special Block Grant Section 221(b)	Energy Compact Section 214	Special Development Fund Section 212	Totals
Cash and equivalents	\$ 15,543	\$ -	\$ 8,331	\$ 46,564	\$ 54,437	\$ (4,545)	\$ (71,317)	\$ 6,646	\$ 25,042	\$ 80,701
Investments	1,233,742	37,259	2,704,250	837,811	4,357,109	1,774,393	8,097	1,342,186	(194,733)	12,100,114
Advances	-	-	-	-	-	3,380	20,168	-	-	23,548
Due from other funds	-	108,010	-	-	-	-	696,777	-	168,208	972,995
Interest receivable	10,769	1,612	25,738	14,302	59,616	12,510	-	8,110	1,483	134,140
Total assets	<u>\$ 1,260,054</u>	<u>\$ 146,881</u>	<u>\$ 2,738,319</u>	<u>\$ 898,677</u>	<u>\$ 4,471,162</u>	<u>\$ 1,785,738</u>	<u>\$ 653,725</u>	<u>\$ 1,356,942</u>	<u>\$ -</u>	<u>\$ 13,311,498</u>
<u>Liabilities and Fund Balances (Deficit)</u>										
Liabilities:										
Accounts payable	\$ -	\$ -	\$ 5,452	\$ -	\$ 106,729	\$ 14,732	\$ 95,239	\$ -	\$ -	\$ 222,152
Due to other funds	954,074	-	2,526,960	940,991	2,819,829	1,466,996	-	1,040,086	-	9,748,936
Total liabilities	954,074	-	2,532,412	940,991	2,926,558	1,481,728	95,239	1,040,086	-	9,971,088
Fund balances (deficit):										
Reserved for continuing appropriations	-	146,881	-	-	220,062	-	18,575	173,312	-	558,830
Reserved for encumbrances	67,373	-	317,367	-	1,244	15,354	44,001	3,700	-	449,039
Unreserved (deficit)	238,607	-	(111,460)	(42,314)	1,323,298	288,656	495,910	139,844	-	2,332,541
Total fund balances (deficit)	305,980	146,881	205,907	(42,314)	1,544,604	304,010	558,486	316,856	-	3,340,410
Total liabilities and fund balances	<u>\$ 1,260,054</u>	<u>\$ 146,881</u>	<u>\$ 2,738,319</u>	<u>\$ 898,677</u>	<u>\$ 4,471,162</u>	<u>\$ 1,785,738</u>	<u>\$ 653,725</u>	<u>\$ 1,356,942</u>	<u>\$ -</u>	<u>\$ 13,311,498</u>

See Accompanying Independent Auditors' Report.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

SPECIAL REVENUE FUNDS - COMPACT
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)
Year Ended September 30, 2001

	Communications Annual Section 215(a)2	Communications One Time Section 215(b)2	Marine Surveillance Annual Section 216(a)1	Marine Surveillance One Time Section 216(b)	Post Secondary Education Section 216(a)3	Health and Medical Section 216(a)2	Special Block Grant Section 221(b)	Energy Compact Section 214	Special Development Fund Section 212	Totals
Revenues:										
Compact grants:										
Base amount	\$ 600,000	\$ -	\$ 519,000	\$ -	\$ 1,889,700	\$ 125,980	\$ 315,000	\$ 200,100	\$ -	\$ 3,649,780
Inflation adjustment	336,000	-	-	-	-	-	-	112,056	-	448,056
Total revenues	936,000	-	519,000	-	1,889,700	125,980	315,000	312,156	-	4,097,836
Expenditures:										
Executive branch	247,975	-	534,792	-	1,236,217	146,817	311,319	340,646	-	2,817,766
Total expenditures	247,975	-	534,792	-	1,236,217	146,817	311,319	340,646	-	2,817,766
Excess (deficiency) of revenues over (under) expenditures	688,025	-	(15,792)	-	653,483	(20,837)	3,681	(28,490)	-	1,280,070
Other financing sources (uses):										
Transfers out	(882,000)	-	-	-	(300,000)	-	-	-	-	(1,182,000)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(193,975)	-	(15,792)	-	353,483	(20,837)	3,681	(28,490)	-	98,070
Fund balances (deficit) at beginning of year	499,955	146,881	221,699	(42,314)	1,191,121	324,847	554,805	345,346	-	3,242,340
Fund balances (deficit) at end of year	<u>\$ 305,980</u>	<u>\$ 146,881</u>	<u>\$ 205,907</u>	<u>\$ (42,314)</u>	<u>\$ 1,544,604</u>	<u>\$ 304,010</u>	<u>\$ 558,486</u>	<u>\$ 316,856</u>	<u>\$ -</u>	<u>\$ 3,340,410</u>

See Accompanying Independent Auditors' Report.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

SPECIAL REVENUE FUNDS - COMPACT
Combining Statement of Revenues, Expenditures by Account and Changes in Fund Balances (Deficit)
Year Ended September 30, 2001

	Communications Annual Section 215(a)2	Communications One Time Section 215(b)2	Marine Surveillance Annual Section 216(a)1	Marine Surveillance One Time Section 216(b)	Post Secondary Education Section 216(a)3	Health and Medical Section 216(a)2	Special Block Grant Section 221(b)	Energy Compact Section 214	Special Development Fund Section 212	Totals
Revenues:										
Compact grants:										
Base amount	\$ 600,000	\$ -	\$ 519,000	\$ -	\$ 1,889,700	\$ 125,980	\$ 315,000	\$ 200,100	\$ -	\$ 3,649,780
Inflation adjustment	336,000	-	-	-	-	-	-	112,056	-	448,056
Total revenues	<u>936,000</u>	<u>-</u>	<u>519,000</u>	<u>-</u>	<u>1,889,700</u>	<u>125,980</u>	<u>315,000</u>	<u>312,156</u>	<u>-</u>	<u>4,097,836</u>
Expenditures:										
Personnel	-	-	-	-	-	-	27,405	-	-	27,405
Travel	7,408	-	182	-	-	16,133	179,039	-	-	202,762
Capital asset purchases	66,756	-	7,524	-	-	-	1,472	-	-	75,752
Contractual services,										
contributions and subsidies	106,550	-	190,913	-	-	128,685	13,300	-	-	439,448
Communications	-	-	-	-	-	-	26,002	5,220	-	31,222
Supplies and materials	-	-	17,057	-	-	-	40,909	-	-	57,966
Scholarships	-	-	-	-	1,236,217	-	-	-	-	1,236,217
Utilities	-	-	1,522	-	-	-	-	335,426	-	336,948
Other	67,261	-	317,594	-	-	1,999	23,192	-	-	410,046
Total expenditures	<u>247,975</u>	<u>-</u>	<u>534,792</u>	<u>-</u>	<u>1,236,217</u>	<u>146,817</u>	<u>311,319</u>	<u>340,646</u>	<u>-</u>	<u>2,817,766</u>
Excess (deficiency) of revenues over (under) expenditures	688,025	-	(15,792)	-	653,483	(20,837)	3,681	(28,490)	-	1,280,070
Other financing sources (uses):										
Transfers out	<u>(882,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(300,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,182,000)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(193,975)	-	(15,792)	-	353,483	(20,837)	3,681	(28,490)	-	98,070
Fund balances (deficit) at beginning of year	<u>499,955</u>	<u>146,881</u>	<u>221,699</u>	<u>(42,314)</u>	<u>1,191,121</u>	<u>324,847</u>	<u>554,805</u>	<u>345,346</u>	<u>-</u>	<u>3,242,340</u>
Fund balances (deficit) at end of year	<u>\$ 305,980</u>	<u>\$ 146,881</u>	<u>\$ 205,907</u>	<u>\$ (42,314)</u>	<u>\$ 1,544,604</u>	<u>\$ 304,010</u>	<u>\$ 558,486</u>	<u>\$ 316,856</u>	<u>\$ -</u>	<u>\$ 3,340,410</u>

See Accompanying Independent Auditors' Report.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Capital Projects Funds
September 30, 2001

The acquisition and construction of major capital facilities, other than those financed by proprietary and trust funds, are accounted for in the Capital Projects Funds. The Capital Projects Funds within the National Government are described below:

OIA/TTPI Capital Projects Fund - This fund is used to account for the expenditures of construction grants from the Trust Territory Government or from the U.S. Department of the Interior, Office of Insular Affairs. These grants originated from U.S. Congressional appropriations to the U. S. Department of the Interior.

CFSM Capital Projects Fund - This fund is used to account for the expenditure of appropriations from the Congress of the Federated States of Micronesia for improvement and betterment projects within the National Government.

Compact Capital Projects Fund - This fund is used to account for various capital projects funded by the Compact of Free Association with the United States, Title Two, Article I, Section 211.

See Accompanying Independent Auditors' Report.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

CAPITAL PROJECTS FUNDS

Combining Balance Sheet

September 30, 2001

(With comparative totals as of September 30, 2000)

	Compact Capital Projects	OIA Capital Projects	CFSM Capital Projects	Totals	
				2001	2000
<u>Assets</u>					
Investments	\$ 2,172,855	\$ -	\$ -	\$ 2,172,855	\$ 4,251,421
Equity investments	3,833,274	-	-	3,833,274	3,546,181
Receivables from TTPI / OTIA	-	647,933	78,822	726,755	726,755
Advances	32,060	-	-	32,060	32,060
Loan receivable, net	1,203,636	-	-	1,203,636	1,228,636
Interest and other receivables	64,852	-	-	64,852	45,617
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	\$ <u>7,306,677</u>	\$ <u>647,933</u>	\$ <u>78,822</u>	\$ <u>8,033,432</u>	\$ <u>9,830,670</u>
 <u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ 37,921	\$ -	\$ -	\$ 37,921	\$ 210,498
Due to other funds	782,684	572,575	-	1,355,259	3,888,565
Due to FSM State governments	9,455	-	-	9,455	9,455
Deferred revenues	-	75,358	-	75,358	75,358
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>830,060</u>	<u>647,933</u>	<u>-</u>	<u>1,477,993</u>	<u>4,183,876</u>
Fund balances:					
Reserved for:					
Loans	1,203,636	-	-	1,203,636	1,228,636
Related assets	3,833,274	-	-	3,833,274	3,546,181
Encumbrances	361,159	75,358	-	436,517	517,413
Continuing appropriations	847,723	-	67,947	915,670	1,272,691
Unreserved (deficit)	230,825	(75,358)	10,875	166,342	(918,127)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>6,476,617</u>	<u>-</u>	<u>78,822</u>	<u>6,555,439</u>	<u>5,646,794</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	\$ <u>7,306,677</u>	\$ <u>647,933</u>	\$ <u>78,822</u>	\$ <u>8,033,432</u>	\$ <u>9,830,670</u>

See Accompanying Independent Auditors' Report

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

CAPITAL PROJECTS FUNDS

Combining Statement of Revenues, Expenditures And Changes in Fund Balances

Year Ended September 30, 2001

(With comparative totals for the year ended September 30, 2000)

	Compact Capital Projects	OIA Capital Projects	CFSM Capital Projects	Totals	
				2001	2000
Revenues:					
Compact Capital grants:					
Base amount	\$ 1,500,800	\$ -	\$ -	\$ 1,500,800	\$ 1,500,800
Inflation Adjustment	840,448	-	-	840,448	795,424
Total revenues	<u>2,341,248</u>	<u>-</u>	<u>-</u>	<u>2,341,248</u>	<u>2,296,224</u>
Expenditures:					
Executive branch	<u>1,719,696</u>	<u>-</u>	<u>-</u>	<u>1,719,696</u>	<u>985,518</u>
Total expenditures	<u>1,719,696</u>	<u>-</u>	<u>-</u>	<u>1,719,696</u>	<u>985,518</u>
Excess of revenues over expenditures	<u>621,552</u>	<u>-</u>	<u>-</u>	<u>621,552</u>	<u>1,310,706</u>
Other financing uses:					
Earnings on equity investment	<u>287,093</u>	<u>-</u>	<u>-</u>	<u>287,093</u>	<u>(319,883)</u>
Total other financing uses, net	<u>287,093</u>	<u>-</u>	<u>-</u>	<u>287,093</u>	<u>(319,883)</u>
Excess of revenues and other financing sources over expenditures and other financing sources (uses)	908,645	-	-	908,645	990,823
Fund balances at beginning of year	<u>5,567,972</u>	<u>-</u>	<u>78,822</u>	<u>5,646,794</u>	<u>4,655,971</u>
Fund balances at end of year	<u>\$ 6,476,617</u>	<u>\$ -</u>	<u>\$ 78,822</u>	<u>\$ 6,555,439</u>	<u>\$ 5,646,794</u>

See Accompanying Independent Auditors' Report

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

CAPITAL PROJECTS FUNDS

Combining Statement of Revenues, Expenditures by Account And Changes in Fund Balance:

Year Ended September 30, 2001

(With comparative totals for the year ended September 30, 2000)

	Compact Capital Projects	OIA Capital Projects	CFSM Capital Projects	Totals	
				2001	2000
Revenues:					
Compact Capital grants:					
Base amount	\$ 1,500,800	\$ -	\$ -	\$ 1,500,800	\$ 1,500,800
Inflation Adjustment	840,448	-	-	840,448	795,424
Total revenues	<u>2,341,248</u>	<u>-</u>	<u>-</u>	<u>2,341,248</u>	<u>2,296,224</u>
Expenditures:					
Personnel	38,175	-	-	38,175	11,145
Travel	55,282	-	-	55,282	94,229
Capital asset purchases	10,770	-	-	10,770	247,221
Contractual services, and subsidies	1,432,506	-	-	1,432,506	465,867
Communications	54,400	-	-	54,400	1,063
Supplies and materials	88,515	-	-	88,515	30,229
Other	40,048	-	-	40,048	135,764
Total expenditures	<u>1,719,696</u>	<u>-</u>	<u>-</u>	<u>1,719,696</u>	<u>985,518</u>
Excess of revenues over expenditures	<u>621,552</u>	<u>-</u>	<u>-</u>	<u>621,552</u>	<u>1,310,706</u>
Other financing sources (uses):					
Earning on equity investment	<u>287,093</u>	<u>-</u>	<u>-</u>	<u>287,093</u>	<u>(319,883)</u>
Total other financing sources (uses), net	<u>287,093</u>	<u>-</u>	<u>-</u>	<u>287,093</u>	<u>(319,883)</u>
Excess of revenues and other financing sources over expenditures and other financing sources (uses)	908,645	-	-	908,645	990,823
Fund balances at beginning of year	<u>5,567,972</u>	<u>-</u>	<u>78,822</u>	<u>5,646,794</u>	<u>4,655,971</u>
Fund balances at end of year	<u>\$ 6,476,617</u>	<u>\$ -</u>	<u>\$ 78,822</u>	<u>\$ 6,555,439</u>	<u>\$ 5,646,794</u>

See Accompanying Independent Auditors' Report

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Component Units - Proprietary Funds
September 30, 2001

Component units - proprietary funds are legally separate organizations for which the elected officials of the FSM National Government are financially accountable. Proprietary funds are used to account for a government's ongoing organizations and activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business and quasi-business activities - where net income and capital maintenance are measured - are accounted for through proprietary funds. The generally accepted accounting principles for these funds are generally those applicable to similar businesses in the private sector; the measurement focus is on determination of net income, financial position and cash flows. The National Government's component units' - proprietary funds are described below:

FSM Coconut Development Authority was established by the FSM Congress to assist in the development and marketing of the copra industry within the Federated States of Micronesia.

FSM Telecommunications Corporation - The Telecommunications Corporation of the Federated States of Micronesia (the Corporation) was established by Chapter Two, Title 21 of the Code of the Federated States of Micronesia. By law, it is an independent government corporation. Its Board of Directors consist of appointees by the President and the Governors of each state. The Vice-President of the Federated States of Micronesia and the General Manager, who is the chief executive officer of the Corporation, are also members of the Board.

The purpose of the Corporation is to provide telecommunications services, except radio and television broadcasting, throughout the FSM and to points outside the FSM. The Corporation began operations on October 1, 1983. Funding of corporate operations is through charges for services and various governmental subsidies, including appropriations from the FSM Government.

FSM Development Bank - Under FSM law, the Bank is an independent government corporation. Its Board consists of appointees by the President of the FSM, with the advice and consent of the Congress. The debts and obligations of the Bank shall not be an obligation of the Government of the FSM except as specifically authorized by the President of the FSM and as enacted into law.

The FSM Development Bank began operations on October 1, 1980. The purpose of the Bank is to provide loans for the economic development of the FSM. Loans are offered at below market rates, currently limited to five percent.

Funding for the Bank has come primarily from the FSM Congress, the prior Trust Territory Economic Development Loan Fund, and Section 111 (b)(1) of the Compact of Free Association.

National Fisheries Corporation

The National Fisheries Corporation (the Corporation) was established on July 13, 1983 by FSM Public Law No. 3-14. The component unit is directed by a board composed of seven members. The purpose of the Corporation is to engage in activities dealing with the development of fisheries in the Federated States of Micronesia.

See Accompanying Independent Auditors' Report.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

COMPONENT UNITS - PROPRIETARY FUNDS

Combining Balance Sheet

September 30, 2001

(With comparative totals as of September 30, 2000)

ASSETS	FSM Tele- Communication Corporation	FSM Development Bank	National Fisheries Corporation	FSM Coconut Development Authority	Totals	
					2001	2000
Cash and equivalents	\$ 2,544,188	\$ 1,729,354	\$ 630,374	\$ 83,556	\$ 4,987,472	\$ 4,191,502
Time deposits	3,046,058	-	-	-	3,046,058	3,080,000
Investments	10,403,271	10,251,976	-	169,607	20,824,854	21,404,745
Investment - Intelsat	910,114	-	-	-	910,114	910,114
Investment - ICTV Pohnpei	407,422	-	-	-	407,422	425,271
Investment - BOFSM	-	662,188	-	-	662,188	662,188
General receivables, net	1,261,898	16,953	536,728	69,106	1,884,685	1,259,241
Advances	20,418	-	6,849	-	27,267	50,650
Loans receivable, net	-	17,568,859	-	-	17,568,859	15,006,172
Interest receivable	454,299	308,382	-	843	763,524	418,509
Inventory	178,101	-	186,533	33,338	397,972	139,245
Restricted assets	-	17,928,395	-	-	17,928,395	17,414,161
Prepaid expenses	206,040	500	127,151	54,860	388,551	661,724
Fixed assets, net	39,704,451	175,014	7,405,563	198,371	47,483,399	39,802,527
Total assets	\$ 59,136,260	\$ 48,641,621	\$ 8,893,198	\$ 609,681	\$ 117,280,760	\$ 105,426,049
LIABILITIES AND RETAINED EARNINGS (DEFICIT)						
Liabilities:						
Accounts payable	\$ 93,147	\$ 62,201	\$ 1,156,496	\$ 61,059	\$ 1,372,903	\$ 208,264
Accrued payroll and others	116,845	2,042,411	122,013	-	2,281,269	109,400
Interfund payable	-	-	-	-	-	425,782
Deferred revenues	76,903	-	-	-	76,903	58,062
Other payables	590,219	83,745	1,016,279	-	1,690,243	571,495
Notes payable	27,937,676	-	7,749,773	-	35,687,449	28,534,154
Total liabilities	28,814,790	2,188,357	10,044,561	61,059	41,108,767	29,907,157
Minority interest in consolidated subsidiaries	-	-	633,645	-	633,645	-
Retained earnings (deficit)	30,321,470	46,453,264	(1,785,008)	548,622	75,538,348	75,518,892
Total liabilities and retained earnings	\$ 59,136,260	\$ 48,641,621	\$ 8,893,198	\$ 609,681	\$ 117,280,760	\$ 105,426,049

See Accompanying Independent Auditors' Report.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

COMPONENT UNITS - PROPRIETARY FUNDS
Combining Statement of Revenues, Expenses and Changes in Retained Earnings (Deficit)
Year Ended September 30, 2001
(With comparative totals for the year ended September 30, 2000)

	FSM Tele- Communication Corporation	FSM Development Bank	National Fisheries Corporation	FSM Coconut Development Authority	Totals	
					2001	2000
Operating revenues:						
Charges for goods and services	\$ 10,348,854	\$ 1,936,667	\$ 5,403,138	\$ 82,614	\$ 17,771,273	\$ 13,724,786
Other	212,633	1,081,660	-	-	1,294,293	258,035
Total operating revenues	10,561,487	3,018,327	5,403,138	82,614	19,065,566	13,982,821
Operating expenses:						
Personnel services	2,994,071	800,162	534,131	60,246	4,388,610	3,686,990
Circuit lease	744,395	-	-	-	744,395	491,282
Bad debts	219,105	367,888	142,318	17,229	746,540	1,769,793
Utilities	490,166	-	46,354	-	536,520	419,857
Rent	51,625	118,835	145,923	-	316,383	170,532
Communications	259,887	48,097	44,853	-	352,837	338,583
Repairs and maintenance	414,956	-	21,207	-	436,163	397,770
Travel	275,402	76,046	43,511	21,233	416,192	338,689
Supplies and materials	127,710	18,276	-	17,143	163,129	168,767
Contractual services	84,826	70,537	8,965	39,134	203,462	253,447
Advertising	390,806	-	-	-	390,806	308,389
Professional fees	152,208	-	21,440	-	173,648	62,102
Training	-	104,734	-	-	104,734	70,873
Depreciation and amortization	2,198,198	47,606	582,008	25,120	2,852,932	2,459,354
Cost of sales	-	-	5,239,418	153,032	5,392,450	219,716
Other	309,029	53,759	133,086	54,800	550,674	501,108
Total operating expenses	8,712,384	1,705,940	6,963,214	387,937	17,769,475	11,657,252
Operating income (loss)	1,849,103	1,312,387	(1,560,076)	(305,323)	1,296,091	2,325,569
Nonoperating revenues (expenses) :						
Transfers in	882,000	-	418,212	344,118	1,644,330	699,573
Interest income (expense), net	(895,394)	-	(32,694)	8,925	(919,163)	(1,119,671)
Investment income (loss), net	(1,958,910)	-	-	-	(1,958,910)	1,283,406
Loss on investment	(17,849)	-	-	-	(17,849)	(83,472)
Gain (loss) on disposal of fixed assets	13,093	-	(346,043)	-	(332,950)	2,417
Other income (loss)	114,814	598,194	752,743	(140,694)	1,325,057	56,160
Total nonoperating revenues (expenses), net	(1,862,246)	598,194	792,218	212,349	(259,485)	838,413
Minority interest in loss of consolidated subsidiaries	-	-	154,727	-	154,727	-
Net income	(13,143)	1,910,581	(613,131)	(92,974)	1,191,333	3,163,982
Retained earnings (deficit) at beginning of year	30,334,613	44,542,683	(1,171,877)	641,596	74,347,015	72,354,910
Retained earnings (deficit) at end of year	\$ 30,321,470	\$ 46,453,264	\$ (1,785,008)	\$ 548,622	\$ 75,538,348	\$ 75,518,892

See Accompanying Independent Auditors' Report.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

COMPONENT UNITS - PROPRIETARY FUNDS
Combining Statement of Cash Flows
Year Ended September 30, 2001
(With comparative totals for the year ended September 30, 2000)

	FSM Tele- Communication Corporation	FSM Development Bank	National Fisheries Corporation	FSM Coconut Development Authority	Totals	
					2001	2000
Increase (decrease) in cash and equivalents:						
Cash flows from operating activities:						
Operating income (loss)	\$ 1,849,103	\$ 1,312,387	\$ (1,560,076)	\$ (305,323)	\$ 1,296,091	\$ 2,325,569
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation and amortization	2,198,198	47,606	582,008	25,120	2,852,932	2,459,354
Bad debts	219,105	367,888	142,318	17,229	746,540	1,769,793
Loss on disposal of fixed assets	-	-	346,043	-	346,043	-
Others	(199,952)	296,316	(154,727)	(145,529)	(203,892)	25,110
	<u>4,066,454</u>	<u>2,024,197</u>	<u>(644,434)</u>	<u>(408,503)</u>	<u>5,037,714</u>	<u>6,579,826</u>
Change in assets and liabilities:						
Interest receivable	-	75,256	-	-	75,256	(145,385)
Accounts receivable trade	342,011	11,674	(165,111)	(93,083)	95,491	(606,822)
Accounts receivable other	(377,860)	-	-	-	(377,860)	(1,237)
Advances	23,795	-	240	6,437	30,472	(37,029)
Inventory trade	(74,404)	-	297,909	2,092	225,597	163,544
Prepaid expenses	(6,613)	(500)	83,839	-	76,726	(128,921)
Loans receivable	-	(3,581,090)	-	-	(3,581,090)	(3,629,947)
Accounts payable	(41,988)	52,703	146,863	41,725	199,303	(63,078)
Contract retentions payable	-	-	-	-	-	(90,958)
Due from other funds	-	-	-	247	247	(247)
Accrued payroll and others	-	-	(611,492)	(5,327)	(616,819)	4,307
Accrued leave payable	12,772	-	-	-	12,772	2,508
Deferred revenue	18,841	-	-	-	18,841	44,185
Accrued expenses, other	56,631	-	-	-	56,631	107,184
Interfund receivable and payable	-	1,556,329	-	-	1,556,329	(366,876)
	<u>(46,815)</u>	<u>(1,885,628)</u>	<u>(247,752)</u>	<u>(47,909)</u>	<u>(2,228,104)</u>	<u>(4,748,772)</u>
Net cash provided by (used for) operating activities	<u>4,019,639</u>	<u>138,569</u>	<u>(892,186)</u>	<u>(456,412)</u>	<u>2,809,610</u>	<u>1,831,054</u>
Cash flows from noncapital financing activities:						
CFSM appropriation received	882,000	-	418,212	344,118	1,644,330	699,573
Loan participations sold	-	-	-	-	-	(106,588)
Contributed capital received and other external funding	<u>114,814</u>	<u>500,000</u>	<u>574,475</u>	<u>4,835</u>	<u>1,194,124</u>	<u>-</u>
Net cash provided by (used for) noncapital financing activities	<u>996,814</u>	<u>500,000</u>	<u>992,687</u>	<u>348,953</u>	<u>2,838,454</u>	<u>592,985</u>

See Accompanying Independent Auditors' Report.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

COMPONENT UNITS - PROPRIETARY FUNDS
Combining Statement of Cash Flows, Continued
Year Ended September 30, 2001
(With comparative totals for the year ended September 30, 2000)

	FSM Tele- Communication Corporation	FSM Development Bank	National Fisheries Corporation	FSM Coconut Development Authority	Totals	
					2001	2000
Cash flows from capital and related financing activities:						
Note repayments	(596,478)	-	(4,229,240)	-	(4,825,718)	(565,463)
Acquisition of fixed assets	(2,427,764)	(130,886)	-	(7,081)	(2,565,731)	(949,392)
Interest expense	(1,411,842)	-	(36,942)	-	(1,448,784)	(1,442,856)
Proceeds from other income - sale of fixed assets	13,093	-	3,314,619	-	3,327,712	2,417
Net cash used for capital and related financing activities	(4,422,991)	(130,886)	(951,563)	(7,081)	(5,512,521)	(2,955,294)
Cash flows from investing activities:						
Decrease (increase) in investments	-	(1,423,253)	-	44,233	(1,379,020)	(79,620)
Withdrawals from (additions to) time deposits	33,942	-	-	-	33,942	(3,080,000)
Interest income received	515,144	-	235,885	8,925	759,954	315,747
Cash (used for) provided by investing activities	549,086	(1,423,253)	235,885	53,158	(585,124)	(2,843,873)
Net increase (decrease) in cash and equivalents	1,142,548	(915,570)	(615,177)	(61,382)	(449,581)	(3,375,128)
Cash and equivalents at beginning of year	1,401,640	2,644,924	1,245,551	144,938	5,437,053	7,566,630
Cash and equivalents at end of year	\$ 2,544,188	\$ 1,729,354	\$ 630,374	\$ 83,556	\$ 4,987,472	\$ 4,191,502

See Accompanying Independent Auditors' Report.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Expendable Trust Funds
September 30, 2001

Expendable trust funds are used to account for assets held by a government unit in a trustee capacity for individuals, private organizations, or other governmental units, whose resources, including both principal and earnings, may be expended. Expendable trust funds are accounted for in essentially the same manner as governmental funds. The expendable trust funds which the National Government bears responsibility for at September 30, 2001, are as follows:

Health Insurance Fund - Employees of the Federated States of Micronesia contribute to the fund to provide for payment of certain eligible medical expenses. The State Governments of the FSM also pay in contributions to the Fund on behalf of State employee participants. This fund essentially operates as an insurer ultimately underwritten by the respective governments of the Federated States.

Student Loan Fund - The Fund was established through Congressional appropriations per Public Law 2-50 to assist in providing funds to eligible students pursuing college degrees. Loans bear interest at 4%. The standard loan term is ten years and nine months after the completion of school or the early withdrawal therefrom.

See Accompanying Independent Auditors' Report.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

EXPENDABLE TRUST FUNDS

Combining Balance Sheet

September 30, 2001

(With comparative totals as of September 30, 2000)

<u>ASSETS</u>	Health Insurance Fund	Student Loan Fund	Totals	
			2001	2000
Cash and equivalents	\$ 235,233	\$ -	\$ 235,233	\$ 614,582
Term deposits	817,606	-	817,606	868,081
Investments	1,575,244	-	1,575,244	2,499,130
General receivables, net	1,575	-	1,575	172,264
Due from other funds	-	594,186	594,186	587,288
Prepaid insurance	223,522	-	223,522	159,039
Total assets	<u>\$ 2,853,180</u>	<u>\$ 594,186</u>	<u>\$ 3,447,366</u>	<u>\$ 4,900,384</u>

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable	\$ 559,605	\$ -	\$ 559,605	\$ 40,019
Due to other funds	361,246	-	361,246	1,359,692
IBNR payables	1,062,454	-	1,062,454	1,360,777
Total liabilities	<u>1,983,305</u>	<u>-</u>	<u>1,983,305</u>	<u>2,760,488</u>

Fund balances:

Unreserved	<u>869,875</u>	<u>594,186</u>	<u>1,464,061</u>	<u>2,139,896</u>
Total fund balances	<u>869,875</u>	<u>594,186</u>	<u>1,464,061</u>	<u>2,139,896</u>
Total liabilities and fund balances	<u>\$ 2,853,180</u>	<u>\$ 594,186</u>	<u>\$ 3,447,366</u>	<u>\$ 4,900,384</u>

See Accompanying Independent Auditors' Report.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

EXPENDABLE TRUST FUNDS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended September 30, 2001

(With comparative totals for the year ended September 30, 2000)

	Health Insurance Fund	Student Loan Fund	Totals	
			2001	2000
Revenues:				
Interest income	\$ 147,150	\$ -	\$ 147,150	\$ 159,720
Member's contributions	3,652,498	-	3,652,498	3,089,710
Loan repayments	-	6,898	6,898	4,939
Total revenues	<u>3,799,648</u>	<u>6,898</u>	<u>3,806,546</u>	<u>3,254,369</u>
Expenditures:				
Insurance claims	4,108,151	-	4,108,151	3,828,633
Administrative expense	<u>374,230</u>	<u>-</u>	<u>374,230</u>	<u>358,185</u>
Total expenditures	<u>4,482,381</u>	<u>-</u>	<u>4,482,381</u>	<u>4,186,818</u>
(Deficiency) excess of revenues (under) over expenditures	(682,733)	6,898	(675,835)	(932,449)
Fund balances at beginning of year	<u>1,552,608</u>	<u>587,288</u>	<u>2,139,896</u>	<u>3,072,345</u>
Fund balances at end of year	<u>\$ 869,875</u>	<u>\$ 594,186</u>	<u>\$ 1,464,061</u>	<u>\$ 2,139,896</u>

See Accompanying Independent Auditors' Report.



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED UPON THE AUDIT PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Joseph J. Urusemal
President
Federated States of Micronesia:

We have audited the general purpose financial statements of the Federated States of Micronesia (FSM) National Government as of and for the year ended September 30, 2001, and have issued our report thereon dated September 30, 2002, which report was qualified due to our inability to determine the propriety of cash and equivalents, receivables from other governments and agencies, due to FSM state governments and their effect on the determination of revenues and expenditures for all Government Fund Types; inventory and the effects on the determination of expenses for the Proprietary Fund Type - Internal Service Fund; investments and the effect on the determination of revenues and expenses for the Component Units – Proprietary Funds; and the elimination of intercompany receivables and payables for the National Fisheries Corporation, a Component Unit – Proprietary Fund. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

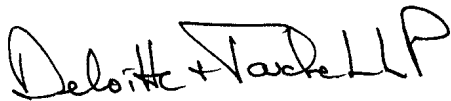
As part of obtaining reasonable assurance about whether FSM National Government's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered FSM National Government's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we considered to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operations of the internal control on financial reporting that, in our judgment, could adversely affect the FSM National Government's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs (pages 131 through 163) as items 2001-3 through 2001-18.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements 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 over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2001-3 through 2001-8 to be material weaknesses.

This report is intended for the information of the FSM National Government, federal awarding agencies, pass-through entities and the cognizant audit and other federal agencies, and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in black ink that reads "Deloitte + Stach LLP". The signature is written in a cursive, stylized font.

September 30, 2002



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND
INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO EACH
MAJOR FEDERAL AWARD PROGRAM AND ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

Honorable Joseph J. Urusemal
President
Federated States of Micronesia:

Compliance

We have audited the compliance of the Federated States of Micronesia (FSM) National Government with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2001. FSM National Government's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs (pages 131 through 163). Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of FSM National Government's management. Our responsibility is to express an opinion on FSM National Government's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about FSM National Government's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on FSM National Government's compliance with those requirements.

As described in items 2001-1 and 2001-2 in the accompanying Schedule of Findings and Questioned Costs, the FSM National Government did not comply with requirements regarding allowable costs/cost principles for Compact Communications-Annual Fund, for U.S. Department of Interior (CFDA #15.875) and U.S. Department of Labor, JTPA Program (CFDA #17.250). Compliance with such requirements is necessary, in our opinion, for the FSM National Government to comply with requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the FSM National Government complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2001.

Internal Control Over Compliance

The management of FSM National Government is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered FSM National Government's internal control over compliance with requirements that could have a direct and material effect on major federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

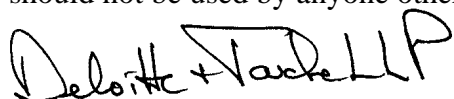
We noted matters involving the internal control over compliance and its operations that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the FSM National Government's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. The reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 2001-1 and 2001-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants would be material in relation to a major federal program 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 over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2001-1 to be a material weakness.

Schedule of Expenditures of Federal Awards

We have audited the general purpose financial statements of the FSM National Government, as of and for the year ended September 30, 2001, and have issued our report thereon dated September 30, 2002, which report was qualified due to our inability to determine the proprietary of cash and equivalents, receivables from other governments and agencies, due to FSM state governments and their effect on the determination of revenues and expenditures for all Government Fund Types; inventory and the effects on the determination of expenses for the Proprietary Fund Type - Internal Service Fund; investments and the effect on the determination of revenues and expenses for the Component Units - Proprietary Funds; and the elimination of intercompany receivables and payables for the National Fisheries Corporation, a Component Unit - Proprietary Fund. Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards (pages 73 through 121) is presented for the purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the general purpose financial statements. This schedule is the responsibility of the management of the FSM National Government. Such information has been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, in our opinion, except for such adjustments, if any, which might be required had we been able to substantiate certain cash and equivalents, receivables from other governments and agencies, due to FSM state governments of all Governmental Fund Types, is fairly stated, in all material respects when considered in relation to the general purpose financial statements taken as a whole.

This report is intended for the information of the FSM National Government, federal awarding agencies, pass-through entities and the cognizant audit and other federal agencies, and is not intended to be and should not be used by anyone other than those specified parties.



September 30, 2002

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards
By Grantor
Year Ended September 30, 2001

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Prior Expenditures	2001 Fiscal Year Expenditures		Total Program Expenditures
					Subrecipient	National Government	
U.S. Federal Direct Assistance Fund							
U.S. Department of Education							
	84.002		93 Adult Education V002A30001				
		7737	National Government	\$ 86,981	\$ -	\$ -	\$ 86,981
	84.002		94 Adult Education V002A40002				
		7738	National Government	96,903	-	-	96,903
	84.002		95 Adult Education V002A40057				
		7728	National Government	92,943	-	-	92,943
	84.002		96 Adult Education V002A50057				
		3121	National Government	48,187	-	-	48,187
	84.002		97 Adult Education V002A60057				
		3006	National Government	60,441	-	-	60,441
	84.002		98 Adult Education V002A70057				
		3026	National Government	57,248	-	-	57,248
	84.002		99 Adult Education V002A980057				
		303040	National Government	79,094	-	3,090	82,184
	84.002		FY-2000 Adult Education V002A990057				
		303045	National Government	15,092	-	58,815	73,907
			Total CFDA #84.002	536,889	-	61,905	598,794
	84.027		93 Special Education H027A30009				
		7731	National Government	378,212	-	-	378,212
		7732	Pohnpei	1,118,285	-	-	1,118,285
		7732	Chuuk	901,087	-	-	901,087
		7732	Yap	328,832	-	-	328,832
		7732	Kosrae	576,549	-	-	576,549
			Program Total	3,302,965	-	-	3,302,965
	84.027		94 Special Education H027A40007				
		7742	National Government	364,681	-	-	364,681
		7743	Pohnpei	1,134,119	-	-	1,134,119
		7743	Chuuk	1,030,774	-	-	1,030,774
		7743	Kosrae	515,345	-	-	515,345
		7743	Yap	478,817	-	-	478,817
			Program Total	3,523,736	-	-	3,523,736
			Balance forward CFDA #84.027	6,826,701	-	-	6,826,701
			Balance forward	536,889	-	61,905	598,794

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards
By Grantor
Year Ended September 30, 2001

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Prior Expenditures	2001 Fiscal Year Expenditures		Total Program Expenditures
					Subrecipient	National Government	
U.S. Federal Direct Assistance Fund							
U.S. Dept. of Education balance forwarded				\$ 536,889	\$ -	\$ 61,905	\$ 598,794
			Balance forwarded CFDA #84.027	6,826,701	-	-	6,826,701
	84.027		95 Special Education H027A40111				
		7721	National Government	669,897	-	-	669,897
		7729	Pohnpei	1,113,401	-	-	1,113,401
		7729	Chuuk	290,110	-	-	290,110
		7729	Kosrae	553,947	-	-	553,947
		7729	Yap	376,407	-	-	376,407
		3001	Chuuk	473,095	-	-	473,095
			Program Total	3,476,857	-	-	3,476,857
	84.027		97 Special Education H027B70006				
		3022	National Government	517,997	-	-	517,997
		3023	Pohnpei	326,957	(265)	-	326,692
		3023	Kosrae	478,395	-	-	478,395
		3023	Yap	450,564	-	-	450,564
		3024	Chuuk	1,025,625	-	-	1,025,625
			Program Total	2,799,538	(265)	-	2,799,273
	84.027		98 Special Education H027B970006-98				
		3037	National Government	-	-	20,755	20,755
		3037	Pohnpei	1,396,908	-	-	1,396,908
		3037	Kosrae	473,425	4,520	-	477,945
		3037	Yap	479,949	-	-	479,949
		3037	Chuuk	1,514,378	-	-	1,514,378
			Program Total	3,864,660	4,520	20,755	3,889,935
	84.027		99 Special Education HD27B99-0001				
		303041	National Government	-	-	290,633	290,633
		303041	Pohnpei	494,766	536,700	-	1,031,466
		303041	Kosrae	334,926	56,490	-	391,416
		303041	Yap	-	113,927	-	113,927
		303041	Chuuk	921,276	-	-	921,276
			Program Total	1,750,968	707,117	290,633	2,748,718
	84.027		FY00-01 Special Education H027B990001				
		303054	National Government	-	-	1,089,966	1,089,966
		303054	Pohnpei	-	718,990	-	718,990
		303054	Kosrae	-	424,988	-	424,988
		303054	Yap	-	579,364	-	579,364
			Program Total	-	1,723,342	1,089,966	2,813,308
			Total CFDA #84.027	18,718,724	2,434,714	1,401,354	22,554,792
			Balance forward	19,255,613	2,434,714	1,463,259	23,153,586

See accompanying notes to schedule of expenditures of federal awards

**NATIONAL GOVERNMENT
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Schedule of Expenditures of Federal Awards
By Grantor
Year Ended September 30, 2001

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Prior Expenditures	2001 Fiscal Year Expenditures		Total Program Expenditures
					Subrecipient	National Government	
U.S. Federal Direct Assistance Fund							
U.S. Dept. of Education balance forwarded				\$ 19,255,613	\$ 2,434,714	\$ 1,463,259	\$ 23,153,586
	84.124		93 Teacher Training R124A20001-93				
		7745	National Government	9,241	-	-	9,241
		7746	Pohnpei	57,885	-	-	57,885
		7746	Chuuk	62,299	-	-	62,299
		7746	Yap	54,072	-	-	54,072
		7746	Kosrae	51,938	-	-	51,938
			Program Total	235,435	-	-	235,435
	84.124		94 Teacher Training R124A20001-94				
		7723	National Government	10,975	-	-	10,975
		7724	Pohnpei	58,173	-	-	58,173
		7724	Chuuk	59,592	-	-	59,592
		7724	Yap	52,614	-	-	52,614
		7724	Kosrae	2,854	-	-	2,854
			Program Total	184,208	-	-	184,208
			Total CFDA #84.124	419,643	-	-	419,643
	84.185		FY-95 Robert C. Byrd Scholarship P185A60059				
		7749	National Government	29,250	-	-	29,250
	84.185		FY-95 National Close-up Local National Government				
		7726		14,181	-	-	14,181
	84.185		FY-96 Robert C. Byrd Scholarship P185A60059				
		3008	National Government	33,070	-	-	33,070
	84.185		FY-97 Robert C. Byrd Scholarship P185A60059				
		3018	National Government	43,845	-	-	43,845
	84.185		FY-98 Robert C. Byrd Scholarship P185A80059				
		3036	National Government	56,250	-	-	56,250
			FY-99 Robert C. Byrd Scholarship P185A990059				
		303044	National Government	59,250	-	-	59,250
			FY-01 Robert C. Byrd Scholarship CR76428				
		307747	National Government	-	-	34,500	34,500
			Total CFDA #84.185	235,846	-	34,500	270,346
	84.194Q		FY-95 Bilingual Education T194Q50048				
		7735	National Government	57,830	-	-	57,830
			Balance forward CFDA 84.194Q	57,830	-	-	57,830
			Balance forward	19,911,102	2,434,714	1,497,759	23,843,575

See accompanying notes to schedule of expenditures of federal awards

**NATIONAL GOVERNMENT
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By Grantor
Year Ended September 30, 2001

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Prior Expenditures	2001 Fiscal Year Expenditures		Total Program Expenditures
					Subrecipient	National Government	
U.S. Federal Direct Assistance Fund							
U.S. Dept. of Education balance forwarded				\$ 19,911,102	\$ 2,434,714	\$ 1,497,759	\$ 23,843,575
			Balance forwarded CFDA 84.194Q	57,830	-	-	57,830
	84.194Q		FY-96 Bilingual Education T194Q50048				
		3015	National Government	88,543	-	-	88,543
	84.194Q		FY-97 Bilingual Education T194Q50048-97				
		3020	National Government	92,112	-	-	92,112
	84.194Q		FY-98 Bilingual Education T194Q980042				
		303038	National Government	91,754	-	3,814	95,568
	84.194Q		FY-99 Bilingual Education T194Q980042-99				
		303042	National Government	72,367	-	3,530	75,897
	84.194Q		FY-00 Bilingual Education T1940980042-00				
		303050	National Government	-	-	76,366	76,366
			Total CFDA #84.194Q	402,606	-	83,710	486,316
	84.276A		FY-95 Goal 2000 Program S276A50055				
		7735	National Government	27,627	-	-	27,627
		3003	Kosrae	11,365	-	-	11,365
		3004	Chuuk	16,412	-	-	16,412
			Program Total	55,404	-	-	55,404
	84.276A		FY-96 Goal 2000 Program S276A60055				
		3011	National Government	30,400	-	-	30,400
		3012	Pohnpei	104,660	-	-	104,660
		3012	Kosrae	22,587	-	-	22,587
		3012	Yap	61,650	-	-	61,650
		3013	Chuuk	60,514	-	-	60,514
			Program Total	279,811	-	-	279,811
	84.276A		FY-97 Goal 2000 Program S276A60055-96A				
		3028	National Government	23,490	-	-	23,490
		3029	Kosrae	16,135	-	-	16,135
		3029	Yap	76,003	-	-	76,003
		3030	Chuuk	47,782	-	-	47,782
			Program Total	163,410	-	-	163,410
			Balance forward CFDA 84.276A	498,625	-	-	498,625
			Balance forward	20,313,708	2,434,714	1,581,469	24,329,891

See accompanying notes to schedule of expenditures of federal awards

**NATIONAL GOVERNMENT
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Schedule of Expenditures of Federal Awards
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Year Ended September 30, 2001

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Prior Expenditures	2001 Fiscal Year Expenditures		Total Program Expenditures
					Subrecipient	National Government	
U.S. Federal Direct Assistance Fund							
U.S. Dept. of Education balance forwarded				\$ 20,313,708	\$ 2,434,714	\$ 1,581,469	\$ 24,329,891
			Balance forwarded CFDA #84.276A	498,625	-	-	498,625
	84.276A		FY-98 Goal 2000 Program S276A70055				
		303033	National	85,119	-	3,072	88,191
		303033	Pohnpei	154,206	-	-	154,206
		303033	Kosrae	36,335	-	-	36,335
		303033	Yap	103,575	-	-	103,575
			Program Total	379,235	-	3,072	382,307
			FY-1999 Goal 2000 Program S27A980055				
		303043	National	106,498	-	14,028	120,526
		303043	Pohnpei	67,596	-	-	67,596
		303043	Kosrae	41,584	35,040	-	76,624
			Program Total	215,678	35,040	14,028	264,746
	84.276A		FY-2000 Goal 2000 Program S27A990055				
		303047	National	17,423	-	36,706	54,129
		303047	Pohnpei	-	62,433	-	62,433
		303047	Yap	-	14,081	-	14,081
			Program Total	17,423	76,514	36,706	130,643
	84.276A		FY-2001 Goal 2000 Program S27A600055				
		303051	National	-	-	92,197	92,197
		303051	Kosrae	-	15,495	-	15,495
		303051	Yap	-	39,431	-	39,431
			Program Total	-	54,926	92,197	147,123
			Total CFDA #84.276A	1,110,961	166,480	146,003	1,423,444
	84.346A		Career Resource Network V346A000059				
		303052	National	-	-	43,068	43,068
			Total CFDA #84.346A	-	-	43,068	43,068
			Total U.S. Dept. of Education	\$ 21,424,669	\$ 2,601,194	\$ 1,770,540	\$ 25,796,403

See accompanying notes to schedule of expenditures of federal awards

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards
By Grantor
Year Ended September 30, 2001

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Prior Expenditures	2001 Fiscal Year Expenditures		Total Program Expenditures
					Subrecipient	National Government	
U.S. Federal Direct Assistance Fund							
U.S. Department of Labor							
	17.250		64-10/64 - JTPA '90				
		3287	National Government	\$ 81,045	\$ -	\$ -	\$ 81,045
	17.250		64-016 - JTPA '92				
		3416	National Government	88,564	-	-	88,564
		3417	National Government	23,885	-	-	23,885
		3418	National Government	52,115	-	-	52,115
		3420	Pohnpei	55,789	-	-	55,789
		3420	Chuuk	98,770	-	-	98,770
		3420	Kosrae	27,751	-	-	27,751
		3420	Yap	19,297	-	-	19,297
		3421	Pohnpei	149,639	-	-	149,639
		3421	Chuuk	265,049	-	-	265,049
		3421	Kosrae	35,004	-	-	35,004
		3421	Yap	52,398	-	-	52,398
		3422	Pohnpei	98,045	-	-	98,045
		3422	Chuuk	164,265	-	-	164,265
		3422	Kosrae	23,380	-	-	23,380
		3422	Yap	36,040	-	-	36,040
		3423	Pohnpei	65,753	-	-	65,753
		3423	Chuuk	83,038	-	-	83,038
		3423	Kosrae	12,750	-	-	12,750
		3423	Yap	18,713	-	-	18,713
		3424	Pohnpei	56,829	-	-	56,829
		3424	Chuuk	30,523	-	-	30,523
		3424	Kosrae	17,287	-	-	17,287
		3424	Yap	7,826	-	-	7,826
		3425	Pohnpei	11,994	-	-	11,994
			Program Total	1,494,704	-	-	1,494,704
	17.250		93 JTPA Program				
		3427	National Government	78,600	-	-	78,600
		3428	National Government	24,119	-	-	24,119
		3430	Pohnpei	66,957	-	-	66,957
		3430	Chuuk	117,919	-	-	117,919
		3430	Kosrae	22,457	-	-	22,457
		3430	Yap	24,612	-	-	24,612
		3431	Pohnpei	94,479	-	-	94,479
		3431	Chuuk	144,219	-	-	144,219
		3431	Kosrae	39,048	-	-	39,048
		3431	Yap	36,272	-	-	36,272
		3432	Pohnpei	108,815	-	-	108,815
		3432	Chuuk	179,032	-	-	179,032
		3432	Kosrae	33,842	-	-	33,842
		3432	Yap	27,499	-	-	27,499
		3433	Pohnpei	54,267	-	-	54,267
		3433	Chuuk	99,817	-	-	99,817
		3433	Kosrae	22,613	-	-	22,613
		3433	Yap	15,000	-	-	15,000
		3434	Pohnpei	27,676	-	-	27,676
		3434	Chuuk	28,824	-	-	28,824
		3434	Kosrae	47,502	-	-	47,502
		3435	Chuuk	35,000	-	-	35,000
		3435	Kosrae	13,896	-	-	13,896
			Program Total	1,342,465	-	-	1,342,465
			Balance forward	2,918,214	-	-	2,918,214

See accompanying notes to schedule of expenditures of federal awards.

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Schedule of Expenditures of Federal Awards
By Grantor
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Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Prior Expenditures	2001 Fiscal Year Expenditures		Total Program Expenditures
					Subrecipient	National Government	
U.S. Federal Direct Assistance Fund							
U.S. Dept. of Labor balance forwarded:				\$ 2,918,214	\$ -	\$ -	\$ 2,918,214
	17.250		<u>94 JTPA Program</u> <u>64-94-01/64-94-02</u>				
		3437	National Government	164,201	-	-	164,201
		3438	National Government	17,781	-	-	17,781
		3439	National Government	56,249	-	-	56,249
		3440	Pohnpei	86,647	-	-	86,647
		3440	Chuuk	213,207	-	-	213,207
		3440	Kosrae	19,328	-	-	19,328
		3440	Yap	27,939	-	-	27,939
		3441	Pohnpei	150,660	-	-	150,660
		3441	Chuuk	308,862	-	-	308,862
		3441	Kosrae	42,820	-	-	42,820
		3441	Yap	42,506	-	-	42,506
		3442	Pohnpei	110,943	-	-	110,943
		3442	Chuuk	124,420	-	-	124,420
		3442	Kosrae	21,833	-	-	21,833
		3442	Yap	63,212	-	-	63,212
		3443	Pohnpei	47,019	-	-	47,019
		3443	Kosrae	1,780	-	-	1,780
		3443	Yap	7,868	-	-	7,868
		3444	Kosrae	5,042	-	-	5,042
		3444	Yap	18,808	-	-	18,808
		3445	Pohnpei	38,744	-	-	38,744
		3445	Kosrae	15,922	-	-	15,922
		3446	Pohnpei	19,518	-	-	19,518
		3446	Chuuk	41,595	-	-	41,595
		3446	Kosrae	4,210	-	-	4,210
		3446	Yap	6,315	-	-	6,315
			Program Total	1,657,429	-	-	1,657,429
	17.250		<u>95 JTPA Program</u> <u>64-95-01/64-95-02</u>				
		3201	National Government	110,954	-	-	110,954
		3202	National Government	35,428	-	-	35,428
		3203	Pohnpei	66,772	-	-	66,772
		3203	Kosrae	15,138	-	-	15,138
		3203	Yap	25,151	-	-	25,151
		3204	Pohnpei	119,415	-	-	119,415
		3204	Kosrae	34,119	-	-	34,119
		3204	Yap	17,532	-	-	17,532
		3205	Pohnpei	84,675	-	-	84,675
		3205	Kosrae	25,450	-	-	25,450
		3205	Yap	38,359	-	-	38,359
		3206	Pohnpei	55,203	-	-	55,203
		3206	Yap	7,597	-	-	7,597
		3207	Pohnpei	13,152	-	-	13,152
		3207	Yap	4,466	-	-	4,466
		3208	National Government	76,236	-	-	76,236
		3209	Chuuk	104,008	-	-	104,008
		3210	Chuuk	259,629	-	-	259,629
		3211	Chuuk	119,591	-	-	119,591
		3213	Chuuk	24,664	-	-	24,664
		3214	Kosrae	15,481	-	-	15,481
			Program Total	1,253,020	-	-	1,253,020
			Balance forward	5,828,663	-	-	5,828,663

See accompanying notes to schedule of expenditures of federal awards.

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Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Prior Expenditures	2001 Fiscal Year Expenditures		Total Program Expenditures
					Subrecipient	National Government	
U.S. Federal Direct Assistance Fund							
U.S. Dept. of Labor balance forwarded:				\$ 5,828,663	\$ -	\$ -	\$ 5,828,663
	17.250		<u>96 JTPA Program</u> <u>64-96-01/64-96-02</u>				
		3152	National Government	169,178	-	-	169,178
		3153	National Government	18,616	-	-	18,616
		3154	National Government	47,116	-	-	47,116
		3155	Pohnpei	54,958	-	-	54,958
		3156	Pohnpei	111,632	-	-	111,632
		3157	Pohnpei	84,624	-	-	84,624
		3158	Pohnpei	35,591	-	-	35,591
		3160	Chuuk	80,032	-	-	80,032
		3161	Chuuk	193,710	-	-	193,710
		3162	Chuuk	94,728	-	-	94,728
		3155	Yap	18,132	-	-	18,132
		3156	Yap	28,795	-	-	28,795
		3157	Yap	36,318	-	-	36,318
		3158	Yap	8,718	-	-	8,718
		3155	Kosrae	12,348	-	-	12,348
		3156	Kosrae	28,777	-	-	28,777
		3157	Kosrae	16,001	-	-	16,001
		3158	Kosrae	5,000	-	-	5,000
		3166	Kosrae	11,958	-	-	11,958
			Program Total	1,056,232	-	-	1,056,232
	17.250		<u>97 JTPA Program</u> <u>64-97-01/64-97-02</u>				
		3168	National Government	106,238	-	-	106,238
		3170	National Government	62,886	-	-	62,886
		3171	National Government	54,660	-	-	54,660
		3176	Chuuk	107,609	-	1,000	108,609
		3177	Chuuk	153,091	-	-	153,091
		3178	Chuuk	25,910	-	-	25,910
		3179	Chuuk	72,589	-	-	72,589
		3172	Pohnpei	70,877	-	-	70,877
		3173	Pohnpei	137,508	-	-	137,508
		3174	Pohnpei	35,698	-	-	35,698
		3175	Pohnpei	51,402	-	-	51,402
		3172	Yap	15,085	-	-	15,085
		3173	Yap	36,438	-	-	36,438
		3174	Yap	23,330	-	-	23,330
		3175	Yap	1,000	-	-	1,000
		3180	Yap	28,122	-	-	28,122
		3172	Kosrae	12,406	-	-	12,406
		3173	Kosrae	22,212	-	-	22,212
		3174	Kosrae	12,252	-	-	12,252
		3175	Kosrae	12,449	-	-	12,449
		3180	Kosrae	15,988	-	-	15,988
			Program Total	1,057,750	-	1,000	1,058,750
			Balance forward	7,942,645	-	1,000	7,943,645

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Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Prior Expenditures	2001 Fiscal Year Expenditures		Total Program Expenditures
					Subrecipient	National Government	
U.S. Federal Direct Assistance Fund							
U.S. Dept. of Labor balance forwarded:				\$ 7,942,645	\$ -	\$ 1,000	\$ 7,943,645
	17.250		<u>98 JTPA Program</u>				
			<u>64-98-01</u>				
		3184	National Government	108,144	-	-	108,144
		3187	National Government	60,243	-	-	60,243
		3186	National Government	64,530	-	-	64,530
		3188	Pohnpei	57,582	1,999	-	59,581
		3189	Pohnpei	131,182	1,710	-	132,892
		3190	Pohnpei	6,391	44,992	-	51,383
		3191	Pohnpei	70,993	9,808	-	80,801
		3188	Yap	18,660	436	-	19,096
		3189	Yap	29,817	213	-	30,030
		3190	Yap	21,502	800	-	22,302
		3185	Yap	15,387	-	-	15,387
		3188	Chuuk	86,160	-	-	86,160
		3189	Chuuk	286,526	-	29,939	316,465
		3190	Chuuk	2,745	-	-	2,745
		3191	Chuuk	46,942	-	3,542	50,484
		3188	Kosrae	13,376	-	-	13,376
		3189	Kosrae	18,183	4,234	-	22,417
		3190	Kosrae	9,655	16,668	-	26,323
		3191	Kosrae	7,072	98	-	7,170
		3185	Kosrae	15,000	-	-	15,000
			Program Total	1,070,090	80,958	33,481	1,184,529
	17.250		<u>99 JTPA Program</u>				
			<u>64-99-01/64-99-02</u>				
		323193	National Government-Admin.	2,236	-	72,911	75,147
		323193	National Government-Adult	607,186	-	-	607,186
		323193	Pohnpei-Admin.	68,523	(13,424)	-	55,099
		323193	Pohnpei-Adult	99,298	11,398	-	110,696
		323193	Pohnpei-Youth	10,268	(660)	-	9,608
		323193	Pohnpei-Participant Support	120,726	4,529	-	125,255
		323193	Yap-Admin.	-	2,048	-	2,048
		323193	Yap-Adult	-	19,900	-	19,900
		323193	Yap-Youth	-	10,695	-	10,695
		323193	Kosrae-Admin	13,194	-	-	13,194
		323193	Kosrae-Adult	11,661	1,292	-	12,953
		323193	Kosrae-Youth	2,209	1,268	-	3,477
		323193	Kosrae-Participant Support	31,573	1,179	-	32,752
		323193	Kosrae	3,100	-	-	3,100
		323193	Kosrae-Transition	14,426	-	-	14,426
			Program Total	984,400	38,225	72,911	1,095,536
			Balance forward	9,997,135	119,183	107,392	10,223,710

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards
By Grantor
Year Ended September 30, 2001

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Prior Expenditures	2001 Fiscal Year Expenditures		Total Program Expenditures
					Subrecipient	National Government	
U.S. Federal Direct Assistance Fund							
U.S. Dept. of Labor balance forwarded:				\$ 9,997,135	\$ 119,183	\$ 107,392	\$ 10,223,710
17.250			<u>FY00 WIA Title I Program</u>				
			<u>AA10604-00-50</u>				
		323194	Pohnpei-Admin.	-	24,351	-	24,351
		323194	Pohnpei-Adult Program	-	40,799	-	40,799
		323194	Pohnpei-Youth Program	-	57,498	-	57,498
		323194	Pohnpei-Dislocated Worker	-	58,912	-	58,912
		323194	Kosrae-Admin.	-	5,667	-	5,667
		323194	Kosrae-Adult Program	-	18,259	-	18,259
		323194	Kosrae-Youth Program	-	7,785	-	7,785
		323194	Kosrae-Dislocated Worker	-	5,379	-	5,379
		323194	Yap-Admin.	-	9,546	-	9,546
		323194	Yap-Adult Program	-	9,081	-	9,081
		323194	Yap-Youth Program	-	21,268	-	21,268
		323194	Yap-Dislocated Worker	-	5,787	-	5,787
			Program Total	-	264,332	-	264,332
17.250			<u>FY01 WIA Title I Program</u>				
			<u>64-99-01/64-99-02</u>				
		323194	National Government	-	-	459,381	459,381
		323194	Yap-Admin	-	711	-	711
		323194	Yap-Youth Program	-	3,423	-	3,423
			Program Total	-	4,134	459,381	463,515
			Total CFDA #17.250	9,997,135	387,649	566,773	10,951,557
17.249			<u>School To Work</u>				
			<u>U-5120-5-00-88-60</u>				
		323448	National Government	369,749	-	-	369,749
		323164	National Government	7,063	-	20,959	28,022
		323181	Pohnpei	30,470	-	-	30,470
		323181	Kosrae	28,312	-	-	28,312
		323164	Kosrae	53,546	-	-	53,546
		323181	Yap	32,780	-	-	32,780
		323164	Yap	37,156	66,719	-	103,875
		323182	Chuuk	37,948	-	-	37,948
			Total CFDA #17.249	597,024	66,719	20,959	684,702
			Total U.S. Dept. of Labor	\$ 10,594,159	\$ 454,368	\$ 587,732	\$ 11,636,259

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards
By Grantor
Year Ended September 30, 2001

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Prior Expenditures	2001 Fiscal Year Expenditures		Total Program Expenditures
					Subrecipient	National Government	
U.S. Federal Direct Assistance Fund							
U.S. Dept. of Agriculture							
	10.555		Food Service 89 F97081				
		3388	Yap	\$ 204,020	\$ -	\$ -	\$ 204,020
		3388	Kosrae	166,881	-	-	166,881
		3388	Pohnpei	455,551	-	-	455,551
		3388	Chuuk	1,012,290	-	-	1,012,290
		3389	National Government	135,512	-	-	135,512
		3390	National Government	1,449	-	-	1,449
			Total Program (CFDA #10.555)	1,975,703	-	-	1,975,703
	10.560		Nutrition Education F97190:				
		343338	National	39,948	-	8,061	48,009
			Total Program (CFDA #10.560)	39,948	-	8,061	48,009
	10.664		Forestry 93 05-93-13				
		7708	Pohnpei	64,498	-	-	64,498
		7708	Chuuk	7,003	-	-	7,003
		7708	Kosrae	20,769	-	-	20,769
		7708	Yap	7,000	-	-	7,000
			Program Total	99,270	-	-	99,270
	10.664		94 Forestry G-5-94-20-035				
		7714	Pohnpei	22,281	-	-	22,281
		7714	Chuuk	2,047	-	-	2,047
		7714	Yap	12,492	-	-	12,492
		7714	Kosrae	5,901	-	-	5,901
			Program Total	42,721	-	-	42,721
	10.664		93 Fire Prevention G-5-93-20-043				
		7711	National Government	3,056	-	-	3,056
		7712	Pohnpei	4,120	-	-	4,120
		7712	Kosrae	2,201	-	-	2,201
			Program Total	9,377	-	-	9,377
	10.664		94 Fire Prevention G-5-94-20-097				
		7716	National	3,918	-	-	3,918
		7717	Pohnpei	7,148	-	-	7,148
		7717	Chuuk	1,530	-	-	1,530
		7717	Yap	6,531	-	-	6,531
		7717	Kosrae	9,285	-	-	9,285
			Program Total	28,412	-	-	28,412
	10.664		95 Fire Prevention G-5-95-20-114				
		3407	National	4,862	-	-	4,862
		3408	Pohnpei	8,042	-	-	8,042
		3409	Chuuk	4,386	-	-	4,386
		3408	Yap	7,119	-	-	7,119
		3408	Kosrae	4,740	-	-	4,740
			Program Total	29,149	-	-	29,149
			Balance forward CFDA 10.664	208,929	-	-	208,929
			Balance forward	2,015,651	-	8,061	2,023,712

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
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Schedule of Expenditures of Federal Awards
By Grantor
Year Ended September 30, 2001

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Prior Expenditures	2001 Fiscal Year Expenditures		Total Program Expenditures
					Subrecipient	National Government	
U.S. Federal Direct Assistance Fund							
U.S. Dept. of Agriculture balance forwarded				\$ 2,015,651	\$ -	\$ 8,061	\$ 2,023,712
			Balance forwarded CFDA 10.664	208,929	-	-	208,929
	10.664		97 Fire Prevention G-5-97-20-027				
		3411	National	6,142	-	-	6,142
		3412	Pohnpei	10,710	-	-	10,710
		3413	Chuuk	5,395	-	-	5,395
		3412	Yap	10,875	-	-	10,875
		3412	Kosrae	7,984	-	-	7,984
			Program Total	41,106	-	-	41,106
	10.664		98 Fire Prevention G-5-98-20-045				
		343315	National	588	-	-	588
		343315	Pohnpei	16,985	-	-	16,985
		343315	Chuuk	10,938	-	-	10,938
		343315	Yap	8,005	-	-	8,005
		343315	Kosrae	45,436	-	-	45,436
			Program Total	81,952	-	-	81,952
	10.664		99 Fire Prevention G-5-99-20-070				
		343318	National	12,359	-	1,627	13,986
		343318	Pohnpei	10,490	3,054	-	13,544
		343318	Kosrae	12,611	795	-	13,406
			Program Total	35,460	3,849	1,627	40,936
	10.664		95 Forestry G-5-95-20-042				
		7719	Pohnpei	13,596	-	-	13,596
		7717	Chuuk	3,132	-	-	3,132
		7719	Yap	9,087	-	-	9,087
		7719	Kosrae	490	-	-	490
			Program Total	26,305	-	-	26,305
	10.664		96 Forestry G-5-96-20-026				
		3302	National	7,641	-	-	7,641
		3303	Pohnpei	5,509	-	-	5,509
			Program Total	13,150	-	-	13,150
	10.664		97 Forestry/Urban Community G-5-97-20-051				
		3309	National	2,673	-	-	2,673
		3312	Pohnpei	18,725	-	-	18,725
		3312	Yap	5,400	-	-	5,400
		3312	Kosrae	807	-	-	807
			Program Total	27,605	-	-	27,605
	10.664		97 Forestry/Resource Management G-5-97-20-051				
		343310	Pohnpei	2,116	-	-	2,116
		343310	Kosrae	3,726	-	-	3,726
			Program Total	5,842	-	-	5,842
			Balance forward CFDA 10.664	440,349	3,849	1,627	445,825
			Balance forward	2,015,651	-	8,061	2,023,712

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
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Schedule of Expenditures of Federal Awards
By Grantor
Year Ended September 30, 2001

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Prior Expenditures	2001 Fiscal Year Expenditures		Total Program Expenditures
					Subrecipient	National Government	
U.S. Federal Direct Assistance Fund							
U.S. Dept. of Agriculture balance forwarded				\$ 2,015,651	\$ -	\$ 8,061	\$ 2,023,712
			Balance forwarded CFDA 10.664	440,349	3,849	1,627	445,825
	10.664		97 Forestry/Seedling Nursery & Tree Improvement G-5-97-20-051				
		343311	Pohnpei	1,153	-	-	1,153
		343311	Kosrae	30	-	-	30
		343311	Yap	30	-	-	30
			Program Total	1,213	-	-	1,213
	10.664	3414	97 Resource Management Training National	2,924	-	-	2,924
	10.664		98 Forestry/Urban Community G-5-98-20-017				
		343314	National	4,587	-	-	4,587
		343314	Pohnpei	23,638	(758)	-	22,880
		343314	Kosrae	14,103	4,775	-	18,878
		343314	Yap	11,680	-	-	11,680
			Program Total	54,008	4,017	-	58,025
	10.664		98 Forestry/Resource Management G-5-98-20-017				
		343314	Pohnpei	9,435	-	-	9,435
		343314	Yap	3,418	-	-	3,418
			Program Total	12,853	-	-	12,853
	10.664		98 Forestry/Seedling & Nursery TI G-5-98-20-017				
		343314	Pohnpei	4,862	(300)	-	4,562
		343314	Chuuk	10,474	-	-	10,474
		343314	Yap	12,868	3,452	-	16,320
			Program Total	28,204	3,152	-	31,356
	10.664		99 Resource Management Training PSW-99-002CA				
		343316	Chuuk	6,550	-	-	6,550
			Program Total	6,550	-	-	6,550
	10.664		99 Forestry/Urban Community G-5-99-20-080				
		343317	National	11,368	-	190	11,558
		343317	Pohnpei	10,696	9,395	-	20,091
		343317	Yap	-	8,504	-	8,504
			Program Total	22,064	17,899	190	40,153
	10.664		99 Forestry/Resource Management G-5-99-20-080				
		343317	Pohnpei	334	-	-	334
		343317	Yap	-	1,144	-	1,144
			Program Total	334	1,144	-	1,478
			Balance forward CFDA 10.664	568,499	30,061	1,817	600,377
			Balance forward	2,015,651	-	8,061	2,023,712

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards
By Grantor
Year Ended September 30, 2001

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Prior Expenditures	2001 Fiscal Year Expenditures		Total Program Expenditures
					Subrecipient	National Government	
U.S. Federal Direct Assistance Fund							
U.S. Dept. of Agriculture balance forwarded				\$ 2,015,651	\$ -	\$ 8,061	\$ 2,023,712
			Balance forwarded CFDA 10.664	568,499	30,061	1,817	600,377
	10.664		99 Forestry/Seedling & Nursery TI G-5-99-20-080				
		343317	Pohnpei	333	808	-	1,141
		343317	Yap	-	748	-	748
			Program Total	333	1,556	-	1,889
	10.664		FY00 Forestry/Urban Community 00-DG-11050000-0026				
		343319	National	-	-	37,661	37,661
		343319	Pohnpei	-	7,645	-	7,645
		343319	Kosrae	7,944	14,871	-	22,815
		343319	Yap	-	5,780	-	5,780
			Program Total	7,944	28,296	37,661	73,901
	10.664		FY00 Forestry/Resource Management 00-DG-11050000-0026				
		343319	Pohnpei	334	5,220	-	5,554
		343319	Yap	-	3,334	-	3,334
			Program Total	334	8,554	-	8,888
			Total CFDA #10.664	577,110	68,467	39,478	685,055
			Total U.S. Dept. of Agriculture	\$ 2,592,761	\$ 68,467	\$ 47,539	\$ 2,708,767

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
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Schedule of Expenditures of Federal Awards
By Grantor
Year Ended September 30, 2001

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Prior Expenditures	2001 Fiscal Year Expenditures		Total Program Expenditures
					Subrecipient	National Government	
U.S. Federal Direct Assistance Fund							
U.S. Dept. of the Interior							
	15.904		95 Historic Preservation 64-95-10113				
		3450	National Government	\$ 88,080	\$ -	\$ -	\$ 88,080
		3451	Pohnpei	42,501	-	-	42,501
		3451	Kosrae	40,430	-	-	40,430
		3451	Yap	45,669	-	-	45,669
		3452	Chuuk	38,550	-	-	38,550
			Program Total	255,230	-	-	255,230
	15.904		96 Historic Preservation 64-96-11051				
		3455	National Government	73,564	-	-	73,564
		3456	Pohnpei	44,824	-	-	44,824
		3455	Kosrae	38,509	-	-	38,509
		3456	Yap	42,581	-	-	42,581
		3457	Chuuk	17,151	-	-	17,151
			Program Total	216,629	-	-	216,629
	15.904		97 Historic Preservation 64-97-12010				
		3459	National Government	29,175	-	-	29,175
		3461	National Government	21,145	-	-	21,145
		3460	Pohnpei	40,566	-	-	40,566
		3462	Pohnpei	6,336	-	-	6,336
		3460	Kosrae	42,971	-	-	42,971
		3462	Kosrae	1,931	-	-	1,931
		3460	Yap	51,252	-	-	51,252
		3462	Yap	11,177	-	-	11,177
			Program Total	204,553	-	-	204,553
	15.904		98 Historic Preservation 64-98-13110				
		7522	National Government/Operation	32,605	-	-	32,605
		7522	National Government/Archeology	45,186	-	-	45,186
			Program Total	77,791	-	-	77,791
	15.904		98 Historic Preservation 64-98-13161				
		7524	Kosrae/Historic Operation	43,774	-	-	43,774
		7524	Kosrae/Special Project	10,176	-	-	10,176
			Program Total	53,950	-	-	53,950
	15.904		98 Historic Preservation 64-98-13162				
		7523	Pohnpei/Historic Operation	50,287	(3,000)	-	47,287
		7523	Pohnpei/Special Project	9,844	-	-	9,844
			Program Total	60,131	(3,000)	-	57,131
	15.904		98 Historic Preservation 64-98-13163				
		7525	Yap/Historic Operation	34,380	5,642	-	40,022
		7525	Yap/Special Project	22,633	8,725	-	31,358
			Program Total	57,013	14,367	-	71,380
			Balance forward	925,297	11,367	-	936,664

See accompanying notes to schedule of expenditures of federal awards.

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By Grantor
Year Ended September 30, 2001

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Prior Expenditures	2001 Fiscal Year Expenditures		Total Program Expenditures
					Subrecipient	National Government	
U.S. Federal Direct Assistance Fund							
U.S. Dept. of Interior balance forwarded				\$ 925,297	\$ 11,367	\$ -	\$ 936,664
	15.904		99 Historic Preservation 64-99-14290				
		7527	Pohnpei/Historic Operation	32,874	1,164	-	34,038
		7527	Pohnpei/Special Project	24,473	1,473	-	25,946
			Program Total	57,347	2,637	-	59,984
	15.904		99 Historic Preservation 64-99-14289				
		7526	Kosrae/Historic Operation	25,439	10,591	-	36,030
		7526	Kosrae/Archeology	-	58,154	-	58,154
		7526	Kosrae/Special Project	26,629	5,829	-	32,458
			Program Total	52,068	74,574	-	126,642
	15.904		99 Historic Preservation 64-99-14291				
		7529	National Government/Operation	5,334	-	2,701	8,035
		7665	National Government/Archeology	7,992	-	2,957	10,949
			Program Total	13,326	-	5,658	18,984
	15.904		FY2000 Historic Preservation 64-00-15359				
		377530	Yap/Historic Operation	-	55,694	-	55,694
	15.904	377531	FY2000 Historic Preservation 64-00-15360				
			Pohnpei/Historic Operation	267	37,062	-	37,329
	15.904	377531	FY2000 Historic Preservation 64-00-15310				
			National/Historic Operation	-	-	17,592	17,592
	15.904	377532	FY2000 Historic Preservation 64-00-15362				
			Chuuk/Historic Operation	-	-	14,843	14,843
	15.904	377531	FY2000 Historic Preservation 64-00-15359				
			Kosrae/Historic Operation	-	47,103	-	47,103
			Total U.S. Dept. of the Interior (CFDA #15.904)	\$ 1,048,305	\$ 228,437	\$ 38,093	\$ 1,314,835

See accompanying notes to schedule of expenditures of federal awards.

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Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Prior Expenditures	2001 Fiscal Year Expenditures		Total Program Expenditures
					Subrecipient	National Government	
U.S. Federal Direct Assistance Fund							
U.S. Environmental Protection Agency							
	66.418		C640001-01-3:				
		3589	National Admin. PRSP-3	\$ 17,033	\$ -	\$ -	\$ 17,033
		3592	Pohnpei RSP	417,198	-	-	417,198
			Program Total	434,231	-	-	434,231
	66.418		C640003-02:				
		3582	Yap Sewer Connection	525,019	-	-	525,019
		3581	Yap Sewer Connection/Admin.	15,467	-	-	15,467
			Program Total	540,486	-	-	540,486
	66.418		C640003-03:				
		3580	Yap Waste Water Treatment	16,000	-	-	16,000
	66.418		C640003-04:				
		3593	Ulithi Sewer System	172,689	-	-	172,689
		3590	Ulithi Sewer System/Admin	21,476	-	-	21,476
			Program Total	194,165	-	-	194,165
	66.418		C640003-05:				
		7582	Tomil On-Site Sewer System	37,864	-	-	37,864
	66.418		C640004-01-0:				
		3584	Kosrae Waste Water/Admin.	73,448	-	-	73,448
		3585	Const. Waste Water Facility	4,806,919	-	-	4,806,919
			Program Total	4,880,367	-	-	4,880,367
	66.418		C640002-02:				
		7576	Chuuk Rural Sanitation Prog.	391,262	-	-	391,262
			Program Total	391,262	-	-	391,262
	66.418		C640002-03:				
		7580	Chuuk House Sewer Connection	152,726	-	-	152,726
		3591	Chuuk HSC Admin.	8,868	-	-	8,868
			Program Total	161,594	-	-	161,594
	66.418		C640001-06:				
		7581	Pohnpei RSP Supplemental	152,102	-	-	152,102
	66.418		93 Climate Change Study				
			CX822560-01-0				
		7351	National Government	269,137	-	-	269,137
			Total U.S. EPA (CFDA #66.418)	\$ 7,077,208	\$ -	\$ -	\$ 7,077,208

See accompanying notes to schedule of expenditures of federal awards

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Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Prior Expenditures	2001 Fiscal Year Expenditures		Total Program Expenditures
					Subrecipient	National Government	
U.S. Federal Direct Assistance Fund							
U.S. Department of Health and Human Services							
	93.110		94 State Sys. Develop. Initiative 1 MCJ-64T046-01-0				
		7480	National Government	\$ 2,072	\$ -	\$ -	\$ 2,072
		7481	Pohnpei	16,306	-	-	16,306
		7481	Chuuk	20,941	-	-	20,941
		7481	Kosrae	11,894	-	-	11,894
		7481	Yap	400	-	-	400
			Program Total	51,613	-	-	51,613
	93.110		95 SSDI 5 MCJ-647046-02				
		7387	National Government	17,000	-	-	17,000
		7388	Pohnpei	2,900	-	-	2,900
		7388	Chuuk	17,234	-	-	17,234
		7388	Kosrae	21,292	-	-	21,292
		7388	Yap	8,743	-	-	8,743
			Program Total	67,169	-	-	67,169
	93.110		96 State System Dev. Init. 5 MCJ-64T046-03				
		3648	National Government	75,317	-	-	75,317
		3649	Kosrae	4,043	-	-	4,043
		3642	Chuuk	2,977	-	-	2,977
			Program Total	82,337	-	-	82,337
	93.110		97 SSDI Program 2-MCJ-64T046-04-0				
		3732	National Government	45,629	-	-	45,629
		3733	Pohnpei	17	-	-	17
		3734	Chuuk	4,403	-	-	4,403
			Program Total	50,049	-	-	50,049
	93.110		98 SSDI Program 2-MCJ-64T046-05-0				
		3761	National Government	70,960	-	-	70,960
	93.110		99 SSDI Program 5-HI8 MC 00060-06				
		413568	Unallotted	-	-	-	-
		413568	National Government	61,674	-	-	61,674
			Program Total	61,674	-	-	61,674
	93.110		2000 SSDI Program 2-HI8 MC 00060-07				
		417538	National Government	61,663	-	21,260	82,923
	93.110		2001 SSDI Program 5-HI8 MC 00060-08				
		417549	National Government	-	-	60,124	60,124
			Total CFDA #93.110	445,465	-	81,384	526,849
	93.116		94 Tuberculosis Control U52/CCU907874-03				
		7362	National Government	77,921	-	-	77,921
		7363	Pohnpei	11,159	-	-	11,159
		7363	Chuuk	14,727	-	-	14,727
		7363	Kosrae	7,589	-	-	7,589
		7363	Yap	3,695	-	-	3,695
			Program Total	115,091	-	-	115,091
			Balance forward CFDA #93.116	115,091	-	-	115,091
			Balance forward	445,465	-	81,384	526,849

See accompanying notes to schedule of expenditures of federal awards.

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Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Prior Expenditures	2001 Fiscal Year Expenditures		Total Program Expenditures
					Subrecipient	National Government	
U.S. Federal Direct Assistance Fund							
U.S. DHHS balance forwarded				\$ 445,465	\$ -	\$ 81,384	\$ 526,849
			Balance forwarded CFDA #93.116	115,091	-	-	115,091
	93.116		95 Tuberculosis Control U52/CCU907874-04				
		7447	National Government	32,012	-	-	32,012
		7448	Pohnpei	16,948	-	-	16,948
		7448	Chuuk	18,961	-	-	18,961
		7448	Kosrae	8,289	-	-	8,289
		7448	Yap	13,257	-	-	13,257
			Program Total	89,467	-	-	89,467
	93.116		96 Tuberculosis & AIDS. U52/CCU907874-05				
		3664	National Government	30,108	-	-	30,108
		3665	Pohnpei	20,658	-	-	20,658
		3665	Kosrae	18,275	-	-	18,275
		3665	Yap	20,496	-	-	20,496
		3666	Chuuk	22,625	-	-	22,625
			Program Total	112,162	-	-	112,162
	93.116		97 TB & AIDS Program U52/CCU907874-06				
		3717	National Government	39,068	-	-	39,068
		3718	Pohnpei	12,869	-	-	12,869
		3718	Kosrae	9,162	-	-	9,162
		3718	Yap	9,280	-	-	9,280
		3719	Chuuk	19,515	-	-	19,515
			Program Total	89,894	-	-	89,894
	93.116		98 TB & AIDS Program U52/CCU907874-07				
		3772	National Government	33,627	-	-	33,627
		3773	Pohnpei	14,816	-	-	14,816
		3773	Kosrae	6,449	-	-	6,449
		3773	Yap	18,063	-	-	18,063
		3774	Chuuk	17,440	-	-	17,440
			Program Total	90,395	-	-	90,395
	93.116		99 TB & AIDS Program U52/CCU907874-08				
		413571	National Government	54,400	-	-	54,400
		413571	Pohnpei	4,500	-	-	4,500
		413571	Chuuk	13,717	-	-	13,717
		413571	Kosrae	7,541	-	-	7,541
		413571	Yap	10,292	-	-	10,292
			Program Total	90,450	-	-	90,450
	93.116		FY00 TB & AIDS Program U52/CCU907874-09				
		417540	National Government	57,523	-	36,021	93,544
		417540	Pohnpei	25,381	11,666	-	37,047
		417540	Kosrae	4,240	(1)	-	4,239
		417540	Yap	-	9,879	-	9,879
			Program Total	87,144	21,544	36,021	144,709
			Balance forward CFDA #93.116	674,603	21,544	36,021	732,168
			Balance forward	445,465	-	81,384	526,849

See accompanying notes to schedule of expenditures of federal awards.

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Schedule of Expenditures of Federal Awards
By Grantor
Year Ended September 30, 2001

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Prior Expenditures	2001 Fiscal Year Expenditures		Total Program Expenditures
					Subrecipient	National Government	
U.S. Federal Direct Assistance Fund							
U.S. DHHS balance forwarded				\$ 445,465	\$ -	\$ 81,384	\$ 526,849
			Balance forwarded CFDA #93.116	674,603	21,544	36,021	732,168
	93.116		FY01 TB & AIDS Program U52/CCUPU7874-10				
		417542	National Government	-	-	31,350	31,350
		417542	Pohnpei	-	2,314	-	2,314
		417542	Kosrae	-	12,193	-	12,193
		417542	Yap	-	14,844	-	14,844
			Program Total	-	29,351	31,350	60,701
			Total CFDA #93.116	674,603	50,895	67,371	792,869
	93.118		94 AIDS Surveillance U62/CCU906251-04				
		7496	National Government	5,570	-	-	5,570
	93.118		95 AIDS Surveillance U62/CCU906251-05				
		7396	National Government	7,169	-	-	7,169
	93.118		96 Aids Surveillance U62/CCU906251-06				
		3730	National Government	4,148	-	-	4,148
	93.118		98 Aids Surveillance U62/CCU906251-07				
		3561	National Government	4,699	-	-	4,699
	93.118		99 Aids Surveillance U62/CCU906251-08				
		413679	National Government	5,040	-	-	5,040
	93.118		FY2000 Aids Surveillance U62/CCU906251-09				
		417543	National Government	(46)	-	-	(46)
	93.118		FY2001 HIV/Aids Surveillance U62/CCU906251-10				
		417552	National Government	-	-	4,048	4,048
			Total CFDA #93.118	26,580	-	4,048	30,628
	93.119		95 MHIS 5 HR1 SM50914-03				
		7371	National Government	109,005	-	-	109,005
		7372	Pohnpei	10,527	-	-	10,527
		7372	Kosrae	5,487	-	-	5,487
		7372	Yap	5,051	-	-	5,051
		3674	Chuuk	8,229	-	-	8,229
			Program Total	138,299	-	-	138,299
			Total CFDA #93.119	138,299	-	-	138,299
	93.163		93 PBI/Biomedical Services CSH006478-02-0				
		7484	National Government	45,419	-	-	45,419
	93.163		93 PBI/Comm. Base Health CSH064710-01-0				
		7485	Pohnpei	15,280	-	-	15,280
			Balance forward CFDA #93.163	60,699	-	-	60,699
			Balance forward	1,284,947	50,895	152,803	1,488,645

See accompanying notes to schedule of expenditures of federal awards.

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Schedule of Expenditures of Federal Awards
By Grantor
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Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Prior Expenditures	2001 Fiscal Year Expenditures		Total Program Expenditures
					Subrecipient	National Government	
U.S. Federal Direct Assistance Fund							
U.S. DHHS balance forwarded				\$ 1,284,947	\$ 50,895	\$ 152,803	\$ 1,488,645
			Balance forwarded CFDA #93.163	60,699	-	-	60,699
	93.163		94 PBI/Nurse Practice CSH006478-04-0				
		7381	National Government	21,960	-	-	21,960
	93.163		94 PBI/Biomedical Service CSH006478-03-0				
		7382	National Government	178,510	-	-	178,510
			Total CFDA #93.163	261,169	-	-	261,169
	93.217		94 Family Planning 09H-001777-8-0				
		7463	Pohnpei	30,259	-	-	30,259
		7463	Chuuk	31,611	-	-	31,611
		7463	Kosrae	16,919	-	-	16,919
		7463	Yap	16,700	-	-	16,700
		7360	National Government	11,625	-	-	11,625
			Program Total	107,114	-	-	107,114
	93.217		95 Family Planning 09H-001777-09-1				
		7365	Pohnpei	33,573	-	-	33,573
		7365	Chuuk	40,436	-	-	40,436
		7365	Kosrae	17,063	-	-	17,063
		7365	Yap	14,610	-	-	14,610
			Program Total	105,682	-	-	105,682
	93.217		96 Family Planning 09H-001777-10-0				
		7438	Pohnpei	27,042	-	-	27,042
		7438	Chuuk	14,543	-	-	14,543
		7438	Kosrae	13,106	-	-	13,106
		7438	Yap	19,023	-	-	19,023
		7438	Chuuk	29,955	-	-	29,955
			Program Total	103,669	-	-	103,669
	93.217		97 Family Planning 09H-001777-11-0				
		3677	National Government	7,006	-	-	7,006
		3675	Pohnpei	21,931	-	-	21,931
		3675	Kosrae	25,134	-	-	25,134
		3675	Yap	24,731	-	-	24,731
		3676	Chuuk	37,435	-	-	37,435
			Program Total	116,237	-	-	116,237
	93.217		98 Family Planning 09H-001777-12-0				
		3759	National Government	3,700	-	-	3,700
		3745	Pohnpei	44,956	-	-	44,956
		3745	Kosrae	29,941	-	-	29,941
		3746	Chuuk	54,630	-	-	54,630
		3745	Yap	42,944	-	-	42,944
			Program Total	176,171	-	-	176,171
			Balance forward CFDA #93.217	608,873	-	-	608,873
			Balance forward	1,546,116	50,895	152,803	1,749,814

See accompanying notes to schedule of expenditures of federal awards.

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Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Prior Expenditures	2001 Fiscal Year Expenditures		Total Program Expenditures
					Subrecipient	National Government	
U.S. Federal Direct Assistance Fund							
U.S. DHHS balance forwarded				\$ 1,546,116	\$ 50,895	\$ 152,803	\$ 1,749,814
			Balance forwarded CFDA #93.217	608,873	-	-	608,873
	93.217		99 Family Planning 09H-001777-13-0				
		413798	National Government	75,603	-	-	75,603
		413798	Pohnpei	87,092	-	-	87,092
		413798	Kosrae	16,819	-	-	16,819
		413798	Chuuk	40,858	-	-	40,858
		413798	Yap	33,389	-	-	33,389
			Program Total	253,761	-	-	253,761
	93.217		2000 Family Planning 09H-001777-14-0				
		417534	National Government	-	-	17,606	17,606
		417534	Pohnpei	31,333	-	-	31,333
		417534	Kosrae	23,719	-	-	23,719
		417534	Chuuk	85,745	-	-	85,745
		417534	Yap	3,941	-	-	3,941
			Program Total	144,738	-	17,606	162,344
	93.217		2001 Family Planning 09H-001777-15-00				
		417554	National Government	-	-	139,582	139,582
		417554	Pohnpei	2,023	50,343	-	52,366
		417554	Kosrae	-	17,158	-	17,158
		417554	Chuuk	10,264	-	-	10,264
		417554	Yap	-	40,395	-	40,395
			Program Total	12,287	107,896	139,582	259,765
	93.217		2002 Family Planning 09H-001777-16-00				
		417557	National Government	-	-	4,810	4,810
		417557	Pohnpei	-	6,704	-	6,704
			Program Total	-	6,704	4,810	11,514
			Total CFDA #93.217	1,019,659	114,600	161,998	1,296,257
	93.224		94 CHC CSH901774-09-0				
		7359	Pohnpei	110,566	-	-	110,566
	93.224		95 CHC CSH901774-10-0				
		7390	Pohnpei	140,071	-	-	140,071
	93.224		96 Community Health Center CSH901774-11-0				
		3673	Pohnpei	139,451	-	-	139,451
	93.224		97 Community Health Center CSH901774-12-0				
		3722	Pohnpei	140,436	-	-	140,436
			Balance forward CFDA #93.224	530,524	-	-	530,524
			Balance forward	2,565,775	165,495	314,801	3,046,071

See accompanying notes to schedule of expenditures of federal awards.

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Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Prior Expenditures	2001 Fiscal Year Expenditures		Total Program Expenditures
					Subrecipient	National Government	
U.S. Federal Direct Assistance Fund							
U.S. DHHS balance forwarded				\$ 2,565,775	\$ 165,495	\$ 314,801	\$ 3,046,071
			Balance forwarded CFDA #93.224	530,524	-	-	530,524
	93.224		98 Community Health Center CSH901774-13-0				
		3785	Pohnpei	135,016	-	-	135,016
	93.224		99 Community Health Center 5H09 CS 02179-14				
		417532	Pohnpei	85,633	-	-	85,633
	93.224		FY2000 Community Health Center 2H09 CS 02170-15				
		417541	Pohnpei	99,713	34,677	-	134,390
	93.224		FY2001 Community Health Center 5H09 CS 02179-16				
		417546	Pohnpei	-	86,182	-	86,182
			Total CFDA #93.224	850,886	120,859	-	971,745
	93.268		Immunization 92 H23/CCH904426-03				
		7691	National Government	150,782	-	-	150,782
		7692	Pohnpei	9,470	-	-	9,470
		7692	Chuuk	20,463	-	-	20,463
		7692	Kosrae	141	-	-	141
		7692	Yap	1,340	-	-	1,340
			Program Total	182,196	-	-	182,196
	93.268		93 Immunization H23/CCH904426-04				
		7792	National Government	155,692	-	-	155,692
		7793	Pohnpei	24,936	-	-	24,936
		7793	Chuuk	49,097	-	-	49,097
		7793	Yap	5,595	-	-	5,595
		7793	Kosrae	573	-	-	573
			Program Total	235,893	-	-	235,893
	93.268		94 Immunization Program H23/CCH904426-05				
		7493	National Government	260,119	-	-	260,119
		7494	Pohnpei	28,843	-	-	28,843
		7494	Chuuk	51,319	-	-	51,319
		7494	Kosrae	7,505	-	-	7,505
		7494	Yap	5,746	-	-	5,746
			Program Total	353,532	-	-	353,532
	93.268		95 Immunization H23/CCH904426-06				
		7393	National Government	269,374	-	-	269,374
		7394	Pohnpei	40,976	-	-	40,976
		7394	Chuuk	55,386	-	-	55,386
		7394	Kosrae	699	-	-	699
		7394	Yap	11,806	-	-	11,806
			Program Total	378,241	-	-	378,241
			Balance forward CFDA #93.268	1,149,862	-	-	1,149,862
			Balance forward	3,416,661	286,354	314,801	4,017,816

See accompanying notes to schedule of expenditures of federal awards.

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Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Prior Expenditures	2001 Fiscal Year Expenditures		Total Program Expenditures
					Subrecipient	National Government	
U.S. Federal Direct Assistance Fund							
U.S. DHHS balance forwarded				\$ 3,416,661	\$ 286,354	\$ 314,801	\$ 4,017,816
			CFDA #93.268 balance forwarded	1,149,862	-	-	1,149,862
	93.268		96 Immunization Program H23/CCH904426-07				
		3668	National Government	192,331	-	-	192,331
		3669	Pohnpei	44,220	-	-	44,220
		3669	Kosrae	4,589	-	-	4,589
		3669	Yap	11,614	-	-	11,614
		3670	Chuuk	46,921	-	-	46,921
			Program Total	299,675	-	-	299,675
	93.268		97 Immunization Program H23/CCH904426-08				
		3710	National Government	207,801	-	-	207,801
		3711	Pohnpei	40,012	-	-	40,012
		3711	Kosrae	21,014	-	-	21,014
		3711	Yap	18,645	-	-	18,645
		3712	Chuuk	43,456	-	-	43,456
			Program Total	330,928	-	-	330,928
	93.268		98 Immunization Program H23/CCH904426-09				
		3768	National Government	240,590	-	-	240,590
		3769	Pohnpei	37,941	-	-	37,941
		3769	Kosrae	16,224	-	-	16,224
		3769	Yap	9,575	-	-	9,575
		3769	Chuuk	62,955	-	-	62,955
			Program Total	367,285	-	-	367,285
	93.268		99 Immunization Program H23/CCH904426-10				
		413570	National Government	465,333	-	34,695	500,028
		413570	Pohnpei	51,314	417	-	51,731
		413570	Chuuk	40,674	-	-	40,674
		413570	Kosrae	44,075	23,523	-	67,598
		413570	Yap	6,596	15,841	-	22,437
			Program Total	607,992	39,781	34,695	682,468
	93.268		01 Immunization Program H23/CCH904426-11				
		413575	National Government	-	-	333,703	333,703
		413575	Pohnpei	-	45,985	-	45,985
		413575	Kosrae	-	19,894	-	19,894
			Program Total	-	65,879	333,703	399,582
			Total CFDA #93.268	2,755,742	105,660	368,398	3,229,800
	93.283	7799	H1G/CCH908215-01 National Government	22,895	-	-	22,895
	93.283	3691	96 Nutrition Intervention H75/CCH912116-01 National Government	13,263	-	-	13,263
			Balance forward CFDA #93.283	36,158	-	-	36,158
			Balance forward	6,172,403	392,014	683,199	7,247,616

See accompanying notes to schedule of expenditures of federal awards.

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Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Prior Expenditures	2001 Fiscal Year Expenditures		Total Program Expenditures
					Subrecipient	National Government	
U.S. Federal Direct Assistance Fund							
U.S. DHHS balance forwarded				\$ 6,172,403	\$ 392,014	\$ 683,199	\$ 7,247,616
			CFDA #93.283 balance forwarded	36,158	-	-	36,158
	93.283	417537	FY-99 Tobacco Use Prevention U1A/CCU916 991-01 National Government	50,450	-	-	50,450
	93.283	417537	Comprehensive State Base Tobacco U1A/CCU916 991-03 National Government	-	-	138,140	138,140
			Total CFDA #93.283	86,608	-	138,140	224,748
	93.630	7467	93 Development Disabilities G-9301-FMBS84 National Government	128,665	-	-	128,665
	93.630	7374	94 Development Disabilities G-9401-FMBS84 National Government	123,470	-	-	123,470
			Total CFDA #93.630	252,135	-	-	252,135
	93.879		Medical Library Assistance 1 G08 LM066900-01				
		413567	National Government	25,513	-	1,357	26,870
		417533	Pohnpei	792	-	-	792
		417533	Kosrae	750	-	-	750
			Total CFDA #93.879	27,055	-	1,357	28,412
	93.917		HIV Care Project 1X07HA 00087				
		417556	National Government	-	-	5,055	5,055
		417556	Chuuk	-	-	3,434	3,434
			Total CFDA #93.917	-	-	8,489	8,489
	93.940		94 AIDS Prevention U62/CCU902703-08				
		7498	National Government	37,131	-	-	37,131
		7499	Pohnpei	9,104	-	-	9,104
		7499	Chuuk	2,669	-	-	2,669
		7499	Kosrae	11,644	-	-	11,644
			Program Total	60,548	-	-	60,548
	93.940		95 AIDS Prevention U62/CCU902703-09				
		7440	National Government	5,115	-	-	5,115
		7441	Pohnpei	12,229	-	-	12,229
		7441	Chuuk	12,908	-	-	12,908
		7441	Kosrae	6,893	-	-	6,893
		7441	Yap	4,244	-	-	4,244
			Program Total	41,389	-	-	41,389
			Balance forward CFDA #93.940	101,937	-	-	101,937
			Balance forward	6,538,201	392,014	831,185	7,761,400

See accompanying notes to schedule of expenditures of federal awards.

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Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Prior Expenditures	2001 Fiscal Year Expenditures		Total Program Expenditures
					Subrecipient	National Government	
U.S. Federal Direct Assistance Fund							
U.S. DHHS balance forwarded				\$ 6,538,201	\$ 392,014	\$ 831,185	\$ 7,761,400
			CFDA #93.940 balance forwarded	101,937	-	-	101,937
	93.940		96 AIDS Prevention U62/CCU902703-10				
		3681	National Government	12,714	-	-	12,714
		3682	Pohnpei	5,900	-	-	5,900
		3682	Kosrae	5,113	-	-	5,113
		3683	Chuuk	6,725	-	-	6,725
			Program Total	30,452	-	-	30,452
	93.940		97 AIDS Prevention Program U62/CCU902703-11				
		3724	National Government	25,891	-	-	25,891
		3725	Kosrae	7,822	-	-	7,822
		3726	Chuuk	8,177	-	-	8,177
			Program Total	41,890	-	-	41,890
	93.940		98 AIDS Prevention Program U62/CCU902703-11				
		3788	National Government	18,237	-	-	18,237
		3788	Pohnpei	3,351	-	-	3,351
		3789	Kosrae	10,647	-	-	10,647
		3789	Yap	1,043	-	-	1,043
		3790	Chuuk	8,360	-	-	8,360
			Program Total	41,638	-	-	41,638
	93.940		99 AIDS Prevention Program U62/CCU902703-13				
		417530	National Government	20,549	-	-	20,549
		417530	Pohnpei	12,105	-	-	12,105
		417530	Chuuk	7,344	-	-	7,344
		417530	Kosrae	8,563	-	-	8,563
		417530	Yap	3,668	-	-	3,668
			Program Total	52,229	-	-	52,229
	93.940		FY00 AIDS Prevention Program U62/CCU902703-14				
		417548	National Government	7,474	-	46,599	54,073
		417548	Pohnpei	6,632	1,646	-	8,278
		417548	Kosrae	6,375	1,143	-	7,518
			Program Total	20,481	2,789	46,599	69,869
	93.940		FY01 AIDS Prevention Program U62/CCU902703-15				
		417551	National Government	-	-	39,302	39,302
		417551	Pohnpei	-	7,055	-	7,055
		417551	Kosrae	-	11,004	-	11,004
		417551	Yap	-	2,523	-	2,523
			Program Total	-	20,582	39,302	59,884
			Total CFDA #93.940	288,627	23,371	85,901	397,899
	93.958		94 Comm. Mental Health 94 B1 FM CMHS-01				
		7367	National Government	66,433	-	-	66,433
			Balance forward CFDA #93.958	66,433	-	-	66,433
			Balance forward	6,826,828	415,385	917,086	8,159,299

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards
By Grantor
Year Ended September 30, 2001

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Prior Expenditures	2001 Fiscal Year Expenditures		Total Program Expenditures
					Subrecipient	National Government	
U.S. Federal Direct Assistance Fund							
U.S. DHHS balance forwarded				\$ 6,826,828	\$ 415,385	\$ 917,086	\$ 8,159,299
			CFDA #93.958 forwarded	66,433	-	-	66,433
	93.958		95 CMHS				
		7450	95 B1 FM CMHS				
			National Government	96,920	-	-	96,920
	93.958		96 Community Mental Health Services				
		3699	96-B1-FM-CMHS				
			National Government	101,422	-	-	101,422
	93.958		97 Community Mental Health Services				
		3743	97-B1-FM-CMHS				
			National Government	93,234	-	-	93,234
	93.958		98 Community Mental Health Services				
		413794	98-B1-FM-CMHS				
			National Government	96,790	-	-	96,790
	93.958		99 Community Mental Health Services				
		417531	98-B1-FM-CMHS				
			National Government	90,943	-	10,425	101,368
	93.958		2000 Community Mental Health Services				
		417545	00-B1-FM-CMHS-01				
			National Government	184	-	116,532	116,716
	93.958		2001 Community Mental Health Services				
		417645	01-B1-FM-CMHS-03				
			National Government	-	-	1,420	1,420
			Total CFDA #93.958	545,926	-	128,377	674,303
	93.959		93 Subs. Abuse Prevention				
			93 B1 FM SAPT-02				
		7464	National Government	97,988	-	-	97,988
		7465	Pohnpei	62,114	-	-	62,114
		7473	Chuuk	118,282	-	-	118,282
		7473	Yap	15,421	-	-	15,421
		7473	Yap	33,656	-	-	33,656
		7473	Kosrae	16,923	-	-	16,923
			Program Total	344,384	-	-	344,384
	93.959		94 Substance Abuse Prevention & Treatment				
			94 B1 FM SAPT				
		7377	National Government	84,899	-	-	84,899
		7378	Pohnpei	118,634	-	-	118,634
		7378	Chuuk	124,216	-	-	124,216
		7378	Kosrae	8,836	-	-	8,836
		7378	Yap	21,340	-	-	21,340
		7378	Yap	140	-	-	140
		7385	Chuuk	20,697	-	-	20,697
			Program Total	378,762	-	-	378,762
			Balance forward CFDA #93.959	723,146	-	-	723,146
			Balance forward	7,372,754	415,385	1,045,463	8,833,602

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards
By Grantor
Year Ended September 30, 2001

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Prior Expenditures	2001 Fiscal Year Expenditures		Total Program Expenditures
					Subrecipient	National Government	
U.S. Federal Direct Assistance Fund							
U.S. DHHS balance forwarded				\$ 7,372,754	\$ 415,385	\$ 1,045,463	\$ 8,833,602
			CFDA #93.959 forwarded	723,146	-	-	723,146
	93.959		95 Substance Abuse Prevention & Treatment 95 B1 FM SAPT				
		3654	National Government	118,478	-	-	118,478
		3655	Pohnpei	86,467	-	-	86,467
		3655	Kosrae	40,052	-	-	40,052
		3655	Yap	23,484	-	-	23,484
		3656	Pohnpei	14,439	-	-	14,439
		3656	Yap	26,942	-	-	26,942
		3657	Chuuk	87,398	-	-	87,398
		3659	Chuuk	7,089	-	-	7,089
			Program Total	404,349	-	-	404,349
	93.959		96 Substance Abuse Prevention & Treatment 96-B1-FM-SAPT				
		3693	National Government	114,650	-	-	114,650
		3702	Chuuk	113,886	-	-	113,886
		3700	Pohnpei	86,737	-	-	86,737
		3700	Kosrae	54,503	-	-	54,503
		3700	Yap	47,745	-	-	47,745
		3701	Yap	27,580	-	-	27,580
			Program Total	445,101	-	-	445,101
	93.959		97 Substance Abuse Prevention & Treatment 97-B1-FM-SAPT				
		3755	National Government	142,604	-	-	142,604
		3756	Pohnpei	109,423	-	-	109,423
		3756	Kosrae	53,174	-	-	53,174
		3756	Yap	25,323	-	-	25,323
		3757	Yap	29,911	-	-	29,911
		3758	Chuuk	95,291	-	-	95,291
			Program Total	455,726	-	-	455,726
	93.959		98 Substance Abuse Prevention & Treatment 98-B1-FM-SAPT				
		413566	National Government	179,714	-	-	179,714
		413566	Pohnpei	94,101	-	-	94,101
		413566	Chuuk	97,979	-	-	97,979
		413566	Kosrae	54,255	-	-	54,255
		413566	Yap	23,952	-	-	23,952
		413566	Yap	17,066	-	-	17,066
			Program Total	467,067	-	-	467,067
	93.959		99 Substance Abuse Prevention & Treatment 99-B1-FM-SAPT-01				
		417535	National Government	305,751	-	8,469	314,220
		417535	Pohnpei	99,745	460	-	100,205
		417535	Pohnpei	1,687	162	-	1,849
		417535	Chuuk	1,252	-	-	1,252
		417535	Kosrae	46,738	-	-	46,738
		417535	Yap	-	# 4,537	-	4,537
			Program Total	455,173	5,159	8,469	468,801
			Balance forward CFDA #93.959	2,950,562	5,159	8,469	2,964,190
			Balance forward	7,372,754	415,385	1,045,463	8,833,602

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
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Schedule of Expenditures of Federal Awards
By Grantor
Year Ended September 30, 2001

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Prior Expenditures	2001 Fiscal Year Expenditures		Total Program Expenditures
					Subrecipient	National Government	
U.S. Federal Direct Assistance Fund							
U.S. DHHS balance forwarded				\$ 7,372,754	\$ 415,385	\$ 1,045,463	\$ 8,833,602
			CFDA #93.959 forwarded	2,950,562	5,159	8,469	2,964,190
	93.959		FY00-01 Substance Abuse Prevention & Treatment 00-B1-FM-SAPT				
		417550	National Government	446	-	292,755	293,201
		417550	Pohnpei	-	125,412	-	125,412
		417550	Kosrae	-	57,426	-	57,426
		417550	Yap	-	56,088	-	56,088
		417550	Yap	-	11,348	-	11,348
			Program Total	446	250,274	292,755	543,475
			Total CFDA #93.959	2,951,008	255,433	301,224	3,507,665
	93.977		92 Sexually Trans. Diseases H25/CCH904363-03-1				
		7696	National Government	31,948	-	-	31,948
		7697	Pohnpei	7,396	-	-	7,396
			Program Total	39,344	-	-	39,344
	93.977		94 Sexually Trans. Diseases H25/CCH904363-04				
		7356	National Government	24,333	-	-	24,333
		7357	Pohnpei	6,017	-	-	6,017
			Program Total	30,350	-	-	30,350
	93.977		95 Sexually Trans. Diseases H25/CCH904363-05				
		7390	National Government	26,314	-	-	26,314
		7391	Pohnpei	5,998	-	-	5,998
			Program Total	32,312	-	-	32,312
	93.977		96 Sexually Trans. Diseases H58/CCH904363-06				
		3661	National Government	31,339	-	-	31,339
		3662	Pohnpei	7,074	-	-	7,074
			Program Total	38,413	-	-	38,413
	93.977		97 STD Program H25/CCH904363-07				
		3714	National Government	25,835	-	-	25,835
		3715	Pohnpei	6,951	-	-	6,951
			Program Total	32,786	-	-	32,786
	93.977		98 STD Program H25/CCH904363-08				
		3776	National Government	30,898	-	-	30,898
		3777	Pohnpei	747	-	-	747
			Program Total	31,645	-	-	31,645
			Balance forward CFDA #93.977	204,850	-	-	204,850
			Balance forward	10,323,762	670,818	1,346,687	12,341,267

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
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Schedule of Expenditures of Federal Awards
By Grantor
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Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Prior Expenditures	2001 Fiscal Year Expenditures		Total Program Expenditures
					Subrecipient	National Government	
U.S. Federal Direct Assistance Fund							
U.S. DHHS balance forwarded				\$ 10,323,762	\$ 670,818	\$ 1,346,687	\$ 12,341,267
			CFDA #93.977 balance forwarded	204,850	-	-	204,850
	93.977		99 STD Program H25/CCH904363-09				
		413569	National Government	47,237	-	7,545	54,782
		413569	Pohnpei	6,154	-	-	6,154
			Program Total	53,391	-	7,545	60,936
	93.977		FY00 STD Program H25/CCH904363-10				
		417539	National Government	25,296	-	19,375	44,671
		417539	Pohnpei	4,921	1,382	-	6,303
			Program Total	30,217	1,382	19,375	50,974
	93.977		FY01 STD Program H25/CCH904363-11-1				
		417539	National Government	-	-	14,045	14,045
		417539	Pohnpei	-	5,163	-	5,163
			Program Total	-	5,163	14,045	19,208
			Total CFDA #93.977	288,458	6,545	40,965	335,968
	93.988		94 State-Base Diabetes U32/CCU910641-01				
		7369	National Government	30,336	-	-	30,336
		7384	Pohnpei	5,789	-	-	5,789
		7384	Chuuk	22,543	-	-	22,543
		7384	Kosrae	8,319	-	-	8,319
		7384	Yap	611	-	-	611
			Program Total	67,598	-	-	67,598
	93.988		95 Diabetes Programs U32/CCU910641-02				
		3651	National Government	17,838	-	-	17,838
		3652	Kosrae	1,302	-	-	1,302
		3652	Yap	8,013	-	-	8,013
			Program Total	27,153	-	-	27,153
	93.988		96 Diabetes Program U32/CCU910641-03				
		3695	National Government	8,773	-	-	8,773
		3696	Kosrae	565	-	-	565
		3696	Yap	3,031	-	-	3,031
		3697	Chuuk	6,813	-	-	6,813
			Program Total	19,182	-	-	19,182
			Balance forward CFDA #93.988	113,933	-	-	113,933
			Balance forward	10,612,220	677,363	1,387,652	12,677,235

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
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Schedule of Expenditures of Federal Awards
By Grantor
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Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Prior Expenditures	2001 Fiscal Year Expenditures		Total Program Expenditures
					Subrecipient	National Government	
U.S. Federal Direct Assistance Fund							
U.S. DHHS balance forwarded				\$ 10,612,220	\$ 677,363	\$ 1,387,652	\$ 12,677,235
			CFDA #93.988 balance forwarded	113,933	-	-	113,933
	93.988		97 Diabetes Program U32/CCU910641-04				
		3751	National Government	34,745	-	-	34,745
		3753	Pohnpei	5,617	-	-	5,617
		3752	Kosrae	6,000	-	-	6,000
		3753	Chuuk	10,283	-	-	10,283
		3752	Yap	3,754	-	-	3,754
			Program Total	60,399	-	-	60,399
	93.988		98 Diabetes Program U32/CCU910641-05				
		3563	National Government	13,159	-	-	13,159
		3564	Pohnpei	8,584	-	-	8,584
		3564	Kosrae	5,892	-	-	5,892
		3564	Yap	5,466	-	-	5,466
		3565	Chuuk	13,575	-	-	13,575
			Program Total	46,676	-	-	46,676
	93.988		99 Diabetes Program U32/CCU910641-06				
		417536	National Government	59,116	-	3,663	62,779
		417536	Pohnpei	5,894	-	-	5,894
		417536	Chuuk	1,559	-	-	1,559
		417536	Kosrae	7,202	-	-	7,202
		417536	Yap	-	5,096	-	5,096
			Program Total	73,771	5,096	3,663	82,530
	93.988		2000 Diabetes Program U32/CCU910641-07				
		417544	National Government	8,103	-	44,775	52,878
		417544	Pohnpei	357	5,837	-	6,194
		417544	Kosrae	150	9,571	-	9,721
			Program Total	8,610	15,408	44,775	68,793
	93.988		2001 Diabetes Program U32/UUC910641				
		417559	National Government	-	-	6,063	6,063
		417559	Pohnpei	-	740	-	740
			Program Total	-	740	6,063	6,803
			Total CFDA #93.988	303,389	21,244	54,501	379,134
	93.991		93 Preventive Health 93-B1-FM-PRVS				
		7471	National Government	11,698	-	-	11,698
		7472	Pohnpei	17,174	-	-	17,174
		7472	Chuuk	15,300	-	-	15,300
		7472	Kosrae	9,112	-	-	9,112
		7472	Yap	12,516	-	-	12,516
			Program Total	65,800	-	-	65,800
			Balance forward CFDA #93.991	65,800	-	-	65,800
			Balance forward	10,915,609	698,607	1,442,153	13,056,369

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
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By Grantor
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Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Prior Expenditures	2001 Fiscal Year Expenditures		Total Program Expenditures
					Subrecipient	National Government	
U.S. Federal Direct Assistance Fund							
U.S. DHHS balance forwarded				\$ 10,915,609	\$ 698,607	\$ 1,442,153	\$ 13,056,369
			CFDA #93.991 balance forwarded	65,800	-	-	65,800
	93.991		94 PH & PH 94-B1-FM-PRVS				
		7488	National Government	20,259	-	-	20,259
		7489	Pohnpei	9,242	-	-	9,242
		7489	Chuuk	1,800	-	-	1,800
		7489	Kosrae	7,116	-	-	7,116
		7489	Yap	12,451	-	-	12,451
			Program Total	50,868	-	-	50,868
	93.991		95 Preventive Health & PH 95-B1-FM-PRVS				
		3644	National Government	20,764	-	-	20,764
		3645	Pohnpei	5,475	-	-	5,475
		3645	Kosrae	9,090	-	-	9,090
		3645	Yap	16,388	-	-	16,388
		3646	Chuuk	17,214	-	-	17,214
			Program Total	68,931	-	-	68,931
	93.991		96 PH & PH 96-B1-FM-PRVS-01				
		3706	National Government	38,732	-	-	38,732
		3707	Pohnpei	8,462	-	-	8,462
		3707	Kosrae	1,317	-	-	1,317
		3707	Yap	8,960	-	-	8,960
		3708	Chuuk	5,940	-	-	5,940
			Program Total	63,411	-	-	63,411
	93.991		97 PH & PH 97-B1-FM-PRVS				
		3764	National Government	16,641	-	-	16,641
	93.991		98 PH & PH 1998-B1-FM-PRVS				
		413791	National Government	20,398	-	-	20,398
		413791	Pohnpei	5,991	-	-	5,991
		413791	Chuuk	6,994	-	-	6,994
		413791	Kosrae	2,672	-	-	2,672
		413791	Yap	1,821	-	-	1,821
			Program Total	37,876	-	-	37,876
	93.991		FY2000 Preventive Health Services 2000-B1-FM-PRVS-01				
		413792	National Government	-	-	31,346	31,346
		413792	Pohnpei	-	5,268	-	5,268
		413792	Kosrae	-	2,356	-	2,356
		413792	Yap	-	5,140	-	5,140
			Program Total	-	12,764	31,346	44,110
			Total CFDA #93.991	303,527	12,764	31,346	347,637
			Balance forward	11,219,136	711,371	1,473,499	13,404,006

See accompanying notes to schedule of expenditures of federal awards.

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Schedule of Expenditures of Federal Awards
By Grantor
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Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Prior Expenditures	2001 Fiscal Year Expenditures		Total Program Expenditures
					Subrecipient	National Government	
U.S. Federal Direct Assistance Fund							
U.S. DHHS balance forwarded				\$ 11,219,136	\$ 711,371	\$ 1,473,499	\$ 13,404,006
	93.994		93 MCH 93B1FMMCHS				
		7452	National Government	47,218	-	-	47,218
		7453	National Government	92,474	-	-	92,474
		7454	Pohnpei	100,051	-	-	100,051
		7454	Chuuk	98,615	-	-	98,615
		7454	Kosrae	33,773	-	-	33,773
		7454	Yap	53,188	-	-	53,188
		7455	Pohnpei	176	-	-	176
		7455	Chuuk	5,456	-	-	5,456
		7455	Kosrae	6,800	-	-	6,800
		7456	Kosrae	4,355	-	-	4,355
		7455	Yap	3,995	-	-	3,995
			Program Total	446,101	-	-	446,101
	93.994		94 MCH 94B1FMMCHS				
		7487	National Government	41,929	-	-	41,929
		7488	National Government	111,144	-	-	111,144
		7489	Pohnpei	83,038	-	-	83,038
		7489	Chuuk	107,290	-	-	107,290
		7489	Kosrae	44,308	-	-	44,308
		7489	Yap	58,244	-	-	58,244
			Program Total	445,953	-	-	445,953
	93.994		95 MCH 95B1FMMCHS				
		7443	National Government	43,359	-	-	43,359
		7444	National Government	104,821	-	-	104,821
		7445	Pohnpei	84,360	-	-	84,360
		7445	Chuuk	28,732	-	-	28,732
		7445	Kosrae	51,107	-	-	51,107
		7445	Yap	59,228	-	-	59,228
		7490	Pohnpei	11,943	-	-	11,943
		7490	Kosrae	4,821	-	-	4,821
		3728	Chuuk	6,510	-	-	6,510
		7490	Chuuk	57,491	-	-	57,491
			Program Total	452,372	-	-	452,372
	93.994		96 MCH Program 96-B1-FM-MCHS				
		3685	National Government	51,947	-	-	51,947
		3686	National Government	64,249	-	-	64,249
		3688	Chuuk	100,783	-	-	100,783
		3704	Chuuk	2,785	-	-	2,785
		3689	Pohnpei	72,534	-	-	72,534
		3703	Pohnpei	11,855	-	-	11,855
		3689	Kosrae	54,747	-	-	54,747
		3689	Yap	55,985	-	-	55,985
			Program Total	414,885	-	-	414,885
			Balance forward CFDA #93.994	1,759,311	-	-	1,759,311
			Balance forward	11,219,136	711,371	1,473,499	13,404,006

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
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Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Prior Expenditures	2001 Fiscal Year Expenditures		Total Program Expenditures
					Subrecipient	National Government	
U.S. Federal Direct Assistance Fund							
U.S. DHHS balance forwarded				\$ 11,219,136	\$ 711,371	\$ 1,473,499	\$ 13,404,006
			CFDA #93.994 balance forwarded	1,759,311	-	-	1,759,311
			97-B1-FMMCHS				
		3736	National Government	49,308	-	-	49,308
		3737	National Government	98,553	-	-	98,553
		3738	Pohnpei	82,201	-	-	82,201
		3738	Kosrae	41,063	-	-	41,063
		3738	Yap	50,178	-	-	50,178
		3740	Chuuk	83,167	-	-	83,167
		3741	Chuuk	12,571	-	-	12,571
			Program Total	417,041	-	-	417,041
	93.994		98 MCH				
			98-B1-FMMCHS				
		413779	National Government	12,173	-	-	12,173
		413790	National Government	18,743	-	-	18,743
		413790	National Government	160,709	-	-	160,709
		413779	Pohnpei	75,744	-	-	75,744
		413780	Pohnpei	8,554	(180)	-	8,374
		413779	Chuuk	51,365	-	-	51,365
		413779	Kosrae	32,720	-	-	32,720
		413780	Kosrae	1,048	-	-	1,048
		413780	Kosrae	5,274	-	-	5,274
		413779	Yap	44,920	-	-	44,920
		413780	Yap	1,296	-	-	1,296
			Program Total	412,546	(180)	-	412,366
	93.994		99 MCH Program				
			2 B04 MC 00347-03				
		417533	National Government	227,637	-	7,619	235,256
		417533	National Government	50,343	-	-	50,343
		417533	National Government	-	-	7,519	7,519
		417533	Pohnpei	70,428	-	-	70,428
		417533	Chuuk	19,775	-	-	19,775
		417533	Kosrae	7,337	1,556	-	8,893
		417533	Kosrae	-	24	-	24
		417533	Yap	-	1,815	-	1,815
			Program Total	375,520	3,395	15,138	394,053
	93.994		FY00 MCH Program				
			2 B04 MC 00347-04				
		417547	National Government	18,863	-	-	18,863
		417547	National Government	-	-	215,639	215,639
		417547	Pohnpei	-	71,219	-	71,219
		417547	Pohnpei	-	8,831	-	8,831
		417547	Pohnpei	-	1,818	-	1,818
		417547	Kosrae	11,794	20,787	-	32,581
		417547	Kosrae	-	3,166	-	3,166
		417547	Kosrae	-	1,500	-	1,500
		417547	Yap	-	38,188	-	38,188
			Program Total	30,657	145,509	215,639	391,805
	93.994		FY01 MCH Block Grant				
			6 B04 MC 00347-05-04				
		417558	National Government	-	-	549	549
			Total CFDA #93.994	2,995,075	148,724	231,326	3,375,125
			Total U.S. Dept. of Health and Human Services	\$ 14,214,211	\$ 860,095	\$ 1,704,825	\$ 16,779,131

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards
By Grantor
Year Ended September 30, 2001

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Prior Expenditures	2001 Fiscal Year Expenditures		Total Program Expenditures
					Subrecipient	National Government	
U.S. Federal Direct Assistance Fund							
Federal Emergency Management Agency (FEMA)							
	83.505		94 Disaster Preparedness EMF-94-K-0435				
		3866	National Government	\$ 17,694	\$ -	\$ -	\$ 17,694
	83.505		95 Disaster Preparedness-IG EMF-95-K-0565				
		3868	National Government	43,858	-	-	43,858
			Program Total	43,858	-	-	43,858
	83.505		96 Disaster Preparedness EMF-96-PA-0606				
		3812	National Government	66,864	-	-	66,864
			97 Disaster Preparedness EMF-97-PA-0309				
	83.505	3877	National Government	22,141	-	-	22,141
			98 Disaster Preparedness EMF-98-PA-9008				
	83.505	3815/3816	National Government	42,082	-	14,235	56,317
			99 Disaster Preparedness EMF-1999-PA-9008				
	83.505	3838	National Government	22,931	-	-	22,931
			FY2000 Disaster Preparedness EMF-2000-GR-0018				
	83.505	3838	National Government	32,081	-	-	32,081
			FY2001 Disaster Preparedness EMF-2001-GR-0108				
	83.505	443839	National Government	32,081	-	46,587	78,668
			Total CFDA #83.505	279,732	-	60,822	340,554
	83.516		FEMA-934-DR-FSM Typhoon Axel PA				
		3842	National Government/Admin.	12,461	-	-	12,461
		3837	Pohnpei	178,308	-	-	178,308
		3837	Yap	31,992	-	-	31,992
			Program Total	222,761	-	-	222,761
	83.516		FEMA -886-DR-FSM Typhoon Owen IFG				
		3826	Chuuk	6,188,383	-	-	6,188,383
	83.516		FEMA -886-DR-FSM Typhoon Owen PA				
		3820	Chuuk	161,395	1,777	-	163,172
	83.516		FEMA-892-FSM Typhoon Russ PA				
		3823	Pohnpei	560,913	-	-	560,913
	83.516		FEMA-892-DR-FSM Typhoon Russ IFG				
		3828	Pohnpei	123,481	-	-	123,481
			Balance forward CFDA #83.516	7,256,933	1,777	-	7,258,710
			Balance forward	279,732	-	60,822	340,554

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards
By Grantor
Year Ended September 30, 2001

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Prior Expenditures	2001 Fiscal Year Expenditures		Total Program Expenditures
					Subrecipient	National Government	
U.S. Federal Direct Assistance Fund							
FEMA balance forwarded				\$ 279,732	\$ -	\$ 60,822	\$ 340,554
			CFDA #83.516 balance forwarded	7,256,933	1,777	-	7,258,710
	83.516		FEMA-926-DR-FSM Typhoon Yuri PA				
		3834	Pohnpei	(6,106)	-	-	(6,106)
		3840	Chuuk	65,078	19,062	-	84,140
		3841	National Government	367,513	-	-	367,513
		3843	National Government	7,012	-	-	7,012
			Program Total	433,497	19,062	-	452,559
	83.516		FEMA-926-FSM Typhoon Yuri IFG				
		3830	Pohnpei	455,682	-	-	455,682
	83.516		Typhoon Fern FEMA-DR-1166-FM				
		3872	National/Grantee Admin.	25,652	-	-	25,652
		3875	National/PA Management Cost	16,334	-	-	16,334
		3873	Yap/Public Assistance	444,182	-	-	444,182
			Program Total	486,168	-	-	486,168
			Total CFDA #83.516	8,632,280	20,839	-	8,653,119
	83.519		FEMA-892-FSM				
		3852	Pohnpei	12,398	-	-	12,398
	83.519		Hazard Mitigation FEMA-886-FSM				
		3847	National/HMGP Grantee Admin.	14,160	-	-	14,160
		3881	National/Local Plant Grant	55,728	-	-	55,728
		3882	National/Local Plant Grant	2,219	-	-	2,219
		3854	Chuuk	97,467	-	-	97,467
		3855	Yap	21,721	-	-	21,721
		3856	Yap	327,521	-	-	327,521
		3857	Yap	112,557	-	-	112,557
		3836	Yap	8,796	-	-	8,796
		3878	Yap	177,066	-	-	177,066
		3880	Yap	570,743	-	-	570,743
		3870	Chuuk	6,035	176	-	6,211
		3869	Chuuk	36,133	13,212	-	49,345
		3879	Kosrae	10,212	-	-	10,212
			Program Total	1,440,358	13,388	-	1,453,746
	83.519		FEMA-926-FSM				
		3849	National Government	5,730	-	-	5,730
		3851	Pohnpei	10,021	-	-	10,021
		3858	Pohnpei	23,202	-	-	23,202
		3859	Pohnpei	196,894	-	-	196,894
			Program Total	235,847	-	-	235,847
	83.519		Hazard Mitigation FEMA-934-FSM				
		3850	National Government	729	-	-	729
		3860	Kosrae	3,871	-	-	3,871
			Program Total	4,600	-	-	4,600
			Balance forward CFDA #83.519	1,693,203	13,388	-	1,706,591
			Balance forward	8,912,012	20,839	60,822	8,993,673

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards
By Grantor
Year Ended September 30, 2001

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Prior Expenditures	2001 Fiscal Year Expenditures		Total Program Expenditures
					Subrecipient	National Government	
U.S. Federal Direct Assistance Fund							
FEMA balance forwarded				\$ 8,912,012	\$ 20,839	\$ 60,822	\$ 8,993,673
			CFDA #83.519 balance forwarded	1,693,203	13,388	-	1,706,591
	83.519		Hazard Management Cost FEMA-886-934				
		3864	Chuuk	44,305	-	-	44,305
		3864	Yap	34,881	-	-	34,881
		3853	National Government	9,410	-	-	9,410
			Program Total	88,596	-	-	88,596
	83.519		Typhoon Fern FEMA-1166-DR-FM				
		3885	National/HMGP Grantee Admin.	6,463	-	725	7,188
		3887	Yap State	502,965	-	-	502,965
			Program Total	509,428	-	725	510,153
	83.519		Typhoon Fern-Hazard Management Cost FEMA-1166-DR-FM				
		3875	National Government	28,323	-	14,003	42,326
		3883	Yap State	22,163	-	-	22,163
			Program Total	50,486	-	14,003	64,489
			Total CFDA #83.519	2,341,713	13,388	14,728	2,369,829
	83.544		El Nino Drought FEMA-1213-DR-FM				
		3807	National/Grantee Admin.	23,135	-	-	23,135
		3808	National/PA Management Cost	25,413	-	3,172	28,585
		3809	National/Public Assistance	14,747	-	144	14,891
		3810	Pohnpei/Public Assistance	43,481	-	-	43,481
		3811	Pohnpei/Sub-Grantee Admin.	1,966	-	-	1,966
		3815	Pohnpei/HMGP/Drill	-	62,817	-	62,817
		3813	Yap/Public Assistance	60,952	-	-	60,952
		3813	Yap/Sub-Grantee Admin.	3,412	3,451	-	6,863
		3813	Chuuk/Public Assistance	256,841	62,613	35,967	355,421
		3814	Chuuk/Sub-Grantee Admin.	76,395	20,764	959	98,118
		3815	Kosrae/Tafeut Water System	6,445	855	-	7,300
			Total CFDA #83.544	512,787	150,500	40,242	703,529
			Total Federal Emergency Management Agency	\$ 11,766,512	\$ 184,727	\$ 115,792	\$ 12,067,031

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards
By Grantor
Year Ended September 30, 2001

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Prior Expenditures	2001 Fiscal Year Expenditures		Total Program Expenditures
					Subrecipient	National Government	
U.S. Federal Direct Assistance Fund							
U.S. Department of Transportation - Federal Aviation Administration	20.106	N/A	Airport Improvement Program Chuuk International Airport	\$ 688,053	\$ -	\$ -	\$ 688,053
			Total U.S. Federal Aviation Administration	\$ 688,053	\$ -	\$ -	\$ 688,053
U.S. Department of Commerce- National Oceanic and Atmospheric Administration	11.460	N/A	Special Oceanic and Atmospheric Project National Government	\$ 5,490,426	\$ -	\$ 750,719	\$ 6,241,145
			Total U.S. Department of Commerce	\$ 5,490,426	\$ -	\$ 750,719	\$ 6,241,145
National Foundation on the Arts and the Humanities - Office of Library Services	45.310		Library Services LS-80060-98 National	\$ 36,009	\$ -	\$ 15,638	\$ 51,647
		303039					
			FY2000 Library Services (LSTA) LS-00058-00 National	-	-	21,763	21,763
		303048					
			Total CFDA #45.310	36,009	-	37,401	73,410
			Total National Foundation on the Arts & the Humanities	\$ 36,009	\$ -	\$ 37,401	\$ 73,410
			Total U.S. Federal Direct Assistance	\$ 74,932,313	\$ 4,397,288	\$ 5,052,641	\$ 84,382,242
Reconciliation to general purpose financial statements:							
Amount per general-purpose financial statements						\$ 5,293,477	
Add amount included in the financials which relate to OIA (page 88)						38,093	
Less amount included in the financials which relate to Non-U.S. grants						(278,929)	
						\$ 5,052,641	

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
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Schedule of Expenditures of Federal Awards
By Grantor
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Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Prior Expenditures	2001 Fiscal Year Expenditures		Total Program Expenditures
					Subrecipient	National Government	
<u>OIA TECHNICAL ASSISTANCE:</u>							
	15.875						
N/A		3482	Computer Training	\$ 110	\$ -	\$ -	\$ 110
FSM-24		3487	Automated Land Record System	50,840	-	-	50,840
FSM-25		3488	Computer Advisor	55,596	-	-	55,596
FSM-30		3493	Marketing Study	11,666	-	-	11,666
FSM-38		3505	Economic Newsletter	158,571	-	-	158,571
N/A		3506	Single Audit	16,231	-	-	16,231
FSM-35		3511	National Health Care Plan	16,827	-	-	16,827
N/A		3512	Single Audit 88	366,699	-	-	366,699
FSM-31		3513	Financial Management System	237,495	-	-	237,495
FSM-44		7507	Anti-Drug Training	11,515	-	-	11,515
FSM-45		7508	Comprehensive Needs	378,322	-	-	378,322
FSM-46		7509	Procurement Management Training	12,054	-	-	12,054
N/A		7510	Single Audit '89	348,915	-	-	348,915
FSM-48		7512	Cash Management Study	35,000	-	-	35,000
FSM-49		7513	Hospital Lab mgm't imp	20,017	-	-	20,017
FSM-50		7514	Improvement of Radiology	14,200	-	-	14,200
FSM-47		7515	Custom Advisor	84,165	-	-	84,165
N/A		7516	Single Audit 90	328,347	-	-	328,347
FSM-51		7517	Intercensal Survey	4,000	-	-	4,000
FSM-53		7518	Material Man. Works	4,979	-	-	4,979
FSM-54		7852	Kosrae Sec. Dev. Plan	25,000	-	-	25,000
FSM-55		7853	Vital Statistics	22,820	-	-	22,820
FSM-56		7854	Tourism Educ. Video	26,351	-	-	26,351
FSM-57		7855	Short-Term Health	31,000	-	-	31,000
FSM-58		7856	Pohnpei Utilities Corporation	99,383	-	-	99,383
N/A		7857	FY-91 Single Audit	353,105	-	-	353,105
OMIP-FSM-91		7859	FSM Capital Comp.	47,618	-	-	47,618
FSM-59		7863	IMPS	4,569	-	-	4,569
OMIP-Pohnpei-91-1		7864	Initial. of PUC	419,848	-	-	419,848
PIR-91-1-FSM		7866	Detector Dog Prog.	38,546	-	-	38,546
PIR-91-2-FSM		7867	On-Island Anti-Substance Abuse	15,742	-	-	15,742
PIR-91-3-FSM		7868	PIRAAP Conference	13,531	-	-	13,531
PIR-91-5-FSM		7869	PIRAAP Ranger Train.	2,892	-	-	2,892
PIR-91-8-FSM		7870	ONDCP Conference	1,180	-	-	1,180
PIR-91-9-FSM		7871	FBI Regional Training	4,727	-	-	4,727
OMIP-KOS-91-8		7873	Kosrae Vocational Education	10,474	-	-	10,474
OMIP-KOS-91-1		7874	Public Works reorganization	90,862	-	-	90,862
N/A		7882	FY-92 Single Audit	358,641	-	-	358,641
FSM-24		7888	Land Survey Record	21,460	-	-	21,460
FSM-62		7887	Supply & Pharmacy	7,534	-	-	7,534
FSM-63		7890	Environmental Management Spec.	30,829	-	-	30,829
N/A		7300	FY-93 Single Audit	398,757	-	-	398,757
FSM-66		7304	Firearms Training	21,329	-	-	21,329
FSM-67		7305	Yap Historic Preserv	10,630	-	-	10,630
OMIP-POHN-93-2		7306	Water, Sewer Develop	426,266	-	-	426,266
FSM-68		7307	Statistics Workshop	4,443	-	-	4,443
PIR/93-24-FSM		7309	On-Is. Anti-Sub Conf.	21,131	-	-	21,131
PIR/93-25-FSM		7310	PIRAAP Rev. Meet.	19,428	-	-	19,428
PIR/93-26-FSM		7311	DOI/US Army Training	8,803	-	-	8,803
PIR/93-27-FSM		7312	FBI Pac. Training	9,735	-	-	9,735
PIR/93-28-FSM		7313	Anti-Sub. Abuse PSA	6,808	-	-	6,808
PIR/93-30-FSM		7314	Altern. Youth Actv.	37,641	-	5,123	42,764
PIR/93-34-FSM		7315	Kos. Anti-Sub. Abuse	71,624	-	-	71,624
OMIP-CHUUK-91-1		7316	Public Util. Corp	23,738	-	-	23,738
OMIP-POHN-93-3		7317	Elect. Utility Dev.	221,543	-	-	221,543
FSM-70		7318	US/FSM Econ. Cons.	19,826	-	-	19,826
Balance forward				5,083,363	-	5,123	5,088,486

See accompanying notes to schedule of expenditures of federal awards

**NATIONAL GOVERNMENT
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Schedule of Expenditures of Federal Awards
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Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Prior Expenditures	2001 Fiscal Year Expenditures		Total Program Expenditures
					Subrecipient	National Government	
OIA Technical Assistance balance forwarded				\$ 5,083,363	\$ -	\$ 5,123	\$ 5,088,486
N/A		7319	FSM National Census	494,939	-	-	494,939
OMIP-KOS-93-1		7320	School Maint. Prog	66,141	-	-	66,141
FSM-72		7322	Pharmac. Workshop	4,267	-	-	4,267
OMIP-POHN-91-5		7323	Hosp. Maint. Imprv	126,318	6,652	-	132,970
PIR/93-35-FSM		7327	DARE Training	28,054	-	-	28,054
FSM-74		7328	Med. Epidem. Train	9,405	-	-	9,405
FSM-69		7329	Micro. Invest Qrtly	84,250	-	-	84,250
FSM-73		7333	Health Care Worker	3,729	-	-	3,729
PIR-92-20-FSM		7881	DUI Breathalyzer	9,702	-	-	9,702
PIR-91-19-FSM		7883	Cook Support Proj.	3,341	-	-	3,341
PIR-91-11-FSM		7884	Comm. Base Trainer	75,252	-	-	75,252
FSM-60		7885	93 Census Workshop	2,864	-	-	2,864
FSM-61		7886	Economic Newsletter	84,250	-	-	84,250
OMIP-KOS-91-1		7889	Kosrae Util. Auth.	79,559	-	-	79,559
OMIP-KOS-91-2		7891	Maint. Repr Hosp.	20,000	-	-	20,000
OMIP-KOS-91-1		7892	Power System O&M	33,705	-	-	33,705
OMIP-CHUUK-91-1		7893	Road Disp. Repair	80,968	-	-	80,968
OMIP-CHUUK-91-1		7894	Dept. Ed. O&M	54,654	-	-	54,654
OMIP-CHUUK-91-1		7895	Water & Sewer O&M	48,337	-	-	48,337
FSM-64		7896	Tourism Master Plan	71,206	-	-	71,206
PIR-91-13-FSM		7897	Secure Faxnet System	11,500	-	-	11,500
PIR-91-17-FSM		7898	Anti-Drug Youth	52,496	-	1,281	53,777
PIR-91-18-FSM		7899	FBI Reg. Train	988	-	-	988
FSM-75		7332	Eliminate VAD Chuuk	15,776	-	-	15,776
FSM-76		7335	Statistics Workshop	12,890	-	-	12,890
N/A		7334	94 Single Audit	618,354	-	-	618,354
PIR-36-1-FSM		7337	Dare Training	4,266	-	-	4,266
PIR-36-2-FSM		7338	Criminal Prosecution	27,444	-	-	27,444
PIR-36-3-FSM		7339	Regional Law Enforcement	43,358	-	-	43,358
PIR-36-4-FSM		7340	Regional Law Enforcement Equip.	36,627	-	-	36,627
PIR-36-5-FSM		7341	Kosrae Youth Activities	29,705	-	-	29,705
PIR-36-7-FSM		7342	Pohnpei PADY	73,404	-	-	73,404
PIR-36-8-FSM		7343	Yap Youth Activities	33,954	-	-	33,954
PIR-36-9-FSM		7344	Chuuk Youth Activities	36,976	-	500	37,476
PIR-36-10-FSM		7345	FSM Detective Dog	11,900	-	-	11,900
PIR-36-11-FSM		7346	FSM Anti-Drug PSA	653	-	-	653
PIR-36-14-FSM		7347	On-island Conference	16,731	-	-	16,731
PIR-36-17-FSM		7348	Treatment Block Grant	63,059	-	8,190	71,249
N/A		7349	FY-95 Single Audit	610,678	-	-	610,678
OMIP-POHN-97-2		3604	Facility Repair Maintenance	100,000	(28)	-	99,972
OMIP-POHN-97-3		3605	Solid Waste O&M Program	100,000	-	-	100,000
OMIP-POHN-97-5		3607	Civil O&M Engineer	29,273	969	-	30,242
OMIP-Chuuk-99-01		373716	OMIP-Chuuk-99-01/TH9507	-	-	83,427	83,427
OMIP-COM-99-01/VOC. ED.		373617	OMIP-COM-99-01/VOC. ED.	36,485	-	26,353	62,838
OMIP-POHN-95-2		3626	Finanical Management 1st Year	113,667	-	-	113,667
OMIP-POHN-95-3		3627	95 Pohnpei OMIP Program	147,115	-	-	147,115
OMIP-KOS-94-1		7331	Upgrade C & E/Jail	3,043	-	-	3,043
OMIP-KOS-94-1		3504	Computer Aided Design	12,470	-	-	12,470
OMIP-KOS-94-1		7330	2nd Year DPW	14,014	-	-	14,014
OMIP-KOS-95-3		3624	Solid Waste Management	47,050	-	-	47,050
FSM-79		3630	Training in Tax Administration	12,399	-	-	12,399
FSM-80		3631	Training in SCO/Univx & Focus	39,280	-	-	39,280
FSM-77		373632	Accounting Computer Training	246,708	-	114,603	361,311
N/A		3633	96 Single Audit	588,707	-	-	588,707
FSM-81		3634	Economic Planning Advisor	177,899	836	-	178,735
Balance forward				9,833,173	8,429	239,477	10,081,079

See accompanying notes to schedule of expenditures of federal awards

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards
By Grantor
Year Ended September 30, 2001

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Prior Expenditures	2001 Fiscal Year Expenditures		Total Program Expenditures
					Subrecipient	National Government	
OIA Technical Assistance balance forwarded				\$ 9,833,173	\$ 8,429	\$ 239,477	\$ 10,081,079
FSM-82		3635	Land & Survey	250,055	766	-	250,821
FSM-83		3636	Pharmacy Supply Workshop	35,799	-	-	35,799
OMIP-KOS-95-4		3625	Road Maintenance Management	127,290	18,673	-	145,963
FSM-84		3637	Statistic Program Travel	12,260	-	-	12,260
FSM-84		3638	Law Enforcement Assessment	3,307	-	-	3,307
N/A		3639	97 Single Audit	612,003	-	-	612,003
Gen-130		3640	House income & expenses survey	53,990	-	-	53,990
		3641	FY98 Single Audit	652,730	-	-	652,730
TA-FSM 86		373642	Chuuk Hospital/Accounting Program	36,958	-	15,789	52,747
		3645	Training FSM personnel Inv.	35,789	-	-	35,789
N/A		373646	FY99 Single Audit	605,877	-	38,924	644,801
		373647	FSM Y2K Remediation Project	903,500	-	-	903,500
N/A		373648	FY00 Single Audit	-	-	456,525	456,525
OMIP-FSM-2000-01		373649	FSM Infrastructure	-	-	200,000	200,000
TA-FSM-89		373650	TA-FSM-89 Cholera Vaccination Campaign	-	-	1,965	1,965
		373651	FSM-77 Accounting/C	-	-	5,250	5,250
TA-FSM-89		373652	Health Workforce/EPID	-	-	10,404	10,404
Total OIA Technical Assistance Grants				\$ <u>13,162,731</u>	\$ <u>27,868</u>	\$ <u>968,334</u>	\$ <u>14,158,933</u>
Reconciliation to general purpose financial statements:							
Amount per general-purpose financial statements						\$ 1,006,427	
Less amounts which are classified in U.S. Direct Assistance Fund (See page 88)						<u>(38,093)</u>	
						<u>\$ 968,334</u>	

See accompanying notes to schedule of expenditures of federal awards

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards
By Grantor
Year Ended September 30, 2001

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Prior Expenditures	2001 Fiscal Year Expenditures		Total Program Expenditures
					Subrecipient	National Governmen	
<u>Subrecipient</u>							
<u>OIA Special O&M</u>							
	15.875		Yap O&M - 1,3	\$ 610,957	\$ -	\$ -	\$ 610,957
			Kosrae O&M - 1,1A,2	284,189	-	-	284,189
			Pohnpei O&M 1,2,3,4,5,6,7,8	1,010,684	-	-	1,010,684
			Chuuk O&M - 1,2,3	592,939	-	-	592,939
			Total O&M	\$ 2,498,769	\$ -	\$ -	\$ 2,498,769
<u>CFSM and OIA</u>							
<u>Capital Project Funds:</u>							
		6303	FSM Capitol Construction	\$ 13,317,773	\$ -	\$ -	\$ 13,317,773
		6304	Pohnpei Airport Terminal				
			Design and Constructions	152,917	-	-	152,917
		6305	Kolonia Water Sewer				
			Improvement Project	1,678,671	-	-	1,678,671
		6306	Staff House Renovation	246,767	-	-	246,767
		6307	COM-Palikir Campus Proj.	3,979,040	-	-	3,979,040
		6308	Pohnpei Rural Sanitation	245,511	-	-	245,511
		6309	Pohnpei Circumferential Road	234,361	-	-	234,361
		6311	Kolonia Roadside Drainage	450,756	-	-	450,756
		6313	COM-Palikir Compus Proj	3,948,569	-	-	3,948,569
		6314	Capital Complex & Road	37,063	-	-	37,063
		6315	CIP Administration-OPS	25,342	-	-	25,342
		6324	Kolonia House Sewer Connection	17,000	-	-	17,000
		6325	Kolonia Sanitary Facilities	189,001	-	-	189,001
			Total CFSM & OIA/TTPI				
			Capital Projects Funds	\$ 24,522,771	\$ -	\$ -	\$ 24,522,771

See accompanying notes to schedule of expenditures of federal awards

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards
By Grantor
Year Ended September 30, 2001

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Prior Expenditures	2001 Fiscal Year Expenditures		Total Program Expenditures
					Subrecipient	National Government	
<u>Compact of Free Association Funding:</u>							
U.S. Office of Insular Affairs (OIA)	15.875						
			<u>Communications - Annual</u> <u>Section 215(a)(2)</u>				
		2240	FSM Telecommunicztion	2,646,000	-	882,000	3,528,000
		2241	Chuuk	34,500	-	-	34,500
		2243	Yap	27,518	-	-	27,518
		2244	Chuuk	12,100	-	-	12,100
		2245	Kosrae	49,813	-	-	49,813
		2246	Pohnpei	29,741	-	-	29,741
		2248	Pohnpei	28,051	-	-	28,051
		2233	FSM Liabilities to FSMTC	188,230	-	-	188,230
		2234	Purchase of Iridium Satellite	67,278	-	127,117	194,395
		2235	Communication system for the outlying island:	22,950	-	106,350	129,300
		2239	Digital switches	179,281	-	-	179,281
		2507	FY2000 216 (A)(2) H & M	11,051	-	14,508	25,559
				<u>3,296,513</u>	<u>-</u>	<u>1,129,975</u>	<u>4,426,488</u>
			<u>Communications - One Time,</u> <u>Section 215(b)(2)</u>				
		2232	Telephone System	71,775	-	-	71,775
		2286	Marine Surveillance-Annual, Section 216(a)(1)	4,303,549	-	534,792	4,838,341
		2287/2761	Marine Surveillance-One Time, Section 216(b)	440,243	-	-	440,243
			<u>Health and Medical, Section 216(a)(2)</u>				
		2505	Med. Serv./President Olter	280,753	-	-	280,753
		2501	Enhancement of Local Capabilities	65,316	-	-	65,316
		2502	Health Team Visit	91,431	-	-	91,431
		2506	Tripler Hospital Medical Bills	200,000	-	-	200,000
		242501	FY99 Enhancement of Local Capabilities	32,962	-	-	32,962
		242502	FY99 Visiting Team of Health SpecialistsVisit	70,000	-	-	70,000
		242507	FY2000 216(A)(2)/Health	43,089	-	146,817	189,906
			Total Health and Medical	<u>783,551</u>	<u>-</u>	<u>146,817</u>	<u>930,368</u>
			<u>Special Block Grant, Section 221(b)</u>				
		2002	Nutritional and Health Education	63,237	-	-	63,237
		2004	Tuberculosis Program	37,379	-	-	37,379
		2005	Leptoperosis/O/Ch	6,257	-	-	6,257
		2005	Leptoperosis Control	2,553	-	-	2,553
		2012	Lep/Den/Cholera Program	2,985	-	-	2,985
		2017	Lep/Denguel/Cholera	32,986	-	-	32,986
		2019	Lep/Denguel/Cholera	3,660	-	-	3,660
		2051	Leprosy Prevention & Control	12,241	-	-	12,241
		2052	Family Planning	1,178	-	-	1,178
		2053	Mental Health Services	47,083	-	-	47,083
		2054	Maternal and Child Health	22,766	-	-	22,766
		2055	Health Plan/Workforce	18,950	-	-	18,950
		2058	Vital Statistics	54,812	-	-	54,812
		2059	STD Programs	12,592	-	-	12,592
		2060	Childhood Immunization	35,304	-	-	35,304
		2101	National Curriculum Str.	10,679	-	-	10,679
		2102	National Standardardize Testing	133,144	-	-	133,144
		2104	FSM Youth Activities	27,294	-	-	27,294
		2106	Teacher Training Program	400	-	-	400
		2107	Vocational Education	28,616	-	-	28,616
		2109	College Admin. Test	51,901	-	-	51,901
		2900	National Womens Interest	74,724	-	-	74,724
		2902	Chronic Disease	34,059	-	-	34,059
		2903	Health Education	12,282	-	-	12,282
			Subtotal Special Block Grant	<u>727,082</u>	<u>-</u>	<u>-</u>	<u>727,082</u>
			Balance forward	8,895,631	-	1,811,584	10,707,215

See accompanying notes to schedule of expenditures of federal awards

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards
By Grantor
Year Ended September 30, 2001

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Prior Expenditures	2001 Fiscal Year Expenditures		Total Program Expenditures
					Subrecipient	National Government	
Compact Funding balance forwarded				\$ 8,895,631	\$ -	\$ 1,811,584	\$ 10,707,215
Special Block Grants balance forwarded				727,082	-	-	727,082
	2904		C/Disease Control & Prevention	68,150	-	-	68,150
	2905		C/Disease Control & Prevention	22,249	-	-	22,249
	2905		Continuing Education Center	14,223	-	-	14,223
	2908		Child Abuse & Neglect	50,468	-	-	50,468
	2909		S/Abuse Prevention & Treatment	67,790	-	-	67,790
	2910		Professional Support Services	29,499	-	-	29,499
	2911		FSM Food Protection, Inspection, & Certification	115,080	-	-	115,080
	2913		AIDS & Prevention Control	22,629	-	-	22,629
	2914		Tobacco Prevention	6,017	-	-	6,017
	2915		National Close-Up	102,818	-	-	102,818
	2916		FSM Youth Cultural	59,480	-	-	59,480
	2919		Environmental Education & Sustainable Developm	84,551	-	-	84,551
	2921		FSM Sports Development	16,446	-	-	16,446
	2922		FSM Boy Scout Program	1,570	-	-	1,570
	2923		Youth Leadership Conference	9,039	-	-	9,039
	2924		Teacher Certification Program	8,550	-	-	8,550
	2925		National Education Standard	21,179	-	-	21,179
	2926		Civic Education & FSM History	19,270	-	-	19,270
	2927		Development of Educational Ties to Econ. Summ.	21,060	-	-	21,060
	2928		Teacher Child Parent Program	32,805	-	-	32,805
	152929		FY99 221B Education Programs	163,632	-	3,199	166,831
	152930		FY99 221B Health Services Programs	166,005	-	1,865	167,870
	152931		Micronesia Red Cross Society	22,718	-	-	22,718
	152932		Special Block Grant Programs	227,086	-	306,255	533,341
			Total Special Block Grant	2,079,396	-	311,319	2,390,715
			<u>Post Secondary Education</u>				
			<u>Section 216(a)(3):</u>				
	2631		87 Scholarship - Kosrae	476,750	-	-	476,750
	2650		88 Scholarship - Kosrae	28,739	-	-	28,739
	2681		89 Scholarship - Pohnpei	288,003	-	-	288,003
	2651		89 Scholarship - Kosrae	12,912	-	-	12,912
	2652		90 Scholarship - Kosrae	3,376	-	-	3,376
	2675		91 Scholarship - National	615,812	-	-	615,812
	2582		91 Scholarship - Pohnpei	411,716	-	-	411,716
	2653		91 Scholarship - Kosrae	460,158	-	-	460,158
	2642		91 Scholarship - Yap	411,716	-	-	411,716
	2549		91 COM Operations	774,990	-	-	774,990
	2582		92 Scholarship - Pohnpei	161,321	-	-	161,321
	2613		92 Scholarship - Chuuk	161,320	-	-	161,320
	2653		92 Scholarship - Kosrae	355,623	-	-	355,623
	2644		92 Scholarship - Yap	153,467	-	-	153,467
	2549		92 COM Operations	125,285	-	-	125,285
	2675		93 Scholarship - National	53,241	-	-	53,241
	2613		93 Scholarship - Chuuk	199,600	-	-	199,600
	2653		93 Scholarship - Kosrae	349,783	-	-	349,783
	2644		93 Scholarship - Yap	288,003	-	-	288,003
	2549		93 COM Operations	400,000	-	-	400,000
	2550		93 COM-FSM	710,826	-	-	710,826
	2675		94 Scholarship - National	372,503	-	-	372,503
	2582		94 Scholarship - Pohnpei	344,221	-	-	344,221
	2676		94 Scholarship - Kosrae	180,172	-	-	180,172
	2677		94 Scholarship - Kosrae	566,501	-	-	566,501
	2644		94 Scholarship - Yap	115,000	-	-	115,000
	2550		94 COM-FSM	42,251	-	-	42,251
	2551		94 Continuing Education Center	292,500	-	-	292,500
	2552		94 Assistance to Students	226,484	-	-	226,484
	2553		94 COM-FSM Operation	800,392	-	-	800,392
	2675		95 Scholarship - National	49,000	-	-	49,000
	2582		95 Scholarship - Pohnpei	288,003	-	-	288,003
	2613		95 Scholarship - Chuuk	468,960	-	-	468,960
			Subtotal Post Secondary Education	10,188,628	-	-	10,188,628
			Balance forward	10,975,027	-	2,122,903	13,097,930

See accompanying notes to schedule of expenditures of federal awards

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards
By Grantor
Year Ended September 30, 2001

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Prior Expenditures	2001 Fiscal Year Expenditures		Total Program Expenditures
					Subrecipient	National Government	
Compact Funding balance forwarded				\$ 10,975,027	\$ -	\$ 2,122,903	\$ 13,097,930
Post Secondary Education balance forwarded				10,188,628	-	-	10,188,628
	2653		95 Scholarship - Kosrae	226,646	-	-	226,646
	2644		95 Scholarship - Yap	161,320	-	-	161,320
	2675		91 Graduate Student Scholarship	93,000	-	-	93,000
	2678		96 Scholarship - Chuuk	804,508	-	-	804,508
	2582		96 Scholarship - Pohnpei	506,189	-	-	506,189
	2613		96 Scholarship - Chuuk	364,975	-	-	364,975
	2653		96 Scholarship - Kosrae	364,827	-	-	364,827
	2644		96 Scholarship - Yap	453,640	-	-	453,640
	2553		97 COM-FSM Operation	800,000	-	-	800,000
	2553		96 COM-FSM Operation	800,000	-	-	800,000
	2582		97 Scholarship - Pohnpei	149,150	-	-	149,150
	2644		97 Scholarship - Yap	131,000	-	-	131,000
	2675		97 Graduate Scholarship	65,500	-	-	65,500
	2582		98 Scholarship - Pohnpei	224,525	-	-	224,525
	2679		98 Scholarship - Kosrae	123,217	-	-	123,217
	2644		98 Scholarship - Yap	143,320	-	-	143,320
	2678		98 Scholarship - Chuuk	418,783	-	-	418,783
	2675		98 Graduate Scholarship	125,000	-	-	125,000
	2553		98 COM-FSM Operation	800,000	-	-	800,000
	252553		COM-FSM Operation	400,000	-	-	400,000
	252554		99 COM-FSM Operation	800,000	-	-	800,000
	252555		FY01 COM-FSM	-	-	300,000	300,000
	252582		FY01 Scholarship - Pohnpei	-	-	283,530	283,530
	252582		99 Scholarship - Pohnpei	192,400	-	-	192,400
	252679		98 Scholarship - Kosrae	-	-	106,229	106,229
	252680		99 Scholarship - Chuuk	526,550	-	405,716	932,266
	252681		FY89 Pohnpei Scholarship	248,979	-	-	248,979
	252681		FY2000 Chuuk Post Secondary Grants	-	-	(7,200)	(7,200)
	252682		FY2000 Kosrae Post Secondary Grants	-	-	127,417	127,417
	252644		99 Scholarship - Yap	209,640	-	-	209,640
	252653		99 Scholarship - Kosrae	267,405	-	-	267,405
	252683		FY2000 Post Secondary - Pohnpei	288,003	-	(2,115)	285,888
	252684		FY2000 Post Secondary - Yap	-	-	322,640	322,640
			Total Post Secondary Education	19,877,205	-	1,536,217	21,413,422
			<u>Compact Energy, Section 214</u>				
	2760		National Government	862,465	-	-	862,465
	272760		FY99 Executive Branch - Energy	152,726	-	340,646	493,372
	27262		FY99 Legislative Branch-Energy	48,551	-	-	48,551
	27263		FY99 Judicial Branch - Energy	8,080	-	-	8,080
	27264		FY99 TC&I - Energy	83,919	-	-	83,919
	272760		FY2000 Executive Branch - Energy	195,034	-	-	195,034
	272762		FY99 Congress - Energy	61,134	-	-	61,134
	272763		FY99 Judiciary Branch - Energy	82,850	-	-	82,850
			Total Compact Energy	1,494,759	-	340,646	1,835,405
			<u>Compact Capital Account</u>				
			<u>Capital Project Funds:</u>				
	5870		Piggery Production Project	17,005	-	-	17,005
	6000		Caroline Fisheries Corporation Debt Restructuring	1,250,000	-	-	1,250,000
	6000		MTN Program	1,148,125	-	-	1,148,125
	506001		Kosrae PD Office Construction	28,679	-	-	28,679
	6001		FSM Development Projects-FSM Development Bar	1,522,898	-	-	1,522,898
	6003		Pest & Disease Survey	43,907	-	-	43,907
	6004		Livestock Project	17,381	-	-	17,381
	6005		MLSC Office Building	305,930	-	-	305,930
	6006		Local Catch Stats.	44,950	-	-	44,950
	6006		National Staff Upgrading	126,450	-	-	126,450
	6007		Fish Poisoning	6,712	-	-	6,712
	6008		Investment Development	54,303	-	-	54,303
			Subtotal Compact Capital Account	4,566,340	-	-	4,566,340
			Balance forward	32,346,991	-	3,999,766	36,346,757

See accompanying notes to schedule of expenditures of federal awards

**NATIONAL GOVERNMENT
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Schedule of Expenditures of Federal Awards
By Grantor
Year Ended September 30, 2001

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Prior Expenditures	2001 Fiscal Year Expenditures		Total Program Expenditures
					Subrecipient	National Government	
Compact Funding balance forwarded				\$ 32,346,991	\$ -	\$ 3,999,766	\$ 36,346,757
Subtotal Compact Capital Account balance forwarded				4,566,340	-	-	4,566,340
	6009		Consumer Price Index	82,930	-	-	82,930
	6010		Supreme Court Building	82,910	-	-	82,910
	6011		ADB Strength/Ag.	28,246	-	-	28,246
	6013		Eco. Mgm't Policy Advisory	56,591	-	-	56,591
	6014		Tuna Transshipment Fees	11,495	-	-	11,495
	6015		Host FSM Promotion	36,188	-	-	36,188
	6016		Marine Poison Investigation	191,093	-	-	191,093
	6017		Project Planning & Development	203,028	-	-	203,028
	6018		CCDP Yap International Airport	1,856,111	-	-	1,856,111
	6019		FSM Tourism Promotion Project	19,921	-	-	19,921
	6020		U. S Embassy Office Pur.	(1,074)	-	-	(1,074)
	6021		Hemodialysis Project	48,224	-	-	48,224
	6022		Yap Outer Island High School	97,751	-	-	97,751
	6024		Livestock Dev. Broiler	136,641	-	-	136,641
	6025		Technical Assistance	341,810	-	-	341,810
	6026		Chuuk Broiler Project	116,475	-	-	116,475
	6027		Chuuk Survey	14,520	-	-	14,520
	6028		FSM Manpower Survey	43,085	-	-	43,085
	6029		Ulul Airstrip	39,444	-	-	39,444
	6032		Fish Aggregation Device	16,915	-	-	16,915
	6033		Chuuk Court House Construction	202,000	-	-	202,000
	6034		Kitti Road Development	8,333	-	-	8,333
	6035		FSM Third Patrol Boat	300,000	-	-	300,000
	6039		National Staff Upgrade	45,476	-	-	45,476
	6042		FSM Supreme Court	85,728	-	-	85,728
	6046		FSM Kosrae Court House	291,345	-	-	291,345
	6047		CCM Repair & Renov.	270	-	-	270
	6048		Res. Assesment in Outer Bank	49,400	-	-	49,400
	6049		YAP PD Office Renovation	18,944	-	-	18,944
	6050		Judiciary Staff Training	12,054	-	-	12,054
			National Social & Economic Survey	11,715	-	-	11,715
	6051		National Staff Upgrade	89,837	-	-	89,837
	6052		FSM Aquaculture Center	124,016	-	-	124,016
	6053		Development Loan Fund	2,200,000	-	-	2,200,000
	6054		A&E CCM Campus	1,094,786	-	-	1,094,786
	6055		Maritime Boundary	27,305	-	-	27,305
	6056		Copra Warehouse Pohnpei	71,196	-	-	71,196
	6057		Yap Broiler Project	69,849	-	-	69,849
	6058		Pohnpei PD Office Construction	34,204	-	-	34,204
	6060		Business & Tourism Promotion	34,678	-	-	34,678
	6083		Development Loan Fund	2,000,000	-	-	2,000,000
	6085		National Government Office Building	100,000	-	-	100,000
	6090		MS Drydocking	607,851	-	-	607,851
	6091		National Board	64,249	-	-	64,249
	6211		Kosrae Court House Project	110,241	-	-	110,241
	6227		Fumigation of Citrus	7,604	-	-	7,604
	6228		Ext. Tafweyat Section Road	6,412	-	-	6,412
	6285		Micro Spirit Des. Equip.	45,000	-	-	45,000
	6288		Yap Hospital Maintenance	64,038	-	-	64,038
	6935		The President	26,534	-	-	26,534
	6900		Kosrae-Broiler Project	76,694	-	-	76,694
	6901		Iohl Road	10,698	-	-	10,698
	6905		Caroline Fisheries Corp. subsidy	1,700,000	-	-	1,700,000
	6906		Secretary Dept of Economic Affairs	97,471	-	-	97,471
	6907		Coastal Resources Atlas	170,000	-	-	170,000
	6908		Oneop Ice-plant	10,000	-	-	10,000
	506909		President - CIP for National Government	255,289	-	-	255,289
	2402		Capital Complex Water/Sewer	56,822	-	11,522	68,344
	909601		Radio Frequency Reprogramming	-	-	5,285	5,285
	2404		Utwe Shoreline Protection	-	-	10,000	10,000
	120218		Power Extension	-	-	100,000	100,000
	159038		Road Construction & Improvement	-	-	600,000	600,000
			Compact Capital Account Subtotal	18,168,683	-	726,807	18,895,490
			Balance forward	32,346,991	-	3,999,766	36,346,757

See accompanying notes to schedule of expenditures of federal awards

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards
By Grantor
Year Ended September 30, 2001

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Prior Expenditures	2001 Fiscal Year Expenditures		Total Program Expenditures
					Subrecipient	National Government	
Compact Funding balance forwarded				\$ 32,346,991	\$ -	\$ 3,999,766	\$ 36,346,757
Subtotal Compact Capital Account balance forwarded				18,168,683	-	726,807	18,895,490
	12601		Ta Airport Paving Mortlocks	303,008	-	1,500	304,508
	14502		Acquisition & Operation CIA Aircraft	-	-	76,383	76,383
	154008		National Staff Upgrading	77,021	-	28,323	105,344
	6916		Water Treatment Assessment	345,493	-	-	345,493
	6917		Bus. Dev. Loan Fund	2,500,000	-	-	2,500,000
	2601		National Government Office Chuuk	1,572,307	-	81,190	1,653,497
	2602		Yap Congress Delegation Office	-	-	17,601	17,601
	11910		Development of Economic Simulation	-	-	40,000	40,000
	120272		Ta Airport Paving Mortlocks	-	-	5,348	5,348
	123001		FSM Natinal Staff Upgrading	-	-	28,727	28,727
	154002		MEDC II	-	-	39,400	39,400
	154003		Dry Docking of Caroline Island	-	-	150,000	150,000
	154004		Dry Docking & Repair Services	-	-	308,525	308,525
	6198		Iohl Road	41,900	-	-	41,900
	2401		FSM Tourism Promotional	48,464	-	10,252	58,716
	6920		Nat'l and State CIP	10,000	-	-	10,000
	6921		Chuuk Fresh Tuna	1,100,000	-	-	1,100,000
	6922		Kosrae Sea Venture Inc.	50,000	-	-	50,000
	6923		YFTI Equipment Purchase	1,300,000	-	-	1,300,000
	6924		Kosrae Sea Venture	850,000	-	-	850,000
	6925		Tuna Cannery Feasability	23,000	-	-	23,000
	6926		Business Development Loan Fund	3,000,000	-	-	3,000,000
	6927		FSM Staff Upgrade	128,323	-	-	128,323
	6928		Yap Fishing Corporation	286,449	-	-	286,449
	6929		Postal Services Headquarters	380,078	-	-	380,078
	6930		FY95 Development Loan Fund	3,000,000	-	-	3,000,000
	6931		Immigration Communication Network	53,411	-	-	53,411
	506931		Chief Public Defender	11,022	-	-	11,022
	123803		Yap Courthouse Renovation	-	-	42,730	42,730
	6932		Furniture/Equipment New Campus	782,598	-	-	782,598
	6933		National Staff Upgrading	14,965	-	-	14,965
	6934		Policy Adv. Team Tech. Assist	94,216	-	-	94,216
	11905		FSM Tourism Council Board	158,627	-	48,753	207,380
	11907		FSM 2000 Population Housing	-	-	3,113	3,113
	123006		National Investment & Promotion	-	-	7,113	7,113
	123007		FSM Visitors Bureau Board	-	-	71,761	71,761
	6937		Drydocking of YSS Palulap	74,671	-	-	74,671
	6938		Iohl Road	1,800	-	-	1,800
	6940		National Board Sustain Dev.	57,309	-	-	57,309
	6941		FY96 National Staff Upgrade	98,820	-	-	98,820
	6942		FY96 Business Development Loan Fund	3,000,000	-	-	3,000,000
	6943		Pukusrik Inkoeya Inner Road	20,000	-	-	20,000
	6944		Chuuk Coconut Authority	102,925	-	24,565	127,490
	6945		Office Building Expansion	30,399	-	-	30,399
	154001		COMFSM Faculty Office Construction	-	-	6,305	6,305
	6956		Relocation of Schoolroom	29,992	-	-	29,992
	6957		The President	783,562	-	-	783,562
	6960		Furniture and Equipment/New COM Campus	1,027,650	-	-	1,027,650
	6962		Coconut Replanting	25,286	-	-	25,286
	6963		National Staff Upgrade	119,569	-	-	119,569
	6965		Pohnpei Copra Project	171,943	-	-	171,943
	6966		Radio Frequency Reprogram	16,124	-	-	16,124
	6994		Labor Consultant	39,752	-	1,300	41,052
			Total Compact Capital Account	39,899,367	-	1,719,696	41,619,063
			Compact Current Account				
			General Fund:				
			Title II, Article I, Section 211(a)	27,823,889	-	5,458,752	33,282,641
			Total Compact Funding	\$ 100,070,247	\$ -	\$ 11,178,214	\$ 111,248,461

Note: The National Government's subrecipient of the 215(a)(2) and 215(b)(2) funds is the FSM Telecommunications Corporation (Telecom).
These funds are received by the National Government and are then transferred out to Telecom.

See accompanying notes to schedule of expenditures of federal awards

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued
Compact Funding Summary CFDA # 15.875
Summary of Expenditures and Budgetary
Position by Compact Section
Year Ended September 30, 2001

Grant Title	Government	Prior Year Expenditures and Transfers	Fiscal Year 2001 Expenditures & Transfers		Total Program Expenditures and Transfers
			Subrecipients	National Government	
Section 211(a), Current Account					
	National Government	\$ 72,371,109	\$ -	\$ 5,458,752	\$ 77,829,861
	Chuuk	203,972,356	13,752,960	-	217,725,316
	Pohnpei	144,187,284	8,817,120	-	153,004,404
	Yap	87,982,333	5,995,392	-	93,977,725
	Kosrae	50,594,261	3,415,776	-	54,010,037
	Subtotal	559,107,343	31,981,248	5,458,752	596,547,343
Section 211(a), Capital Account					
	National Government	53,466,513	-	1,719,696	55,186,209
	Chuuk	150,810,650	12,311,074	-	163,121,724
	Pohnpei	111,876,983	5,936,133	-	117,813,116
	Yap	51,585,925	364,755	-	51,950,680
	Kosrae	49,188,559	3,323,130	-	52,511,689
	Sub Total	416,928,630	21,935,092	1,719,696	440,583,418
	Subtotal Major Block Grant	976,035,973	53,916,340	7,178,448	1,037,130,761
Section 213 (b), Yap Coast Guard Station					
	Yap	160,000	-	-	160,000
Section 214, Energy Grant					
	National Government	3,338,495	-	340,646	3,679,141
	Chuuk	17,348,578	578,149	-	17,926,727
	Pohnpei	12,539,479	1,022,615	-	13,562,094
	Yap	10,700,943	791,628	-	11,492,571
	Kosrae	8,148,885	766,289	-	8,915,174
	Total Section 214	52,076,380	3,158,681	340,646	55,575,707
Section 215 (a)(2), Communications-Annual					
	National Government	11,278,045	-	1,129,975	12,408,020
Section 215 (b)(2), Communication-One Time					
	National Government	7,173,118	-	-	7,173,118
Section 216 (a)(1), Marine Surveillance-Annual					
	National Government	7,044,303	-	534,792	7,579,095
Section 216 (b) Marine Surveillance-One Time					
	National Government	708,914	-	-	708,914
Section 216 (a)(2) Health and Medical Referral					
	National Government	1,437,873	-	146,817	1,584,690
	Chuuk	6,546,026	497,891	-	7,043,917
	Pohnpei	4,811,177	241,468	-	5,052,645
	Yap	3,112,990	209,473	-	3,322,463
	Kosrae	1,676,622	180,426	-	1,857,048
	Total section 216 (a)(2)	17,584,688	1,129,258	146,817	18,860,763
	Balance forward	1,072,061,421	58,204,279	9,330,678	1,139,596,378

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued
Compact Funding Summary CFDA # 15.875
Summary of Expenditures and Budgetary
Position by Compact Section
Year Ended September 30, 2001

Grant Title	Government	Prior Year Expenditures and Transfers	Fiscal Year 2001 Expenditures & Transfers		Total Program Expenditures and Transfers
			Subrecipients	National Government	
Compact Funding Summary balance forwarded		\$ 1,072,061,421	\$ 58,204,279	\$ 9,330,678	\$ 1,139,596,378
Section 216 (A)(3), Post Secondary Education					
	National Government	23,639,161	-	1,536,217	25,175,378
	Chuuk	2,461,791	-	-	2,461,791
	Pohnpei	1,741,599	279,180	-	2,020,779
	Yap	1,327,910	156,320	-	1,484,230
	Kosrae	884,784	126,229	-	1,011,013
		<u>30,055,245</u>	<u>561,729</u>	<u>1,536,217</u>	<u>32,153,191</u>
Section 221(b), Special Block Grant					
	National Government	3,855,095	-	311,319	4,166,414
	Chuuk	36,006,431	4,666,156	-	40,672,587
	Pohnpei	25,175,198	1,810,253	-	26,985,451
	Yap	15,809,513	1,284,444	-	17,093,957
	Kosrae	12,222,008	813,517	-	13,035,525
		<u>93,068,245</u>	<u>8,574,370</u>	<u>311,319</u>	<u>101,953,934</u>
Section 111 (b)(1) Special Development Fund					
	National Government	<u>20,828,989</u>	<u>-</u>	<u>-</u>	<u>20,828,989</u>
Section 212, Special Development					
	Chuuk	3,097,231	250,000	-	3,347,231
	Pohnpei	4,199,334	390,960	-	4,590,294
	Yap	3,356,296	258,633	-	3,614,929
	Kosrae	3,258,562	519,430	-	3,777,992
		<u>13,911,423</u>	<u>1,419,023</u>	<u>-</u>	<u>15,330,446</u>
Total Funding		<u>\$ 1,229,925,323</u>	<u>\$ 68,759,401</u>	<u>\$ 11,178,214</u>	<u>\$ 1,309,862,938</u>

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2001

(1) Scope of Review

The Federated States of Micronesia (FSM) is a governmental entity governed by its own Constitution. All significant operations of the FSM are included in the scope of the OMB Circular A-133 audit (the "Single Audit"). The U.S. Department of the Interior has been designated as the FSM's cognizant agency for Single Audit. All programs received are received in a direct capacity from the specified grantor agency.

a. Programs Subject to Single Audit

- U.S. Department of Agriculture
- U.S. Department of Education
- U.S. Department of Health and Human Services
- U.S. Department of the Interior
- U.S. Department of Labor
- U.S. Federal Emergency Management Agency
- U.S. Department of Commerce
- U.S. National Foundations on the Arts and the Humanities

2. Summary of Significant Accounting Policies

A. Basis of Accounting

For purposes of this report, certain accounting procedures were followed which help illustrate the expenditures of the individual programs. All expenses and capital outlays are reported as expenditures. The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting.

B. Reporting Entity

The FSM National Government, for purposes of the general purpose financial statements, includes all of the funds of the primary government as defined by Governmental Accounting Standards Board (GASB) Statement 14, "The Financial Reporting Entity."

C. Indirect Cost Allocation

The FSM National Government does not receive an indirect cost allocation and does not charge indirect costs against federal programs.

D. Subgrantees

Certain program funds are passed through the FSM National Government to subrecipients. The Schedule of Federal Financial Assistance does not contain separate schedules disclosing how all subgrantees outside of the National Government's control utilize these funds. However, the National Government's primary subrecipients are its four component states. The federal expenditures of these entities are incorporated in the accompanying Schedule of Expenditures of Federal Awards. The four states have certain subrecipients to whom funds are also passed through. The National Government's component units - proprietary funds and the State's subrecipients with attendant schedules of expenditures of federal awards as presented in the respective individual Single Audit reports, are as follows:

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2001

2. Summary of Significant Accounting Policies, Continued

D. Subgrantees, Continued

National Government Subgrantees:

Federated States of Micronesia Development Bank (FSMDB)

The Bank receives funds in a subrecipient capacity through the FSM National Government. The loan portfolio established through Section 111 of the Compact of Free Association and the loan portfolio established through Section 211 of the Compact of Free Association were selected for detailed compliance testing in accordance with applicable OMB Circular A-133 requirements. The following sets forth these contributions, by Sections, which are administered by the Bank.

Section 211		
Compact Capital	Total funding received through December 31, 2001	\$ <u>23,700,000</u>
Section 111 IDF Funds	Total funding available through December 31, 2000	\$ 16,467,654
	Amount of expenditures over revenues and other sources during year ended December 31, 2001	<u>(490,097)</u>
	Fund balance as of December 31, 2001	\$ <u>16,957,751</u>

FSM Telecommunications Corporation

	<u>Funds Received</u>	<u>Funds Expended</u>
Compact Section 215(a)(2) for operating assistance	\$ 882,000	\$ 882,000
Compact Section 215(b)(2) for capital projects	<u>114,814</u>	<u>114,814</u>
Total Compact Funding	\$ <u>996,814</u>	\$ <u>996,814</u>

The above programs bear CFDA #15.875 and the grantor agency is the U.S. Department of the Interior. The above funds are received initially by the National Government of the Federated States of Micronesia and are then passed to the FSM Telecommunications Corporation or the FSMDB in a subrecipient capacity.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2001

2. Summary of Significant Accounting Policies, Continued

D. Subgrantees, Continued

National Government Subgrantees, Continued

College of Micronesia-FSM (COM-FSM)

COM-FSM receives all federal funding except for Compact Post Secondary, in a direct capacity and separately satisfies its OMB Circular A-133 requirements.

State Subgrantees:

The State of Chuuk's component units are to separately satisfy the requirements of OMB Circular A-133. The following presents information concerning component units which have satisfied their A-133 requirements.

Chuuk Public Utilities Corporation

The Chuuk Public Utilities Corporation, a component unit - proprietary fund of the State of Chuuk, is the recipient of various pass-through funds from Chuuk State and one grant from the U.S. Department of Commerce. No material instances of noncompliance or questioned costs were presented in its audit reports and are therefore not contained in the accompanying Schedule of Findings and Questioned Costs. The Chuuk Public Utilities Corporation's Schedule of Expenditures of Federal Awards is as follows:

<u>Grantor Agency/Program</u>	<u>CFDA#</u>	<u>Fiscal Year 2001 Expenditures</u>
U.S. Department of the Interior:		
Compact of Free Association	15.875	\$ <u>1,000,000</u>
Operations and Maintenance Improvement Programs (OMIP):		
OMIP 99-1:		
Legal Counsel	15.875	6,046
Weno Water	15.875	149,341
Electrical Engineer	15.875	5,922
OMIP 2001-2:		
Buddy System	15.875	10,594
Sanitary engineer	15.875	19,663
Legal counsel	15.875	16,122
Electrical engineer	15.875	14,938
Chief Executive Officer	15.875	<u>32,700</u>
		<u>255,326</u>

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2001

2. Summary of Significant Accounting Policies, Continued

D. Subgrantees, Continued

State Subgrantees, Continued

Chuuk Public Utilities Corporation, Continued

<u>Grantor Agency/Program</u>	<u>CFDA#</u>	Fiscal Year 2001 <u>Expenditures</u>
Trust Territory of the Pacific Islands	15.875	<u>330,418</u>
Total expenditures		\$ <u>1,585,744</u>

The Compact of Free Association programs are passed through Chuuk State Government to the Chuuk Public Utility Corporation. The OMIP and TTPI grants are received in a direct capacity from the U.S. Department of the Interior.

Chuuk State Housing Authority

The Chuuk State Housing Authority, a component unit - proprietary fund of the State of Chuuk, is the recipient of various pass-through funds from Chuuk State and certain direct grants. As of September 30, 2001, some \$1.1 million of loans previously made out of U.S. federal financial assistance CFDA #14.219, were outstanding. The assistance provided by the U.S. Department of Housing and Urban Development was made to the State of Chuuk and passed through to the Authority. The federal requirement attendant to these funds has expired and therefore, these funds now are only subject to State requirements.

Additionally, as of September 30, 2001, the Authority administered \$774,767 of loan funds provided by the U.S. Department of the Interior, CFDA #15.875, which funds were received by the State of Chuuk and were passed through to the Authority.

Kosrae Community Action Program

The Kosrae Community Action Program, a component unit – governmental fund has not separately satisfied audit requirements of OMB Circular A-133. Kosrae State is considered to have responsibility for any questioned costs that could result from Single Audits of this entity.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2001

2. Summary of Significant Accounting Policies, Continued

D. Subgrantees, Continued

State Subgrantees, Continued

Kosrae Utilities Authority

The Kosrae Utilities Authority, a component unit - proprietary fund of the State of Kosrae, separately satisfies the requirements of OMB Circular A-133. The Kosrae Utilities Authority's Schedule of Expenditures of Federal Awards, as extracted from its audit reports, is as follows:

<u>Grantor Agency/Program</u>	<u>CFDA#</u>	<u>Fiscal Year 2001 Expenditures</u>
U.S. Department of the Interior: Compact of Free Association: Energy 214(c)	15.875	\$ <u>506,250</u>

The Compact of Free Association programs are passed through Kosrae State to the Kosrae Utilities Authority. The OMIP grant is received in a direct capacity from the U.S. Department of the Interior. The above schedule has been prepared on the accrual basis of accounting.

Pohnpei State Housing Authority

The Pohnpei State Housing Authority is a recipient of various pass-through funds from Pohnpei State. The Authority has yet to complete its audit for the year ended September 30, 2001 and has accordingly yet to meet its OMB Circular A-133 requirements.

Pohnpei Utilities Corporation

The Pohnpei Utilities Corporation, a component unit - proprietary fund, is the recipient of various pass-through funds from Pohnpei State. The following is the Pohnpei Utilities Corporation's Schedule of Federal Financial Assistance, as extracted from the abovementioned audit reports:

(refer to page 127)

**NATIONAL GOVERNMENT
FEDERATED STATES OF MCRONESIA**

Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2001

**POHNPEI UTILITIES CORPORATION
Schedule of Expenditures of Federal Awards**

Grantor/Program Title	CFDA No.	Total Authorizations	Prior Years' Expenditures	Expenditures for the Year Ended Sept. 30, 2001	Total Program Expenditures
<u>U.S. Department of the Interior:</u>					
Office of Insular Affairs:					
Compact of Free Association:					
Energy Program funds, Section 214(B)	15.875	\$ 2,774,370	\$ 2,822,274	\$ -	\$ 2,822,274
Capital Account funds, Section 211(A):	15.875				
OMIP-First Year Electrical Match		322,250	296,592	-	296,592
OMIP-First Year Water and Sewer Match		1,535,250	1,535,250	-	1,535,250
Power Hook-Ups		492,500	492,500	-	492,500
Kolonia Sewer		33,119	33,119	-	33,119
OMIP-Second Year Water and Sewer Match		280,425	280,425	-	280,425
Second Year Water and Sewer Subsidy		110,200	110,200	-	110,200
Pingelap Solar		196,000	217,046	-	217,046
		<u>2,969,744</u>	<u>2,965,132</u>	<u>-</u>	<u>2,965,132</u>
<u>Operations and Maintenance Improvement Programs (OMIP):</u>					
Initialization of the PUC	15.875	430,250	430,249	-	430,249
Pohnpei Water, Sewerage, and Solid Waste Utilities Development, First-Year		810,000	809,999	-	809,999
Pohnpei Water, Sewerage, and Solid Waste Utilities Development, Second-Year		665,000	636,822	16,452	653,274
Pohnpei Water, Sewerage, and Solid Waste Utilities Development, Third-Year		443,500	319,014	49,935	368,949
Pohnpei Water, Sewerage, and Solid Waste Utilities Development, Fourth-Year		285,000	139,204	140,294	279,498
Pohnpei Power Generation and Distribution Second-Year		273,468	273,468	-	273,468
Pohnpei Power Generation and Distribution Third-Year		370,000	370,000	-	370,000
Pohnpei Power Generation and Distribution Fourth-Year		465,498	473,070	-	473,070
Pohnpei Power Generation and Distribution Fifth Year		456,000	394,111	61,889	456,000
Pohnpei Power Generation and Distribution Sixth Year-Apprenticeship training		60,000	34,345	18,000	52,345
Continuation of Prepaid Meter Program		250,000	-	250,000	250,000
Utility Development 2001		117,668	-	13,412	
OMIP Bench		71,000	71,000	-	71,000
		<u>4,697,384</u>	<u>3,951,282</u>	<u>549,982</u>	<u>4,487,852</u>
<u>Technical Assistance:</u>					
PUC FSM-58	15.875	110,000	110,000	-	110,000
ALCO Repairs		25,000	25,000	-	25,000
Y2K Program		55,665	55,665	-	55,665
		<u>190,665</u>	<u>190,665</u>	<u>-</u>	<u>190,665</u>
Meter Calibration/Facility Inventory	15.875	100,000	100,000	-	100,000
Overhaul ALCO Generators-Pohnpei State	15.875	100,000	100,000	-	100,000
DOI Hazard Mitigation Program	15.875	1,100,000	1,086,021	-	1,086,021
Audit Grant	15.875	32,000	32,000	-	32,000
		<u>1,332,000</u>	<u>1,318,021</u>	<u>-</u>	<u>1,318,021</u>
<u>Trust Territory of the Pacific Islands (TTPI):</u>					
Deficiency Funding:					
Pohnpei Power	15.875	328,271	328,271	-	328,271
Kolonia Sewer		659,328	797,411	*	797,411
		<u>987,599</u>	<u>1,125,682</u>	<u>-</u>	<u>1,125,682</u>
Kolonia Water Improvements	15.875	290,700	290,700	-	290,700
		<u>\$ 13,242,462</u>	<u>\$ 12,663,756</u>	<u>\$ 549,982</u>	<u>\$ 13,200,326</u>

Note: The above programs are passed through Pohnpei State to the Pohnpei Utilities Corporation (PUC). The difference between expenditures per this Schedule and the sum of federal grants and contributions per the financial statements, represents PUC contributions to the projects expended in excess of federal contributions.

*The Kolonia Sewer Project is contracted with the State of Pohnpei and therefore this information is provided to the State relative to the amount of expenditures incurred to September 30, 1997.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2001

2. Summary of Significant Accounting Policies, Continued

D. Subgrantees, Continued

State Subgrantees, Continued

Yap State Public Service Corporation

The Yap State Public Service Corporation programs are received in a subrecipient capacity. Following is the Schedule of Expenditures of Federal Awards for Yap State Public Service Corporation:

<u>Grantor</u>	<u>CFDA #</u>	<u>Amounts Received</u>	<u>Prior Year Expenditures</u>	<u>2001 Expenditures</u>	<u>Remaining Balance</u>
U.S. Department of the Interior, Pass through from FSM National Government and through the State of Yap:	15.875				
Compact of Free Association Section 211 (a) Capital Account		\$ 467,497	\$ 376,070	\$ 28,323	\$ 63,104
U.S. Department of the Interior, Direct Award-Operations and Maintenance Improvement Programs (OMIP)					
Yap State Omnibus	15.875	245,230	176,063	69,167	-
Maintenance		172,259	126,842	57,908	(12,491)
Trust Territory Capital Improvement Projects:					
Yap Water Supply	15.875	229,000	90,191	-	138,809
Yap Rural Sanitation		170,365	-	260,457	(90,092)
U.S. Federal Emergency Management Agency:					
Hazard Mitigation: Yap State Water Projects	83.516	<u>211,040</u>	<u>158,665</u>	<u>-</u>	<u>52,375</u>
		<u>\$ 1,495,391</u>	<u>\$ 927,831</u>	<u>\$ 415,855</u>	<u>\$ 151,705</u>

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Programs
Selected for audit in accordance with
OMB Circular A-133
Year Ended September 30, 2001

<u>Grantor</u>	<u>Description</u>	<u>CFDA No.</u>	<u>Amount of 2001 Expenditures</u>
U.S. Dept. of the Interior:			
	Compact of Free Association:	15.875	
	Program account related:		
	211(a) Capital Account		\$ 1,719,696
	216(a)(3) Post Secondary Education		<u>1,536,217</u>
	Total Compact of Free Association		3,255,913
	Infrastructure Development	15.875	200,000
	Single Audit	15.875	495,449
U.S. Dept. of Labor	JTPA	17.250	566,773
U.S. Dept. of Education	Special Education	84.027	1,401,354
U.S. Dept. of Health & Human Services	Family Planning	93.217	<u>161,998</u>
	Total program expenditures selected		\$ <u>6,081,487</u>
	Total U.S. Federal Program expenditures excluding Compact Section 211(a) Current Account		\$ <u>11,740,436</u>
	% of Total U.S. Federal expenditures covered by major programs excluding Compact Section 211(a) Current Account		<u>52%</u>

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Summary of Expenditures of U.S. Federal Awards
Year Ended September 30, 2001

<u>Grantor</u>	<u>Amount</u>
U.S. Department of Education	\$ 1,770,540
U.S. Department of Labor	587,732
U.S. Department of Agriculture	47,539
U.S. Department of Health and Human Services	1,704,825
U.S. Federal Emergency Management Agency	115,792
U.S. Department of Commerce	750,719
National Foundation on the Arts and the Humanities	37,401
U.S. Department of the Interior:	
Historical Preservation Grants	38,093
OIA Technical Assistance	968,333
Compact of Free Association Funding excluding Section 211(a) Current Account	<u>5,719,462</u>
Total U.S. Federal Assistance excluding Section 211(a) Current Account	11,740,436
Compact of Free Association Section 211(a) Current Account	<u>5,458,752</u>
	\$ <u>17,199,188</u>

Note: All grant awards are received from the respective grantor agencies in a direct capacity.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs
Year Ended September 30, 2001

Part I - Summary of Auditors' Results

1. The Independent Auditors' Report on the financial statements expressed a qualified opinion.
2. Reportable conditions in internal control over financial reporting were identified, some of which are considered to be material weaknesses.
3. No instance of noncompliance considered material to the financial statements was disclosed by the audit.
4. Reportable conditions in internal control over compliance with requirements applicable to major federal award programs were identified, two of which is considered to be a material weakness.
5. The Independent Auditors' Report on compliance with requirements applicable to major federal award programs expressed a qualified opinion.
6. The audit disclosed findings required to be reported by OMB Circular A-133.
7. The National Government's major programs were:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
U.S. Department of the Interior - Compact of Free Association	15.875
U.S. Department of the Interior - Single Audit	15.875
U.S. Department of the Interior – Infrastructure Development	15.875
U.S. Department of Labor	17.250
U.S. Department of Education	84.027
U.S. Department of Health & Human Services	93.217

8. A threshold of \$352,213 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133.
9. The National Government did not qualify as a low-risk auditee as that term is defined in OMB Circular A-133.

Part II - Financial Statement Findings Section

<u>Reference No.</u>	<u>Findings</u>	<u>Questioned Costs</u>
2001-3	Bank Reconciliations-Trust Funds	\$ -
2001-4	Advances to State Governments	\$ -
2001-5	Unreimbursed Federal Programs	\$ -
2001-6	Unreimbursed CFSM Projects	\$ -
2001-7	Revenue Sharing	\$ -
2001-8	Inventory	\$ -
2001-9	Bank Reconciliation-ADB Loan Fund	\$ -
2001-10	Cash (Unidentified Transactions)	\$ -
2001-11	Health Insurance Fund Bank Accounts	\$ -
2001-12	Bank Reconciliations-Stale Dated Checks	\$ -

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Part II - Financial Statement Findings Section, Continued

2001-13	Travel Advances	\$	-
2001-14	General Fund Receivables	\$	-
2001-15	Job Order Advances	\$	-
2001-16	Representation Advances Receivable	\$	-
2001-17	Unidentified Revenue	\$	-
2001-18	Continuing Appropriation	\$	-

Part III - Federal Award Findings and Questioned Cost Section

<u>Reference Number</u>	<u>Findings</u>	<u>Questioned Costs</u>
2001-1	Allowable Costs/Cost Principles	\$ 141,625
2001-2	Allowable Costs/Cost Principles	\$ 12,130

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Federal Award Findings and Questioned Cost

<u>Program</u>	<u>Reason for Questioned Costs</u>	<u>Questioned Costs</u>												
<u>Allowable Costs/Cost Principles</u>														
2001-1. Compact Communication Annual Fund/U.S. Dept. of Interior/ CFDA #15.875	<p><u>Criteria:</u> Funds should be expended in accordance with terms and conditions of the Compact of Free Association.</p> <p><u>Condition:</u> The FSM National Government expended \$127,117 on obsolete Iridium phones. In addition, health and medical expenditures were charged to the Compact Communications-Annual account.</p> <table> <tr> <td style="text-align: right;"><u>Account No.</u></td><td style="text-align: left;"><u>Account Title</u></td><td></td></tr> <tr> <td style="text-align: right;">212234</td><td style="text-align: left;">Purchase of Iridium Satellite</td><td style="text-align: right;">\$ 127,117</td></tr> <tr> <td style="text-align: right;">212507</td><td style="text-align: left;">FY2000 216 (a) Health & Medical</td><td style="text-align: right;"><u>14,508</u></td></tr> <tr> <td></td><td></td><td style="text-align: right;"><u>141,625</u></td></tr> </table>	<u>Account No.</u>	<u>Account Title</u>		212234	Purchase of Iridium Satellite	\$ 127,117	212507	FY2000 216 (a) Health & Medical	<u>14,508</u>			<u>141,625</u>	
<u>Account No.</u>	<u>Account Title</u>													
212234	Purchase of Iridium Satellite	\$ 127,117												
212507	FY2000 216 (a) Health & Medical	<u>14,508</u>												
		<u>141,625</u>												

Cause: The cause of this condition is unknown.

Effect: The effect of the above condition is potential questioned costs and potential noncompliance with the terms of the Compact of Free Association.

Recommendation: We recommend that the FSM National Government ensure compliance with the terms of the Compact of Free Association.

Auditee Response and Corrective Action Plan dated March 26, 2003:

- A. Department of Finance and Administration had expended a total of \$66,756.30 for the purchase of Telemobile TM-MDR30V together with its accessories and \$57,360.81 to pay off the telephone bills. These payments were made in accordance with the valid obligating documents like purchase order, miscellaneous payment, invoices and billings submitted to other accounting section. FSM Finance will address this matter to FSM congress for comment.
- B. Department of Finance and Administration concur to the audit finding and assure that this problem will not happen anymore. The budget section has been informed about this error and they assured that the fund organization will be corrected in the next fiscal year.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Federal Award Findings and Questioned Cost, Continued

<u>Program</u>	<u>Reason for Questioned Costs</u>	<u>Questioned Costs</u>
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Allowable Costs/Cost Principles

2001-2. JTPA Program,
U.S. Dept. of Labor/
CFDA #17.250

Criteria: Documentary evidence should be maintained in support of reported expenditures.

Condition: The following contracts were not on file for inspection. Therefore, we were not able to determine whether program expenditures were necessary and reasonable.

<u>Trust Fund Check No.</u>	<u>Contract No.</u>	
196668	C1C0167	\$ 1,247
196620	C1C0038	1,324
195118	C1C0092	1,680
194785	C1C0150	1,996
195120	C1C0161	1,247
196084	C1C0137	680
196251	C1C0141	998
194727	C1C0029	998
196202	C1C0163	1,557
Report No. MC-540		<u>1,573</u>
		<u>12,130</u>

Cause: The cause of this condition is unknown.

Effect: The effect of the above condition is potential questioned costs and a potential misstatement of the financial statements.

Recommendation: We recommend that the FSM National Government maintain support for recorded expenditures.

Auditee Response and Corrective Action Plan dated March 26, 2003: Department of Finance and Administration has contacted FSM Chuuk Finance Office to send the documents in question available for the auditors to inspect. They have already sent the six contract and still working on the other four contracts. As soon as we receive and gather all the contracts we will forward these to the Deloitte and Touche office for review and inspection.

Total Federal Findings and Questioned Costs for FSM
National Government

\$ 153,755

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs
Year Ended September 30, 2001

Financial Statements Findings

Bank Reconciliations - Trust Funds

Finding No. 2001-3

Criteria: The FSM National Government should ensure that all cash accounts (Trust Funds) maintained at the Finance branch offices are properly reconciled on a recurring basis.

Condition: The following cash accounts indicate unreconciled variances between the general ledger and the adjusted bank balance as of September 30, 2001.

<u>Account</u>	<u>Amount Unreconciled</u>
Chuuk Trust fund (5113)	\$ 257,981
Yap Trust Fund (5115)	(12,154)
Kosrae Trust Fund	<u>67,718</u>
Total	\$ <u>313,545</u>

Cause: The cause of this condition is the absence of appropriate reconciliations.

Effect: The effect of this condition is a qualification of the audit report.

Recommendation: We recommend that the FSM National Government ensure that all cash funds maintained at the FSM Finance branch offices are properly reconciled on a recurring basis.

Auditee Response and Corrective Action Plan dated March 26, 2003: The Bank Reconciliation Manager will correct this finding in FY 2003.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Financial Statements Findings, Continued

Advances to State Governments

Finding No. 2001-4

Criteria: The FSM National Government should ensure that details for Advances to the States (General fund) are available to support their existence.

Condition: Our evaluation of accounts receivable as of September 30, 2001 revealed that the following receivable balances lacked details.

<u>Account Tittle</u>	<u>Doubtful Balance</u>
Kosrae State	\$ 571,486
Pohnpei State	96,073
Chuuk State	72,395
Yap State	<u>(23,852)</u>
Total	\$ <u>716,102</u>

Cause: The cause of this condition is unknown.

Effect: The effect of this condition is a qualification of opinion on the financial statements.

Recommendation: We recommend that details of all accounts receivable be maintained and substantiated.

Auditee Response and Corrective Action Plan dated March 26, 2003: The Reconciliation Manager will correct this finding in FY 2003.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Financial Statements Findings, Continued

Unreimbursed Federal Programs

Finding No. 2001-5

Criteria: A functioning system of internal control requires that details of unreimbursed expenditures payable to the states be reconciled on a periodic basis.

Condition: We found that the intergovernmental payable to the states for unreimbursed federal grant expenditures was lower than the total subrecipient's balance as of September 30, 2001.

<u>States</u>	<u>Balance</u>
Kosrae	\$ 1,345,441
Chuuk	346,922
Pohnpei	1,011,051
Yap	<u>1,041,911</u>
Total	<u>3,745,325</u>
FSM National government	\$ <u>(371,610)</u>
Difference	\$ <u>4,116,935</u>

Cause: The cause of this condition is that no reconciliation of this information occurred.

Effect: The effect of this condition is a qualification of opinion on the financial statements.

Recommendation: We recommend that the FSM National Government ensure that intergovernmental payables are properly reconciled.

Auditee Response and Corrective Action Plan dated March 26, 2003: This problem exists because of the untimely submission of the states Federal Grant 132P expenditure reports. The states had already recorded their expenditures and receivable from the FSM National Government however this same report which should be forward to the FSM National Government at year end to record the payables to the states was received by National Government 3 to 4 months after the year end. On January 3, 2003, Department of Finance and Administration has communicated to all the states and issued a memorandum that all Federal Grant 132P expenditure reports shall be due on every first week of each month.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Financial Statements Findings, Continued

Unreimbursed CFSM Projects

Finding No. 2001-6

Criteria: A functioning system of internal control requires that details of unreimbursed expenditures payable to the states be reconciled on a periodic basis.

Condition: We found that intergovernmental payable to the states for unreimbursed Congress of the Federated States of Micronesia (CFSM) project expenditures was lower than the total subrecipient's balance as of September 30, 2001.

<u>States</u>	<u>Balance</u>
Kosrae	\$ 873,068
Chuuk	619,155
Pohnpei	2,381,553
Yap	<u>1,411,201</u>
Total	\$ <u>5,284,977</u>
FSM National government	\$ <u>1,394,701</u>
Difference	\$ <u>3,890,276</u>

Cause: The cause of this condition is unknown.

Effect: The effect of this condition is a qualification of opinion on the financial statements.

Recommendation: We recommend that intergovernmental payables are properly reconciled.

Auditee Response and Corrective Action Plan dated March 26, 2003: The reconciliation manager has been directed to reconcile the intergovernmental payable to the states and instructed to submit a recommendation on how to correct the balance to assure the correctness of the balances in the general ledger.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Financial Statements Findings, Continued

Revenue Sharing

Finding No. 2001-7

Criteria: The FSM National Government should ensure that all revenue due the government is recorded in the financial statements.

Condition: Revenue and Custom reports supporting taxes recorded in the general ledger were not subject to audit in fiscal year 2001. We were not able to perform alternative procedures to assure ourselves as to the correctness of the revenue share due to the FSM and the attendant payable to the states as of September 30, 2001.

Cause: The cause of this condition is that no audit of this restricted information occurred.

Effect: The effect of this condition is a qualification of the report on the financial statements.

Prior Year Status: The 1999 and 2000 Single Audit Reports cited a similar condition.

Recommendation: We recommend that the FSM National Government ensure that all tax revenues are subject to annual audit.

Auditee Response and Corrective Action Plan dated March 26, 2003: Customs and tax administration has been requested to allow the intergovernmental payable to the states and instructed to submit a recommendation on how to correct the balance to assure the correctness of the balances in the general ledger.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Financial Statements Findings, Continued

Inventory

Finding No. 2001-8

Criteria: Details of the Internal Service fund inventory should be maintained and updated on a consistent basis to accurately support the balance on the general ledger.

Condition: There was no evidence of periodic evaluation of inventory for obsolescence.

Cause: The cause of this condition is unknown.

Effect: The effect of this condition is a qualification on inventory.

Recommendation: We recommend that the FSM National Government ensure that details of inventory for the internal service fund are maintained to accurately support the general ledger balance. Obsolete stock should be written off.

Auditee Response and Corrective Action Plan dated March 26, 2003: Under the current system, the procurement and supply specialist is conducting the annual inventory of the internal service fund inventory at year end which delayed the recording and reporting of the stock inventory issued. Starting FY2003, the procurement and supply specialist are directed to maintain and update on a consistent basis of the inventory and instructed to submit to the General Operation Manager the details of the inventory on a quarterly basis and to evaluate and recommend of any obsolete stock that need to be written off.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Financial Statements Findings, Continued

Bank Reconciliation - ADB Loan Fund

Finding No. 2001-9

Criteria: A functioning system of internal control requires reconciliation of all bank accounts on a recurring basis.

Condition: No bank reconciliation was available as of September 30, 2001, for the following ADB Loan Fund bank accounts:

<u>General Ledger Account</u>	<u>Balance</u>
59-102 Imprest Fund R&D	\$51,633
59-131 Cash Savings	\$178,367

Cause: The cause of this finding is unknown.

Effect: The effect of this condition is a potential misstatement of the financial statements.

Recommendation: We recommend that the above account be reconciled on a monthly basis.

Auditee Response and Corrective Action Plan dated March 26, 2003: The reconciliation and reports for the FSM ADB Water Supply and Sanitation has been handled by the Department of Economic Affairs. The reconciliation manager is instructed to coordinate with the person in-charge in this account at the Department of Economic Affairs to trace and reconcile the ADB Loan fund to ensure that all the transactions are properly recorded and cash accounts are reconciled with the General Ledger Account.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Financial Statements Findings, Continued

Cash (Unidentified Transactions)

Finding No. 2001-10

Criteria: Management should ensure that reconciling items are properly investigated for propriety.

Condition: We found significant unsubstantiated disbursements and deposits charged against/to the Chuuk Trust Fund as of September 30, 2001.

	<u>Unidentified Disbursements</u>	<u>Unidentified Deposit</u>
Chuuk Trust	\$72,761	\$20,952

Cause: The cause of this condition is unknown.

Effect: The effect of this condition is a potential misstatement of the financial statements.

Recommendation: We recommend that the FSM National Government ensure that all cash funds are reconciled on a monthly basis.

Auditee Response and Corrective Action Plan dated March 26, 2003: FSM Chuuk Finance office was contacted to provide the expenditure report and cash receipt report for the unidentified disbursements and deposit in the bank statements for proper recording in the book. FSM Chuuk Finance office provided these reports in FY 2002 and has been recorded in the books.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Financial Statements Findings, Continued

Health Insurance Fund Bank Accounts-Unreconciled Differences

Finding No. 2001-11

Criteria: All cash accounts should be reconciled to the general ledger as of September 30, 2001.

Condition: The following cash accounts for the Health Insurance Fund showed unreconciled variances between the general ledger and the adjusted bank balance as of September 30, 2001.

<u>Account</u>	<u>Amount</u>
BOH Checking	\$ (11,295)
BOFSM Checking	<u>56,107</u>
Net	\$ <u>44,812</u>

Cause: The cause of this finding is unknown.

Effect: The effect of this condition is a potential misstatement of the financial statements.

Recommendation: We recommend that that all cash funds be reconciled to the general ledger on a monthly basis.

Auditee Response and Corrective Action Plan dated March 26, 2003: The Health Insurance Chief Finance Officer has been directed to identify the reconciling accounts in the cash accounts and book the reconciling account to bring the correct balance between general ledger account and bank statement. He is likewise instructed to submit to FSM Finance the monthly bank reconciliation for all the cash accounts maintained by the FSM Health Insurance starting fiscal year 2003.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Financial Statements Findings, Continued

Bank Reconciliations-Stale Dated Checks

Finding No. 2001-12

Criteria: The FSM National Government should ensure that stale dated checks are periodically restored to cash.

Condition: Review of outstanding checks as of September 30, 2001 revealed the following stale dated checks:

<u>Account</u>	<u>Total Amount</u>
General Fund (5111c)	\$ 283,286
Income Tax (5120)	274,562
Payroll Fund (5131)	<u>12,539</u>
Total	\$ <u>570,387</u>

Cause: The cause of this condition appears to be the absence of a review of stale dated checks.

Effect: The effect of this condition is a potential misstatement of cash and equivalents.

Prior Year Status: The 2000 Single Audit Report cited a similar condition.

Recommendation: We recommend that outstanding checks be evaluated on a recurring basis.

Auditee Response and Corrective Action Plan dated March 26, 2003: The Reconciliation Manager has been instructed to review all outstanding checks that are stale dated and restore these back to cash account and set up a payable to the vendor. This adjustment will be reflected in FY 2003.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Financial Statements Findings, Continued

Travel Advances

Finding No. 2001-13

Criteria: Details maintained to support travel advance and purchase order advance balances should be accurate and free of error.

Condition: Our review of the travel advance and purchase order advance subsidiary ledgers revealed accounts with unusual balances (credit balances) aggregating \$83,695 and \$34,485, respectively as of September 30, 2001.

Cause: The cause of this condition is a lack of appropriate reconciliations.

Effect: The effect of this condition is a potential misstatement of the financial statements.

Recommendation: We recommend that the travel advance subsidiary ledger be properly reconciled.

Auditee Response and Corrective Action Plan dated March 26, 2003: The credit balances shown in the travel advances and purchase orders has been corrected in the FY 2002.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Financial Statements Findings, Continued

General Fund Receivables

Finding No. 2001-14

Criteria: The FSM National Government should ensure that details of general fund receivables are available to ensure their existence.

Condition: Our evaluation of accounts receivable as of September 30, 2001, revealed that the following receivable balances lacked details.

<u>General Fund Account Title</u>	<u>Doubtful Balance</u>
A/R Miscellaneous	\$ 29,449
A/R Chuuk trust account	106,292
Return Checks	15,170
Adv. Custom	(67,546)
Other Grants	<u>12,000</u>
Total	\$ <u>95,365</u>

Cause: The cause of this condition is unknown.

Effect: The effect of this condition is a potential misstatement of accounts receivable.

Recommendation: We recommend that adequate details supporting accounts receivable be maintained.

Auditee Response and Corrective Action Plan dated March 26, 2003: The A/R Miscellaneous amounting to \$29,449 and A/R Chuuk Trust fund amounting to \$106,292 were recorded as bad debts in FY1998 and were credited to allowance for doubtful accounts. These are part of the allowance for doubtful account that was recorded in the book amounting to \$200,000. The other General Fund receivables in question will be adjusted in FY 2003.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Financial Statements Findings, Continued

Job Order Advances

Finding No. 2001-15

Criteria: A functioning system of internal control requires periodic evaluation of job order advances for validity and existence.

Condition: We found no evidence of periodic evaluation of job order advance receivables as nearly 100% of the outstanding balance of \$125,041 as of September 30, 2001, has been on the books for more than three years.

Cause: The cause of this finding is not known.

Effect: The effect of this condition is a potential misstatement of the financial statements.

Recommendation: We recommend that the job order advance receivable account be periodically evaluated for validity and existence.

Auditee Response and Corrective Action Plan dated March 26, 2003: The reconciliation manager is directed to look into this account to evaluate the validity and existence of the advances.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Financial Statements Findings, Continued

Representation Advance Receivable

Finding No. 2001-16

Criteria: A functioning system of internal control requires that representation advances be evaluated to ensure their validity and existence.

Condition: There was no evidence of management's evaluation of the representation advance receivable of \$107,586 as of September 30, 2001.

Cause: The cause of this finding is not known.

Effect: The effect of this condition is a potential misstatement of the financial statements.

Recommendation: We recommend that the FSM National Government ensure that the representation advances receivable account is evaluated for validity and existence.

Auditee Response and Corrective Action Plan dated March 26, 2003: The representation advances are advances made by the congressman. Under the financial management regulation, in order to clear this account the congressman who make the advance need to submit an expense report together with the receipts that would support the expenditure or issue an affidavit certifying that the advance has been expended in accordance with their duty as public official. Department of Finance and Administration has discussed this to the concerned person and agreed that they will submit their report and receipts or an affidavit of support to clear their advances. This finding has been resolved in FY 2003.

Unidentified Revenue

Finding No. 2001-17

Criteria: A functioning system of internal control requires all accounting transactions to be properly classified.

Condition: We found that \$139k was recorded in the accounting system as unidentified revenue as of September 30, 2001.

Cause: The cause of this condition is unknown.

Effect: The effect of this finding is a potential misstatement of financial statements.

Recommendation: We recommend that all revenue transactions be properly classified and recorded in the accounting system.

Auditee Response and Corrective Action Plan dated March 26, 2003: Audit finding is noted and will make sure that all revenues will be properly classified in FY 2003.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Financial Statements Findings, Continued

Continuing Appropriation

Finding No. 2001-18

Criteria: A functioning system of internal control requires that the subsidiary ledger for continuing appropriation be reconciled to the general ledger control account.

Condition: We found seven instances out of 25 samples tested where we were not able to agree the continuing appropriations to the enabling legislation nor were we able to agree cumulative expenditures and encumbrance to the accounting system.

Cause: The cause of this condition is unknown.

Effect: The effect of the above condition is that corrections were made subsequent to year-end.

Recommendation: We recommend that the FSM National Government reconcile continuing appropriation on a recurring basis.

Auditee Response and Corrective Action Plan dated March 26, 2003: Reconciliation manager has been directed to reconcile the continuing appropriation to the general ledger control account per month. In FY 2002 there has been adjustments made to correct the double posting of the allotment to reflect the correct subsidiary ledger balance that would reconcile to the general ledger.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Federal Findings and Questioned Costs - Monitoring Subrecipients - Subrecipient - Chuuk

U.S. Department of the Interior– Compact of Free Association – Compact Capital Funds – Allowable Costs/Cost Principles

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
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C01-02	15.875	Costs charged to federal programs should be appropriately documented to substantiate the allowability of costs against the respective program.	\$ 150,000
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Condition: A payment of \$150,000 in a wrongful shooting court judgement was made and was charged to Compact Capital account funds (reference numbers 101217901, 218801, 29280, and 1012188). The underlying funds were appropriated from Compact Capital funds by the Chuuk State Legislature and were allotted by the FSM National Government. However, the payment of litigation expenses does not appear to relate to the underlying requirements of Compact Capital account funds.

Cause: The cause of this condition appears to be that Compact Capital account funding was the only available source of cash at that time.

Effect: The effect of this condition is that questioned costs of \$150,000 exist.

Recommendation: The above matter should be reexamined by the Chuuk State Legislature and if appropriate, this item should be charged to the general fund.

Auditee Response and Corrective Action Plan: To resolve the finding, legislation will be submitted to charge this amount to the general fund. We will work with the FSM National Government, which authorized the transfer amount per the allotment to us, to make the necessary corrective action.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Federal Findings and Questioned Costs - Monitoring Subrecipients - Subrecipient - Chuuk

Compact of Free Association Requirements

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
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C01-03	15.875	Compliance with the terms of the Compact of Free Association requirements for Compact Capital Account funds should be present in support of all expenditures, if not otherwise self-evident.	\$ 20,000
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Condition: We found payments of \$20,000 (APV # 101337701) for an easement that appears to have been made to assist a corporation in payment of its power bills. We were unable to determine the means used to establish conformity with the Compact of Free Association requirements.

Cause: The State did not utilize the services of its Attorney General to document the basis for the expenditure.

Effect: The effect of this condition is questioned costs of \$20,000.

Recommendation: The State should consult with the Attorney General to document the conformity of these expenditures with the Compact of Free Association requirements.

Auditee Response and Corrective Action Plan dated June 11, 2003: The Director of Treasury will request the State Attorney General to review this transaction to ensure its adequacy under the Compact Capital guidelines. This legal analysis will then be submitted to the National Government for its review and concurrence.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Federal Findings and Questioned Costs - Monitoring Subrecipients - Subrecipient - Chuuk

Compact of Free Association Requirements

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
C01-04	15.875	<p>Compliance with the terms of the Compact of Free Association requirements for Compact Capital Account funds should be present in support of expenditures, if not otherwise self-evident.</p> <p><u>Condition:</u> The State paid \$20,000 in interest expense on a loan for acquisition of land and charged that interest expense to Compact Capital funding. The loan was not made. Therefore, the applicable interest expense does not appear to represent an eligible expense.</p> <p><u>Cause:</u> The cause of this condition is inadequate documentation to support the expenditure as applicable to Compact Capital Account funding.</p> <p><u>Effect:</u> The effect of this condition is questioned costs of \$20,000.</p> <p><u>Recommendation:</u> We recommend that this matter be referred to the State's Attorney General for review.</p> <p><u>Auditee Response and Corrective Action Plan dated June 11, 2003:</u> The FSM National Government, as grantor, will be requested to opine on this matter to advise on the appropriate method of resolving this finding. The Director of Treasury will so communicate and we trust that a response will be forthcoming to guide us in this matter.</p>	\$ 20,000

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Federal Findings and Questioned Costs - Monitoring Subrecipients - Subrecipient - Chuuk

Compact of Free Association Requirements (CFDA# 15.875)

Finding No. C01-05

Criteria: Compliance with the terms of the Compact of Free Association requirements for Compact Capital Account funds should be present in support of expenditures, if not otherwise self-evident.

Condition: Prior single audits of the State of Chuuk have raised the issue of the propriety of lease agreements as eligible charges against Compact Capital Account funding. This matter has not been resolved either by the State of Chuuk or the FSM National Government. In the current year, the State made various payments for leases in various municipalities. The leases did not appear to indicate the actual purpose served, the relationship to the Compact of Free Association funding and did not appear complete. The applicable amounts are as follows:

APV # 100243901 -	\$10,000
APV # 100242501	\$10,000
APV # 100242401	\$18,277
APV # 100254801	\$18,277

These costs are not questioned due to the absence of resolution of this issue by the State with the grantor agency (the FSM National Government).

Cause: The cause of this condition is inadequate documentation substantiating the relevancy of the leases to the Compact of Free Association and the non-resolution of the lease issue with the grantor agency.

Effect: The effect of this condition is potential noncompliance with Compact of Free Association terms and conditions.

Recommendation: The relevancy of the above leases should be documented and reviewed by the grantor agency for compliance with applicable terms and conditions of the Compact of Free Association.

Auditee Response and Corrective Action Plan dated June 11, 2003: This matter will be referred by the Director of Treasury to the State Attorney General to obtain the necessary review and documentation to determine whether these amounts are appropriately charged to the Compact Capital Account funding.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Federal Findings and Questioned Costs - Monitoring Subrecipients - Subrecipient - Chuuk

Documentation Supporting Expenditures

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
C01-06	15.875	<p>Documentation should be on file in support of the relevance of the expenditure to the Compact of Free Association requirements.</p> <p><u>Condition:</u> A payment of \$12,500 (APV # 100209701) was made for telephone bills and charged against Health and Medical Compact funds. However, no detail of the bill was traceable to this fund.</p> <p><u>Cause:</u> The cause of this condition appears to be inadequate documentation in support of the charge.</p> <p><u>Effect:</u> The effect of this condition is that costs of \$12,500 has not been properly documented.</p> <p><u>Recommendation:</u> The Government should review the subject transaction and ensure that an adequate trail exists in support of the relevancy of this expenditure to the funding source.</p> <p><u>Auditee Response and Corrective Action Plan dated June 11, 2003:</u> The Director of Treasury will instruct Finance and Accounting staff to have Health Services and Education enumerate and document each telephone bill to ensure that such is appropriately charged to the Compact source. Otherwise, these telephone expenses will be charged to their general fund account.</p>	\$ 12,500

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Federal Findings and Questioned Costs - Monitoring Subrecipients - Subrecipient - Chuuk

Documentation Supporting Expenditures

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
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C01-08	15.875	Documentation should be on file to support the relevancy of payments to the underlying terms and conditions of the Compact of Free Association requirements.	\$ 16,400
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Condition: Payments were made to cover funeral costs for ten individual services in the amount of \$16,400 (APV # 101232601). Funeral costs do not appear to be an eligible cost under the Health and Medical component of the Compact of Free Association.

Cause: Inadequate documentation exists with respect to ensuring the conformity of the underlying expenditure with grant requirements.

Effect: The effect of this condition is questioned costs in the amount of \$16,400.

Recommendation: This matter should be referred to the State Attorney General and the grantor agency for resolution.

Auditee Response and Corrective Action Plan dated June 11, 2003: The Director of Treasury will ask the State Attorney General for a legal opinion with respect to this matter. This is a legal issue and we will then request the FSM National Government to ratify that opinion. Depending on the outcome of the opinion, appropriate adjustment may have to be made to charge this amount to the general fund. If such is the case, appropriate legislation will be submitted to the Chuuk State Legislature.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Federal Findings and Questioned Costs - Monitoring Subrecipients - Subrecipient - Chuuk

Implementation of GAS 34

Finding No. C01-15

Criteria: The provisions of GAS 34 should be implemented in fiscal year 2003. The provisions include capitalization and depreciation of all long-lived assets, including infrastructure, MD & A requirements, significant footnote changes, among others.

Condition: The State has not made substantive progress in detailing an inventory of capital assets, inclusive of infrastructure, to allow for the financial presentation required by GAS 34.

Cause: The cause of this condition is that the State has yet to assign duties and responsibilities associated with compliance with GAS 34 requirements.

Effect: The effect of this condition is the potential inability of the State of Chuuk to conform to the GAS 34 presentation and disclosure requirements.

Prior Year Status: The absence of an inventory of capital assets, including noncompliance with equipment and real property management, was reported as a finding in prior year Single Audit reports.

Recommendation: The State should detail an action plan to allow for the timely implementation of GAS 34 requirements. If insufficient resources exist in the State to formulate and implement such a plan, the resources should be obtained through outside sources.

Auditee Response and Corrective Action Plan dated June 11, 2003: We have requested that this matter be directed by the FSM National Government since it affects all States equally. We are hopeful that the Secretary of Finance has opened communication to obtain necessary technical assistance from OIA or elsewhere. Therefore, we are aware of this problem, but inventorying and costing our infrastructure is an issue that we will require assistance on.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Federal Findings and Questioned Costs - Monitoring Subrecipients - Subrecipient - Kosrae

<u>Program</u>	<u>Reason for Questioned Costs</u>	<u>Questioned Costs</u>
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General Fixed Assets Account Group

K01-10-All Funds

Criteria: The General Fixed Assets Account Group should be reconciled at the end of each fiscal year. Additionally, biannual inventories of fixed assets are required by the Common Rule.

Condition: Detailed schedules of fixed assets were not available for inspection. In addition, the general ledger fixed asset balances have not been updated in recent years. Additionally, biennial inventories have not been performed as required by the Common Rule.

Cause: The cause of this condition is unknown.

Effect: The effect of this condition is a potential for misstatement of the financial statements.

Prior Year Status: The above condition was reported as a finding in the Single Audit of Kosrae State Government for fiscal years 1999 and 2000.

Recommendation: We recommend that the Department of Administration ensure that the General Fixed Assets Account Group is updated and reconciled to detailed property listings at the end of each fiscal year and that required inventories are performed.

Auditee Response dated December 3, 2002: We agree with the finding. Property listings are updated but general ledger fixed asset balances have not been updated but FSM Finance computer staff are hoping to fix the program.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Federal Findings and Questioned Costs - Monitoring Subrecipients - Subrecipient - Pohnpei

<u>Program</u>	<u>Reason for Questioned Costs</u>	<u>Questioned Costs</u>
<u>Equipment and Real Property Management</u>		
P01-1. All Funds	<p><u>Criteria:</u> A summary schedule of the fixed asset detail produced by the automated fixed asset subsystem, classified by major assets category, should be maintained. Additionally, the Common Rule for Uniform Administration Requirements for Federal Grants, Section 33(d)(2) require that a physical inventory of property acquired with federal funds be performed biannually.</p> <p><u>Condition:</u> A summarization of the asset data from the automated fixed asset subsystem was not available nor was a schedule of asset deletions prepared to facilitate the preparation of a statement of changes in fixed assets. Additionally, a physical inventory of property has not been performed as required by law.</p> <p><u>Cause:</u> The cause of the above condition is unknown.</p> <p><u>Effect:</u> A misstatement of the State's General Fixed Asset Account Group could result.</p> <p><u>Prior Year Status:</u> Insufficient controls over updating of fixed asset data was reported as a finding in the Single Audit of Pohnpei State for the years 1988 through 2000.</p> <p><u>Recommendation:</u> We recommend that Pohnpei State Government update the automated master fixed asset listing based on acquisition and survey activity, summarize the master listing detail appropriately and prepare a statement of changes in fixed assets on a timely basis. Additionally, biannual physical inventories should be performed.</p> <p><u>Auditee Response and Corrective Action Plan in a letter dated January 28, 2003:</u></p> <p>Pohnpei State concurs with this finding.</p> <p>Corrective Action Plan: Pohnpei State has an updated automated fixed asset master listing on file and it continues to add to its master file as it acquires more fixed assets. We are still working on the appraised value of our major fixed assets such as buildings, roads, bridges and etc. We hope that this process can be completed sometimes in FY 2003.</p>	

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Federal Findings and Questioned Costs - Monitoring Subrecipients - Subrecipient - Pohnpei

Eligible Use of Compact Energy Fund

P01-02. U.S. Dept.
of Interior/Compact
Energy Fund—
CFDA #15.875

Criteria: Pohnpei State should comply with the intent of the Compact Treaty.

Condition: Expenses that are operational in nature (fuel for the government owned ship, Micro Glory) aggregating \$74,332 were charged to the Compact Energy Grant. This use does not appear to represent an eligible use of Compact Energy funds.

\$ 74,332

Cause: The cause of this condition has not been established.

Effect: The effect of this condition is questioned costs.

Recommendation: We recommend that Pohnpei State ensure compliance with the intent of the Compact of Free Association.

Auditee Response and Corrective Action Plan in a letter dated January 28, 2003:

Pohnpei State concurs that we should comply with the intent of the Compact Treaty.

Corrective Action Plan: Pohnpei State believes that this issue is similar to payment of its utilities from Compact Energy, however, we are seeking the assistance of FSM National Government Attorney General to render an opinion on this issue.

Total Federal Findings Questioned Costs for Pohnpei
State Government

\$ 74,332

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Federal Findings and Questioned Costs - Monitoring Subrecipients - Subrecipient – Yap

Prior Year Compliance Findings that Remain Outstanding

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
Y01-01	All	<p>Prior year findings should be addressed and resolved in a timely manner.</p> <p><u>Condition:</u> Finding 99-1 and 99-2 related to Equipment and Real Property Management remain unresolved.</p> <p><u>Cause:</u> The cause of this condition is the State of Yap's failure to address the prior year findings.</p> <p><u>Effect:</u> The effect of this condition is noncompliance with federal rules and regulations.</p> <p><u>Recommendation:</u> The State should formulate and implement a plan of action. This plan is especially critical with respect to fixed assets due to the pending implementation of GASB 34.</p> <p><u>Auditee Response and Corrective Action Plan:</u> The implementation of GASB 34 requires resolution of this matter. We are working with the FSM National Government to obtain an inventory of infrastructure assets and are considering implementation of a task force to address other fixed assets.</p>	\$ -

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Federal Findings and Questioned Costs - Monitoring Subrecipients - Subrecipient – Yap

Small Purchases - Competitive Procurement (CFDA # 84.027A – Special Education and CFDA # 83.544 - FEMA)

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
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Y01-05	84.027A	Small procurement procedures should be informally documented to ensure compliance with federal procedures.	\$ 11,084
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Condition: No informal procedures could be ascertained to ensure compliance with federal procurement procedures for the following transactions:

<u>Check number</u>	<u>Amount</u>	<u>Purpose</u>
5993	\$ 4,245	Purchase of copier paper
6398	3,990	Purchase of paper
10743	1,250	Purchase of computer supplies
10695	<u>1,599</u>	Purchase of a printer
Total	\$ <u>11,084</u>	

Cause: The cause of this condition appears to be that no informal procedures have been documented to ensure compliance with the criteria.

Effect: No financial statement effect results from this condition; however, noncompliance with the criteria results in questioned costs.

Prior Year Status: Noncompliance with the criteria was cited in the 2000 Single Audit Report.

Recommendation: The State should ensure compliance with the specified criteria.

Auditee Response and Corrective Action Plan dated November 29, 2002: All equipment purchases even at these low cost uses the same system of price quotations, we search out multiple vendors that supply the equipment and identify them. We then choose the lowest cost vendor that will ship to us. If this one original document with the vendors' names on it is gone, then take into account all the other purchases that we always follow your prescribed procedure as evidence of a systematic way we do purchases.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Federal Findings and Questioned Costs - Monitoring Subrecipients - Subrecipient – Yap

Allowable Costs/Cost Principles (CFDA # 84.027A – Special Education)

<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>	<u>Questioned Costs</u>
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Y01-07	84.027A	Expenditures charged to federal programs should be properly justified.	\$ 5,366
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Condition: A State Department of Education employee received an additional pay of \$5,366.40 for “additional services” rendered to the program. We were not provided any documents regarding this additional compensation and therefore were unable to verify how and why this additional compensation was justified as a program expenditure.

Cause: The cause of the condition is unknown.

Effect: The effect of the condition is that inadequate information exists to support the eligibility of program expenditures.

Recommendation: We recommend that the State Department of Education review this payment to ensure that it satisfies the program requirements.

Auditee Response and Corrective Action Plan dated November 29, 2002: The employee is assigned additional responsibility aside from his normal duty to maintain special education program account including preparation of the program’s annual budget. It was agreed with the Program Coordinator to get the additional salary from special education, however, the State Personnel Office was not able to pay one employee from two different accounts. Therefore, with the permission of the grantee (FSM), the additional compensation was drawn from contractual which it has been budgeted and approved in the last fiscal budget.

Auditors’ Response: The auditee response indicates that the contract specified in the condition is an allocation of the employee’s salary to the program. Federal regulations require that this allocation be supported by contemporaneous records of time worked (such as daily time sheet) as a basis for this allocation. We were not able to discover support for this allocation of time charges to the program nor are we aware of an approved cost allocation plan in use by the Department of Education. Therefore, the amount still results in a questioned cost. The cost is questioned as it appears that the Department of Education’s policy relative to inadequately supported time allocations was made to the grant in prior years. Therefore, the aggregate potential questioned cost is likely to exceed \$10,000.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2001

Federal Findings and Questioned Costs - Monitoring Subrecipients - Subrecipient – Yap

Telephone Charges - Allowable Costs/Cost Principles (CFDA # 83.544 – FEMA)

Finding Number Y01-13

Criteria: Program charges should be identified as being specific to the program. Otherwise, an allocation method should be reasonable and be approved by the grantor agency.

Condition: The Office of Planning and Budget does not maintain a telephone log for the purpose of determining the specific relationship of the charges to the program. Specifically, the Office could not provide support on a September billing of \$1,339.75 charged to the program.

Cause: The telephone log was not designed to provide support for program charges.

Effect: The effect of this condition is that inadequate information exists to support the eligibility of program expenditures.

Prior Year Status: Noncompliance with the criteria by the State Department of Education was cited in the 2000 Single Audit Report.

Recommendation: Office of Planning and Budget should revise its phone log and ensure that adequate information exists to substantiate the direct relationship between the telephone charge and program benefit received.

Auditee Response: The auditee has not responded.

**NATIONAL GOVERNMENT
FEDERATED STATES OF MICRONESIA**

Unresolved Prior Years' Questioned Costs
Year Ended September 30, 2001

The following is a summary of unresolved federal questioned costs for the National Government.

	Questioned Costs Set Forth in Prior Audit Report <u>2000</u>	Questioned Costs Resolved in Fiscal Year <u>2001</u>	Questioned Costs at <u>September 30, 2001</u>
Unresolved Questioned Costs FY 96	\$ 515,520	\$ 515,520 (1)	\$ -
Unresolved Questioned Costs FY 98	15,316	-	15,316
Unresolved Questioned Costs FY 99	68,156	-	68,156
Unresolved Questioned Costs FY 00	75,221	-	75,221
Unresolved Questioned Costs FY 01	<u>-</u>	<u>-</u>	<u>153,755</u>
	<u>\$ 674,213</u>	<u>\$ 515,520</u>	<u>\$ 312,448</u>

(1) Findings have been reported to federal agencies for in excess of the two year threshold.

Unresolved Findings for FY 2000:

<u>Page No.</u>	<u>Finding No.</u>	<u>Description</u>
FISCAL YEAR 2000		
156	2000-1	Allowable Costs/Cost Principles- JTPA Program
157	2000-2	Allowable Costs/Cost Principles- Compact Scholarship Fund
158	2000-3	Allowable Costs/Cost Principles- Compact Capital Fund
159	2000-4	Allowable Costs/Cost Principles- Compact Communications Annual Fund
160	2000-5	Monitoring of Subrecipient's Questioned Costs