

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

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

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**YEAR ENDED SEPTEMBER 30, 1998**

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

**YEAR ENDED SEPTEMBER 30, 1998**

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

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**YEAR ENDED SEPTEMBER 30, 1998**



## INDEPENDENT AUDITORS' REPORT

Honorable Leo A. Falcam  
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, 1998, 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 generally accepted auditing standards and the standards applicable to financial audits 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.

The College of Micronesia-FSM, which comprises the Component Unit - Higher Education Fund, did not reconcile its Plant Fund, book store inventory, and student receivables and we were not able to satisfy ourselves with respect to these balances by means of other auditing procedures.

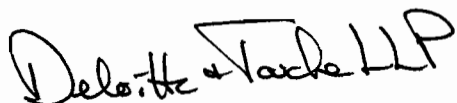
The general purpose financial statements referred to above do not include financial statements of the National Fisheries Corporation, a Component Unit - Proprietary Fund, which should be included in order to conform with generally accepted accounting principles.

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, fixed assets, bookstore inventory and student receivables of the Component Unit - Higher Education Fund and the omission of the National Fisheries Corporation, a Component Unit - Proprietary Fund as discussed in the third and fourth 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, 1998, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

The year 2000 supplementary information listed in Section III of the foregoing table of contents is not a required part of the basic financial statements, but is supplementary information required by the Government Accounting Standards Board, and we did not audit and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because of the unprecedented nature of the year 2000 issue and its effects, and the fact that authoritative measurement criteria regarding the status of remediation efforts have not been established. In addition, we do not provide assurance that the FSM National Government is or will become year 2000 compliant, that the FSM National Government's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the FSM National Government does business are or will become year 2000 compliant.

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 IV 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 matter discussed in the fourth paragraph 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 April 20, 1999, 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.

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

April 20, 1999



**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

**Combined Balance Sheet - All Fund Types, Account Groups and Discretely Presented Component Units  
September 30, 1998  
(With Comparative Totals as of September 30, 1997)**

	Governmental Fund Types										Proprietary Fund Type				Fiduciary Fund Type				Account Groups				Totals Primary Government (Memorandum Only)		Component Units		Totals Reporting Entity (Memorandum Only)	
	Special Revenue		Capital Projects		Internal Service		Expendable Trust		General Fixed Assets		Long-Term Debt		General		Higher Education		Governmental		Proprietary		1998		1997					
	General																											
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$				
Cash and equivalents (note 2 and 9)	3,728,729	732,232	122,572	803,082	-	-	-	-	-	-	-	-	-	-	1,167,447	4,724,115	5,384,107	16,663,344	19,288,471									
Time certificates and other term deposits (note 2)	4,261,912	757,354	-	886,770	-	-	-	-	-	-	-	-	-	-	1,159,070	-	1,200,000	8,265,106	6,418,030									
Investments (note 2 and 9)	9,179,832	20,326,107	4,859,667	1,276,098	-	-	-	-	-	-	-	-	-	-	-	31,627,126	19,918,646	87,187,476	100,193,915									
Equity investments (note 2)	1,500,000	-	3,483,690	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,983,690	4,712,263									
Receivables from TTP/OTIA	-	806,845	726,755	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,533,600	1,795,594									
Receivables from other governments and agencies, net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-									
General receivables, net	65,429	6,064,399	-	11,778	-	-	-	-	-	-	-	-	-	-	699,661	5,1210	1,072,600	699,661	5,955,458									
Advances	1,929,849	138,345	32,060	-	-	-	-	-	-	-	-	-	-	-	1,337,822	32,404	12,706	8,603,238	2,974,196									
Loans receivable, net (note 5)	7,259,112	10,482,904	1,500,000	-	-	-	-	-	-	-	-	-	-	-	-	19,242,016	11,553,942	2,145,364	2,795,242									
Due from other funds (note 4)	113,329,792	2,437,864	15,865	574,488	-	-	-	-	-	-	-	-	-	-	2,331,781	-	11,553,942	30,795,938	26,568,641									
Interest and other receivables	24,075	126,743	15,865	-	-	-	-	-	-	-	-	-	-	-	-	-	278,961	445,644	942,937									
Available-for-sale securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	662,188	662,188	-									
Inventory	-	-	-	-	-	-	-	-	-	-	-	-	-	-	62,748	-	481,474	655,929	615,603									
Restricted assets (note 11)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,298,401	-	16,660,344	18,958,745	28,378,373									
Amount to be provided for retirement of long-term debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-									
Prepaid expenses	-	-	-	261,739	-	-	-	-	-	-	-	-	-	-	6,135	7,303	903,225	1,178,402	792,456									
Fixed assets, net (notes 9 and 10)	-	-	-	35,137,421	-	-	-	-	-	-	-	-	-	-	10,521,096	50,342	41,884,816	87,593,675	86,971,222									
Allowance for loan reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-									
<b>Total assets</b>	<b>\$ 141,278,730</b>	<b>\$ 41,872,853</b>	<b>\$ 10,740,609</b>	<b>\$ 3,813,955</b>	<b>\$ 19,101,161</b>	<b>\$ 35,137,421</b>	<b>\$ 252,114,295</b>	<b>\$ 19,584,161</b>	<b>\$ 100,013,009</b>	<b>\$ 408,203,965</b>	<b>\$ 36,492,500</b>	<b>\$ 100,013,009</b>	<b>\$ 408,203,965</b>	<b>\$ 403,585,253</b>														

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, Continued**  
September 30, 1998  
(With Comparative Totals as of September 30, 1997)

	Governmental Fund Types		Proprietary Fund Type		Fiduciary Fund Type		Account Groups		Primary Government (Memorandum Only)	Component Units		Reporting Entity (Memorandum Only)	
	General		Internal Service		Expendable Trust		General			Governmental			Proprietary
	Special Revenue	Capital Projects	Internal Service	Expendable Trust	General Fixed Assets	General Long-Term Debt	Higher Education	Governmental	Proprietary	1998	1997		
<b>Liabilities:</b>													
Accounts payable	\$ 1,056,003	\$ 706,789	\$ 181,421	\$ 5,879	\$ 215,604	\$ -	\$ -	\$ 2,165,696	\$ 222,657	\$ 154,324	\$ 496,426	\$ 3,039,103	\$ 3,382,577
Accrued payroll and others	179,028	1,652	-	-	-	-	-	181,080	379,937	6,734	93,954	661,705	887,165
Tax refunds payable	287,021	-	-	-	-	-	-	287,021	-	-	-	287,021	249,363
Due to other funds (note 4)	85,740,834	24,242,231	6,682,184	-	74,754	-	-	116,740,003	2,571,219	-	-	119,311,222	98,926,116
Due to FSM State governments	1,260,939	1,074,389	9,455	-	-	-	-	2,344,783	-	-	-	2,344,783	4,406,100
Due to other governments	-	-	-	-	-	-	-	-	-	-	-	-	1,541,574
Deferred revenues	-	-	75,358	-	-	-	-	75,358	1,547,959	-	34,917	1,658,234	1,013,689
Vacation leave accrual	-	-	-	-	-	-	-	1,060,007	-	-	-	1,060,007	868,620
Advances from DOI, TTP, OTIA and other (note 10)	-	-	-	-	-	-	-	1,112,276	-	-	-	1,112,276	1,119,854
Notes payable (note 6)	-	-	-	-	-	-	-	18,041,154	-	-	29,769,486	47,810,640	46,301,049
Other liabilities	307,190	-	-	-	493,974	-	-	801,164	269,531	-	1,691,361	2,762,256	3,300,341
<b>Total liabilities</b>	<b>88,831,415</b>	<b>27,137,337</b>	<b>6,948,418</b>	<b>5,879</b>	<b>784,332</b>	<b>-</b>	<b>19,101,161</b>	<b>142,808,542</b>	<b>4,991,303</b>	<b>161,058</b>	<b>32,086,344</b>	<b>180,047,247</b>	<b>161,996,448</b>
<b>Fund equity:</b>													
Investment in general fixed assets	-	-	-	-	-	-	-	35,137,421	10,521,096	50,342	-	45,708,859	44,889,605
Contributed capital	-	-	-	129,416	-	-	-	129,416	-	-	35,798,564	35,977,980	35,079,456
Retained earnings unreserved	-	-	-	34,271	-	-	-	34,271	-	-	32,128,101	32,162,372	47,260,603
<b>Fund balances:</b>													
Reserved for:													
Benefit	-	-	-	-	-	-	-	-	-	-	-	36,281,100	27,905,231
Loans	7,259,112	10,482,904	1,500,000	-	-	-	-	19,242,016	-	-	-	19,242,016	7,350,000
Related assets	3,830,584	-	3,483,690	-	-	-	-	7,314,274	-	-	-	7,314,274	8,086,450
Encumbrances	7,594,301	2,459,162	701,696	-	65,135	-	-	10,760,294	-	-	-	10,760,294	9,592,756
Continuing appropriations (note 7)	20,578,987	2,433,069	1,636,296	-	-	-	-	24,648,352	-	-	-	24,648,352	32,166,956
Unreserved	13,244,331	(639,619)	(3,229,491)	-	2,964,488	-	-	12,039,709	4,071,762	-	-	16,111,471	29,257,768
<b>Total fund equity</b>	<b>52,447,315</b>	<b>14,735,516</b>	<b>3,792,191</b>	<b>163,687</b>	<b>3,029,623</b>	<b>-</b>	<b>-</b>	<b>109,305,753</b>	<b>14,592,858</b>	<b>36,331,442</b>	<b>67,926,665</b>	<b>228,156,718</b>	<b>241,588,905</b>
<b>Commitments and contingencies (note 3)</b>													
<b>Total liabilities and fund equity</b>	<b>\$ 141,278,730</b>	<b>\$ 41,872,853</b>	<b>\$ 10,740,609</b>	<b>\$ 169,566</b>	<b>\$ 3,813,955</b>	<b>\$ 3,813,955</b>	<b>\$ 19,101,161</b>	<b>\$ 252,114,295</b>	<b>\$ 19,584,161</b>	<b>\$ 36,492,500</b>	<b>\$ 100,013,009</b>	<b>\$ 408,203,965</b>	<b>\$ 403,585,253</b>

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, 1998  
(With comparative totals for the year ended September 30, 1997)**

	Governmental Fund Types			Fiduciary	Totals	Component Units		Totals	
	General	Special Revenue	Capital Projects	Expendable	Primary	Higher Education	Governmental	Reporting	
				Trust	Government			Entity	
				(Memorandum Only)			(Memorandum Only)		
							1998	1997	
<b>Revenues:</b>									
<b>Compact of Free Association:</b>									
Base grant	\$ 3,499,200	\$ 4,072,833	\$ 2,296,224	\$ -	\$ 9,868,257	\$ -	\$ -	\$ 9,868,257	\$ 9,800,230
Inflation adjustment	1,854,576	-	-	-	1,854,576	-	-	1,854,576	1,749,600
U.S. federal contributions	-	5,186,595	-	-	5,186,595	4,731,569	-	9,918,164	8,240,604
FSM revenue sharing	10,204,678	-	-	-	10,204,678	-	-	10,204,678	7,701,997
Taxes and licenses	17,427,474	-	-	-	17,427,474	-	-	17,427,474	15,871,160
Investment income	1,131,920	-	-	-	1,131,920	-	-	1,131,920	10,307,173
Other	-	264,703	-	2,372,083	2,636,786	6,839,363	16,805,950	26,282,099	19,733,009
<b>Total revenues</b>	<b>34,117,848</b>	<b>9,524,131</b>	<b>2,296,224</b>	<b>2,372,083</b>	<b>48,310,286</b>	<b>11,570,932</b>	<b>16,805,950</b>	<b>76,687,168</b>	<b>73,403,773</b>
<b>Expenditures:</b>									
Executive branch	11,268,558	11,091,352	3,230,338	2,085,911	27,676,159	-	-	27,676,159	23,485,186
Judicial branch	917,273	-	-	-	917,273	-	-	917,273	952,269
Legislative branch	2,642,389	-	-	-	2,642,389	-	-	2,642,389	3,258,079
Office of the Public Auditor	425,408	-	-	-	425,408	-	-	425,408	402,896
Other National Government programs	5,359,430	-	-	-	5,359,430	-	-	5,359,430	5,796,633
Boards and commissions	913,399	-	-	-	913,399	-	-	913,399	1,035,102
Other legislative appropriations	15,284,144	-	-	-	15,284,144	-	-	15,284,144	15,698,050
Other	-	-	-	-	-	10,906,193	8,430,081	19,336,274	15,951,163
<b>Total expenditures</b>	<b>36,810,601</b>	<b>11,091,352</b>	<b>3,230,338</b>	<b>2,085,911</b>	<b>53,218,202</b>	<b>10,906,193</b>	<b>8,430,081</b>	<b>72,554,476</b>	<b>66,579,378</b>
Excess (deficiency) of revenues over (under) expenditures	(2,692,753)	(1,567,221)	(934,114)	286,172	(4,907,916)	664,739	8,375,869	4,132,692	6,824,395
<b>Other financing sources (uses):</b>									
Operating transfers in (out), (note 8)	(2,698,544)	(457,024)	(1,500,000)	-	(4,655,568)	-	-	(4,655,568)	(2,468,924)
Proceeds from loan	-	1,778,643	-	-	1,778,643	-	-	1,778,643	10,514,261
Earnings on equity investment	-	-	271,427	-	271,427	-	-	271,427	278,486
Loss from noncollection of notes receivable (note 5c)	-	-	(1,250,000)	-	(1,250,000)	-	-	(1,250,000)	-
<b>Total other financing (uses) sources, net</b>	<b>(2,698,544)</b>	<b>1,321,619</b>	<b>(2,478,573)</b>	<b>-</b>	<b>(3,855,498)</b>	<b>-</b>	<b>-</b>	<b>(3,855,498)</b>	<b>8,323,823</b>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses before the cumulative effect of a change in accounting principle	(5,391,297)	(245,602)	(3,412,687)	286,172	(8,763,414)	664,739	8,375,869	277,194	15,148,218
Add: cumulative effect of a change in accounting principle	-	-	-	-	-	-	-	-	3,645,125
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(5,391,297)	(245,602)	(3,412,687)	286,172	(8,763,414)	664,739	8,375,869	277,194	18,793,343
Fund balances at beginning of year	57,838,612	14,981,118	7,204,878	2,743,451	82,768,059	3,505,109	27,905,231	114,178,399	95,433,166
Prior period adjustment (note 12)	-	-	-	-	-	(98,086)	-	(98,086)	(48,110)
Contributed capital at beginning of year	-	-	-	-	-	10,914,357	57,448	10,971,805	11,668,727
Current year additions/deletion	-	-	-	-	-	(393,261)	(7,106)	(400,367)	(696,922)
Contributed capital at end of year	-	-	-	-	-	10,521,096	50,342	10,571,438	10,971,805
<b>Fund balances at end of year</b>	<b>\$ 52,447,315</b>	<b>\$ 14,735,516</b>	<b>\$ 3,792,191</b>	<b>\$ 3,029,623</b>	<b>\$ 74,004,645</b>	<b>\$ 14,592,858</b>	<b>\$ 36,331,442</b>	<b>\$ 124,928,945</b>	<b>\$ 125,150,204</b>

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, 1998

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Compact	\$ 5,213,808	\$ 5,353,776	\$ 139,968
Local taxes	7,800,000	10,204,678	2,404,678
Fishing rights fees	19,000,000	13,471,197	(5,528,803)
Postal revenues	500,000	555,883	55,883
Investment earnings	1,500,000	1,131,920	(368,080)
Business fees, fines, penalties, and interest on delinquent taxes	350,000	314,546	(35,454)
Other	500,000	3,085,848	2,585,848
	<u>34,863,808</u>	<u>34,117,848</u>	<u>(745,960)</u>
<b>Expenditures:</b>			
Executive branch	12,229,147	11,544,011	685,136
Judicial branch	937,599	906,801	30,798
Legislative branch	2,918,076	2,704,330	213,746
Office of the Public Auditor	521,800	416,638	105,162
Other National Government programs	4,896,026	5,785,032	(889,006)
Boards and commissions	1,014,855	1,011,499	3,356
Other legislative appropriations	27,347,998	13,339,775	14,008,223
	<u>49,865,501</u>	<u>35,708,086</u>	<u>14,157,415</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(15,001,693)</u>	<u>(1,590,238)</u>	<u>13,411,455</u>
<b>Other financing sources (uses):</b>			
Operating transfers in (out), net	(2,159,605)	(2,646,039)	(486,434)
	<u>(2,159,605)</u>	<u>(2,646,039)</u>	<u>(486,434)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(17,161,298)</u>	<u>(4,236,277)</u>	<u>12,925,021</u>
Unreserved fund balance at beginning of year	17,236,144	17,236,144	-
<b>Other changes in unreserved fund balance:</b>			
Net encumbrances adjustment	-	(2,254,656)	(2,254,656)
Decrease in reserve for related assets	-	1,043,603	1,043,603
Decrease in reserve for continuing appropriations	-	5,114,629	5,114,629
Increase in loan	-	(3,659,112)	(3,659,112)
	<u>-</u>	<u>(3,659,112)</u>	<u>(3,659,112)</u>
Unreserved fund balance at end of year	<u>\$ 74,846</u>	<u>\$ 13,244,331</u>	<u>\$ 13,169,485</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 Units  
Year Ended September 30, 1998  
(With comparative totals for the year ended September 30, 1997)

	Proprietary Fund Type	Totals Primary Government (Memorandum Only)	Component Units	Totals Reporting Entity (Memorandum Only)	
	Internal Service		Proprietary	1998	1997
<b>Operating revenues:</b>					
Charges for goods and services	\$ 31,025	\$ 31,025	\$ 10,654,406	\$ 10,685,431	\$ 10,730,046
Other	-	-	217,695	217,695	194,936
<b>Total operating revenues</b>	<b>31,025</b>	<b>31,025</b>	<b>10,872,101</b>	<b>10,903,126</b>	<b>10,924,982</b>
<b>Operating expenses:</b>					
Personnel services	-	-	3,109,833	3,109,833	2,965,847
Circuit lease	-	-	570,224	570,224	791,356
Bad debts	-	-	5,917,365	5,917,365	1,717,217
Utilities	-	-	410,258	410,258	446,260
Rent	-	-	121,579	121,579	118,195
Communications	-	-	311,638	311,638	313,972
Repairs and maintenance	-	-	352,953	352,953	235,002
Travel	-	-	246,792	246,792	201,492
Supplies and materials	27,646	27,646	109,975	137,621	136,670
Contractual services	-	-	220,353	220,353	241,251
Training	-	-	45,312	45,312	41,102
Depreciation	-	-	2,423,777	2,423,777	2,414,262
Cost of sales	-	-	194,926	194,926	39,966
Other	-	-	840,303	840,303	597,038
<b>Total operating expenses</b>	<b>27,646</b>	<b>27,646</b>	<b>14,875,288</b>	<b>14,902,934</b>	<b>10,259,630</b>
<b>Operating income (loss)</b>	<b>3,379</b>	<b>3,379</b>	<b>(4,003,187)</b>	<b>(3,999,808)</b>	<b>665,352</b>
<b>Nonoperating revenues (expenses):</b>					
Transfers in from General Fund and other sources	-	-	1,208,445	1,208,445	923,727
Interest income (expense), net	-	-	(1,241,564)	(1,241,564)	(1,052,637)
Other income	-	-	326,058	326,058	2,068
Investment income	-	-	364,851	364,851	937,794
Miscellaneous	-	-	-	-	424
<b>Total nonoperating revenues (expense), net</b>	<b>-</b>	<b>-</b>	<b>657,790</b>	<b>657,790</b>	<b>811,376</b>
<b>Net income (loss)</b>	<b>3,379</b>	<b>3,379</b>	<b>(3,345,397)</b>	<b>(3,342,018)</b>	<b>1,476,728</b>
Retained earnings at beginning of year	30,892	30,892	47,131,187	47,162,079	45,925,346
Deduct amounts related to assets held in trust funds	-	-	(11,657,689)	(11,657,689)	(239,995)
<b>Retained earnings at end of year</b>	<b>34,271</b>	<b>34,271</b>	<b>32,128,101</b>	<b>32,162,372</b>	<b>47,162,079</b>
Contributed capital at beginning of year	129,416	129,416	35,048,564	35,177,980	34,123,517
Current year additions	-	-	750,000	750,000	814,468
Reclassification from retained earnings	-	-	-	-	239,995
<b>Contributed capital at end of year</b>	<b>129,416</b>	<b>129,416</b>	<b>35,798,564</b>	<b>35,927,980</b>	<b>35,177,980</b>
<b>Total fund equity</b>	<b>\$ 163,687</b>	<b>\$ 163,687</b>	<b>\$ 67,926,665</b>	<b>\$ 68,090,352</b>	<b>\$ 82,340,059</b>

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 Units  
Year Ended September 30, 1998  
(With comparative totals for the year ended September 30, 1997)

	Proprietary Fund Type	Totals Primary Government	Component Units	Totals Reporting Entity	
	Internal Service	(Memorandum Only)	Proprietary	1998	1997
Increase (decrease) in cash and equivalents:					
Cash flows from operating activities:					
Operating income (loss)	\$ 3,379	\$ 3,379	\$ (4,003,187)	\$ (3,999,808)	\$ 665,352
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	-	-	2,423,777	2,423,777	2,414,261
Bad debts	-	-	5,917,365	5,917,365	900,000
Others	-	-	297,353	297,353	(360,857)
	<u>3,379</u>	<u>3,379</u>	<u>4,635,308</u>	<u>4,638,687</u>	<u>3,618,756</u>
Changes in assets and liabilities:					
Cash advance	-	-	4,360	4,360	(1,142)
Interest receivable	-	-	87,549	87,549	49,126
Accounts receivable trade	-	-	(218,367)	(218,367)	175,458
Accounts receivable other	-	-	(267,605)	(267,605)	-
Materials and supplies inventory	8,739	8,739	22,588	31,327	26,749
Inventory trade	-	-	(84,089)	(84,089)	(90,788)
Prepaid expenses	-	-	(458,473)	(458,473)	(297,621)
Deferred charges	-	-	-	-	50,236
Loans receivable	-	-	(3,018,607)	(3,018,607)	(4,062,289)
Accounts payable	-	-	261,758	261,758	40,685
Contract retentions payable	-	-	(91,809)	(91,809)	-
Due from other funds	-	-	1,041	1,041	(825)
Accrued payroll	-	-	4,979	4,979	(1,926)
Accrued leave payable	-	-	(124,965)	(124,965)	29,648
Deferred revenue	-	-	(8,429)	(8,429)	(7,890)
Accrued expenses, other	(12,118)	(12,118)	(123,393)	(135,511)	161,550
Interfund payables	-	-	(252,907)	(252,907)	(166,479)
	<u>(3,379)</u>	<u>(3,379)</u>	<u>(4,266,369)</u>	<u>(4,269,748)</u>	<u>(4,095,508)</u>
Net cash provided by (used for) operating activities	<u>-</u>	<u>-</u>	<u>368,939</u>	<u>368,939</u>	<u>(476,752)</u>
Cash flows for noncapital financing activities:					
CFSM appropriations received	-	-	1,208,445	1,208,445	988,195
Loan participations sold	-	-	(21,611)	(21,611)	(24,553)
Repayment of borrowed funds	-	-	(761,810)	(761,810)	(430,130)
Contributed capital received and other funding	-	-	750,000	750,000	750,000
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>	<u>1,175,024</u>	<u>1,175,024</u>	<u>1,283,512</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 Units  
Year Ended September 30, 1998  
(With comparative totals for the year ended September 30, 1997)

	Proprietary	Totals	Component Units <u>Proprietary</u>	Totals	
	Fund	Primary		Reporting Entity	
	Type	Government		(Memorandum Only)	
	<u>Internal</u>	(Memorandum		<u>1998</u>	<u>1997</u>
	<u>Service</u>	Only)			
Cash flows from capital and related financing activities:					
Note repayments	-	-	(512,589)	(512,589)	(572,165)
Acquisition of fixed assets	-	-	(2,160,683)	(2,160,683)	(648,379)
Disposals of fixed assets	-	-	1,934	1,934	44,033
Interest expense	-	-	(1,495,730)	(1,495,730)	(1,486,663)
Proceeds from other income-sale of fixed assets	-	-	33,911	33,911	424
Restricted cash	-	-	45,208	45,208	(1,005)
	<u>-</u>	<u>-</u>	<u>(4,087,949)</u>	<u>(4,087,949)</u>	<u>(2,663,755)</u>
Net cash used for capital and related financing activities	-	-	(4,087,949)	(4,087,949)	(2,663,755)
Cash flows from investing activities:					
Increase (decrease) in investment	-	-	1,162,305	1,162,305	(1,316,203)
Additions to time deposits	-	-	(1,200,000)	(1,200,000)	800,000
Interest income received	-	-	367,140	367,140	460,707
	<u>-</u>	<u>-</u>	<u>329,445</u>	<u>329,445</u>	<u>(55,496)</u>
Net cash provided by (used for) investing activities	-	-	329,445	329,445	(55,496)
Net decrease in cash and equivalents	-	-	(2,214,541)	(2,214,541)	(1,912,491)
Cash and equivalents at beginning of year	-	-	7,598,648	7,598,648	9,511,139
Cash and equivalents at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,384,107</u>	<u>\$ 5,384,107</u>	<u>\$ 7,598,648</u>

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, 1998  
(With comparative totals for the year ended September 30, 1997)

	<u>1998</u>	<u>1997</u>
Balance at beginning of year	\$ 33,917,800	\$ 28,002,653
Current year additions	1,376,782	6,229,209
Current year deletions	<u>(157,161)</u>	<u>(314,062)</u>
Balance at end of year	<u>\$ 35,137,421</u>	<u>\$ 33,917,800</u>

See accompanying notes to financial statements.



**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements  
September 30, 1998

(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 generally accepted accounting principles (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

The general purpose financial statements of the FSM National Government have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. Government Accounting Standards Board (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 generally accepted accounting principles, 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 which has a December 31 year end and the FSM Social Security Administration which has a March 31 year end.

Discretely Presented Component Units

Governmental Fund - FSM Social Security Administration

The FSM Social Security Administration 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. Due to a difference in the reporting period from the rest of the FSM National Government, financial statements for the FSM Social Security Administration are included as of March 31, 1998 and for the year then ended.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements  
September 30, 1998

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

Discretely Presented Component Units, Continued

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.

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) and Section 215(b) 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, 1998

(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.

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. The Corporation has not provided audited financial statements for the year ended September 30, 1998 and is therefore, not included in the accompanying presentation. The Corporation was, however, included in the 1997 presentation.

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, 1998

**(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, 1998

(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 and interest revenue. Fines and permit revenues are not susceptible to accrual because they are generally not measurable until received in cash.

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 1998, 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, 1998

(1) Summary of Significant Accounting Policies, Continued

D. Budgetary Process, Continued

Budgetary expenditures, which are on a basis other than generally accepted accounting principles, 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, 1998, the FSM National Government had rendered tax assessments of an unknown amount for delinquent taxes. If collected, one-half of these receivables will accrue as revenue to the FSM National Government; the other one-half 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.

Additionally, for the general fund general receivables, the amount stated on the accompanying combined balance sheet is net of an allowance for doubtful accounts of \$200,000 in 1998.

The General Fund includes \$7,259,112 in loans receivable from the National Fisheries Corporation (a Component Unit - Proprietary Fund) in the amount of \$3,600,000 and Chuuk State Government in the amount of \$3,659,112. 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, 1998, \$1,606,953 was the outstanding balance of loans, the sum total of which was fully reserved.

The Compact Capital Improvement Project Fund includes a loan receivable of \$1,500,000 from Caroline Fisheries Corporation. This outstanding loan balance has been fully reserved for in fund balance. (Also refer Note 5C).

F. Interfund Transactions

The National Government has two potential types of interfund transactions, as follows:

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements  
September 30, 1998

(1) Summary of Significant Accounting Policies, Continued

F. Interfund Transactions, Continued

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).

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.

The COM-FSM fixed assets are accounted for in the plant fund.

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; however, due to the inadequate inventory of assets acquired prior to fiscal year 1994, no depreciation had been calculated for these previously acquired assets. Since 1994, provision has been made for depreciation for the assets acquired and recorded prior to fiscal year 1994. The provision for depreciation for assets acquired in fiscal year 1994 and thereafter 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.

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.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements  
September 30, 1998

(1) Summary of Significant Accounting Policies, Continued

I. Actual Expenditures Contrasted With Budgetary Expenditures, Continued

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, 1998, are as follows:

World Bank Group securities	\$ 1,149,850
Imprest cash fund	147,431
Petty cash fund	4,061
Revolving Funds - FSM States	710,404
Other receivables	318,838
Equity investment - UMDA	<u>1,500,000</u>
Total	\$ <u>3,830,584</u>

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

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.

L. Investments

Effective October 1, 1996, the State elected to implement 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.



**NATIONAL GOVERNMENT  
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Notes to Financial Statements  
September 30, 1998

(1) Summary of Significant Accounting Policies, Continued

N. Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

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:

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements  
September 30, 1998

**(2) Cash and Equivalents and Investments, Continued**

**I. Compact Funds, Continued**

- 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**

Other invested funds include fishing rights fees and health insurance proceeds.

As of September 30, 1998, fishing rights fees of \$4,703,971, including reinvested earnings, are held with Pacific Century Trust.

The Health Insurance Fund, an Expendable Trust Fund, has cash deposits of \$186,327 with Pacific Century Trust and \$1,058,357 with Merrill Lynch is invested in U.S. Treasury Notes maturing on November 15, 2005.

**III. Investment Management**

The administration of the initial Compact Investment Development Fund 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. 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, 1998, the details of the FSM National Government's Governmental and Fiduciary fund type cash and equivalents and investments are as follows:

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements  
September 30, 1998

(2) Cash and Equivalents and Investments, Continued

III. Investment Management, Continued

<u>Cash and equivalents:</u>	<u>Market Value</u>
Compact Funds	\$ (670)
Others	<u>5,387,345</u>
	<u>\$ 5,386,675</u>
 <u>Investments</u>	
Compact Funds	\$ 30,644,881
Others	<u>4,996,823</u>
	<u>\$ 35,641,704</u>
 <u>Term Deposits</u>	
General Fund	\$ 4,261,912
Special Revenue Fund	757,354
Expendable Trust Fund	<u>886,700</u>
	<u>\$ 5,906,036</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, 1998, are categorized by risk as follows:

Amount insured or collateralized	\$ 300,000
Uninsured or uncollateralized	<u>5,698,978</u>
Total Deposits	<u>\$ 5,998,978</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, 1998.

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.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements  
September 30, 1998

(2) Cash and Equivalents and Investments, Continued

IV. FSM Development Bank (FSMDB), Continued

Investments as of December 31, 1998, 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.S. Government Obligations	\$ 8,994,306	\$ 6,475,000	\$ -
Time certificates of deposit with original maturities of greater than ninety days	1,365,694	-	200,000
Investment premiums and discounts	<u>(17,924)</u>	<u>7,937</u>	<u>-</u>
	<u>\$ 10,342,076</u>	<u>\$ 6,482,937</u>	<u>\$ 200,000</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.

V. Investment Categorization

Governmental Accounting Standards Board Statement (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.

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.

**NATIONAL GOVERNMENT  
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Notes to Financial Statements  
September 30, 1998

(2) Cash and Equivalents and Investments, Continued

VI. 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 (\$3,483,690 as of September 30, 1998).

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 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.

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, 1998, was \$2,279,000.
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, 1998, there existed several unapproved claims. The Attorney General of the FSM National Government represents that the ultimate resolution of these claims is undeterminable, but should not have a material impact on the accompanying general purpose financial statements.
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, \$530,836 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.

**NATIONAL GOVERNMENT  
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Notes to Financial Statements  
September 30, 1998

**(3) Commitments and Contingencies, Continued**

Additionally, \$82,080 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, 1998, interfund receivables and payables that resulted from various interfund transactions were as follows:

	<u>Due To Other Funds</u>	<u>Due From Other Funds</u>
General Fund	\$ 85,740,834	\$ 113,329,792
Special Revenue Funds:		
Federal grants direct	4,994,102	1,187,018
OTIA	737,282	-
Maritime Operations	-	425,632
Disaster Relief	-	129,345
Fisheries Revolving Fund	-	64,593
Asian Development Loan Fund	-	194,867
FSM Medical Revolving Fund	-	549
Passport Revolving Fund	-	40,045
Section 214 - Energy	1,635,893	-
Section 215 (a)(2) - Communication - Annual	1,618,276	-
Section 215 (b)(2) - Communication - One Time	294,442	-
Section 216 (a)(1) - Marine Surveillance - Annual	3,352,309	-
Section 216 (a)(2) - Health and Medical	1,541,680	-
Section 216 (a)(3) - Post Secondary Education	8,024,623	-
Section 216 (b) - Marine Surveillance - One Time	2,043,418	-
Section 221 (b) - Special Block	-	395,815
Special Development Fund	206	-
Capital Projects Funds:		
Compact	6,282,284	-
OTIA/TTPI	399,900	-
Expendable Trust Funds:		
Health insurance	74,754	-
Student loan fund	-	574,488
General Long Term Debt	-	340,000
Internal Service Fund	-	57,859
<b>Total</b>	<b>\$ <u>116,740,003</u></b>	<b>\$ <u>116,740,003</u></b>

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements  
September 30, 1998

(5) Loans Receivable

A. 1) General Fund- NFC

As of September 30, 1998, 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 as a related asset at September 30, 1998.

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 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 in fiscal year 1999, 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, 1998 was \$3,659,112.

The following summarizes the Chuuk State Recovery Loan expected repayment requirements:

<u>Year</u>	<u>Principal</u>
1999	\$ 2,043,719
2000	<u>1,615,393</u>
	<u>\$ 3,659,112</u>

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements  
September 30, 1998

(5) Loans Receivable, Continued

B. Loans Receivable - Special Revenue Funds

As set forth in note 6, the FSM National Government has borrowed and relent \$10,482,904 of Asian Development Bank (ADA) funds under the same terms and conditions imposed by ADB.

C. Compact Capital Projects Fund

As of September 30, 1998, an amount of \$1,500,000 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 has recorded a loss of \$1,250,000 on this transaction. The new note has an annual interest rate of 8%, is uncollateralized, and is due in monthly installments of \$67,841.

The following summarizes the Caroline Fisheries Corporation Loan future repayments:

<u>Year</u>	<u>Principal</u>
1999	\$ 720,116
2000	<u>779,884</u>
	<u>\$ 1,500,000</u>

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, 1998</u>	<u>Loan Balance</u>	<u>Allowance for D/A</u>	<u>Net Amount</u>
FSM Development Bank	\$ 17,383,894	\$ (5,829,952)	\$ 11,553,942
State Development Funds (Pohnpei and Yap)	720,868	-	720,868
IDF	<u>17,656,554</u>	<u>(12,007,886)</u>	<u>5,648,668</u>
	<u>18,377,422</u>	<u>(12,007,886)</u>	<u>6,369,536</u>
	<u>\$ 35,761,316</u>	<u>\$ (17,837,838)</u>	<u>\$ 17,923,478</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, 1998, the Bank has twenty-three loans of \$85,975 to employees and spouses of employees of the Bank. Certain of the above loans are made from IDF and State Development Funds which are classified in restricted assets (note 11).



**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements  
September 30, 1998

(6) Notes Payable

A. International Monetary Fund

During fiscal year 1993, the FSM National Government became members of both the International Monetary Fund and the World Bank Group. Membership required the FSM to issue demand notes totaling \$4,873,855. The demand notes are recorded in the General Long-Term Debt Account Group as management is of the opinion that such does not represent an expected use of current resources.

B. Early Retirement Loan

During fiscal year 1997, the FSM National Government borrowed \$10,000,000 from the Asian Development Bank to be used for 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, 2004. 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, 1998, \$2,500,000 and \$2,000,000, \$3,000,000 and \$1,000,000 had been lent to Pohnpei State, Yap State, Chuuk State and Kosrae State respectively, to fund early retirement programs, and \$1,500,000 allocated to the FSM National Government for its early retirement program. These notes receivable are included in the Special Revenue Funds. The States are to repay the FSM National Government 30% of the outstanding loans in 1999 and 2000 and the remaining 40% in 2001.

C. Fisheries & Water Project Loans

As of fiscal year 1998, the FSM National Government has borrowed \$3,167,299 from the Asian Development Bank on behalf of Micronesian Longline Fishing Company, Chuuk Public Utilities Corporation, and FSM Department of Economic Affairs for fisheries 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.

D. Component Unit - Proprietary Funds

1. FSM Telecommunications Corporation

As of fiscal year 1998, FSM Telecommunications Corporation (FSMTC) (a component unit-proprietary fund) had drawn down a total of \$39,959,536 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:

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements  
September 30, 1998

(6) Notes Payable, Continued

D. Component Unit - Proprietary Funds, Continued

1. FSM Telecommunications Corporation

<u>Year</u>	<u>Principal</u>
1999	\$ 526,393
2000	552,713
2001	580,349
2002	609,366
2003	639,834
Thereafter	<u>26,729,879</u>
	29,638,534

2. FSM Development Bank

Certain loans have been sold to the Pacific Islands Development Bank. The Bank has guaranteed repayment of these loans.

130,952  
\$ 29,769,486

(7) Continuing Appropriations

General Fund

At September 30, 1998, the General Fund reflected the following as continuing appropriations:

Chuuk State Projects	\$ 4,506,120
Pohnpei State Projects	4,377,932
Yap State Projects	5,133,117
Kosrae State Projects	2,577,843
National Public Projects	504,541
Attorney General	57,444
Boards and Commissions	1,805,661
Unallotted appropriations	1,189,911
External Affairs	<u>426,418</u>
Total	\$ <u>20,578,987</u>

Capital Project Funds

Continuing appropriations for the Capital Projects Funds as of September 30, 1998, are as follows:

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements  
September 30, 1998

(7) Continuing Appropriations, Continued

Capital Projects Funds

Public Law No. 5-13	\$ 16,092
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	76,174
9-030	71,609
9-096	245,374
9-125	41,439
10-026	<u>450,000</u>
Sub-Total	<u>1,568,349</u>

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 \$ 1,636,296

Special Revenue Funds

Continuing appropriations for Special Revenue Funds as of September 30, 1998, are as follows:

Scholarship Grants:

Pohnpei	\$ 266,449
Chuuk	22,108
Kosrae	203,820
Yap	48,320
Kosrae State	244
Graduate Scholarship	103,400
College of Micronesia	400,000
College of Micronesia Assistance	<u>4,758</u>
Total	<u>1,049,099</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>

**NATIONAL GOVERNMENT  
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Notes to Financial Statements  
September 30, 1998

(7) Continuing Appropriation, Continued

Special Revenue Funds, Continued

Energy

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

173,312

Special Block Grant

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

18,575

Total Compact Special Revenue Funds	<u>1,387,867</u>
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Disaster Revolving Fund	<u>69,198</u>
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Asian Development Bank Loan Fund	<u>976,004</u>
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Total Special Revenue Funds	<u>\$ 2,433,069</u>
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(8) Transfers Out/In

Net transfers for the year ended September 30, 1998, consist of the following:

General Fund transfers out:

Coconut Development Authority	\$ (131,305)
Maritime Operations Revolving Fund	(554,384)
National Fisheries Corporation	(301,500)
COM-FSM	(1,840,763)
Passport Revolving Fund	<u>129,408</u>

Net General Fund transfers out	<u>\$ (2,698,544)</u>
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Special Revenue Funds transfers out:

Passport Revolving Fund	\$ (129,408)
One-Time & Annual Communications transfer out to FSM	
Telecommunications Fund	(882,000)
Maritime Operations Revolving Fund	<u>554,384</u>

Net Special Revenue Funds transfers out	<u>\$ (457,024)</u>
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Capital Improvement Project Fund transfer out:

FSM Development Bank	<u>\$ (1,500,000)</u>
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(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).

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements  
September 30, 1998

(9) FSM Social Security Administration, Continued

A. Basis of Accounting

For the year ended March 31, 1998, 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.

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

As of March 31, 1998, 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	\$ 1,078,420
All other cash on deposit with FDIC insured banks	<u>3,645,695</u>
Total cash and equivalents	\$ <u>4,724,115</u>

Investments

	<u>Market</u>
Common stock	\$ 17,927,759
U.S. government obligations	10,603,385
Government agencies	18,132
Corporate bonds	<u>3,077,850</u>
Total investments	\$ <u>31,627,126</u>

The FSM Social Security Administration's demand and time deposits are non-categorized investments in accordance with Governmental Accounting Standard Board (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.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements  
September 30, 1998

(9) FSM Social Security Administration, Continued

B. Investments, Continued

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 fiscal year ended March 31, 1998, net investment in fixed assets of \$50,342 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.

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

A. Financial Overview

Key financial data for material component units - proprietary funds, as of and for the year ended September 30, 1998, is as follows:

	FSM Telecommunications <u>Corporation</u>	FSM Development <u>Bank</u>	FSM Coconut Development <u>Authority</u>
Total assets	\$ <u>56,001,355</u>	\$ <u>43,372,556</u>	\$ <u>639,098</u>
Total equity	\$ <u>25,609,193</u>	\$ <u>41,724,487</u>	\$ <u>592,985</u>

Key financial data for material component units - proprietary funds, as of and for the year ended September 30, 1998, is as follows:

	FSM Telecommunications <u>Corporation</u>	FSM Development <u>Bank</u>	FSM Coconut Development <u>Authority</u>
Net income (loss)	\$ <u>1,161,973</u>	\$ <u>(16,102,431)</u>	\$ <u>(62,628)</u>
Operating subsidy	\$ <u>882,000</u>	\$ <u>750,000</u>	\$ <u>326,445</u>
Contributed capital	\$ <u>7,173,118</u>	\$ <u>27,978,830</u>	\$ <u>646,616</u>

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements  
September 30, 1998

(10) Component Units, Continued

A. Financial Overview, Continued

Receivables, net	\$ <u>994,239</u>	\$ <u>44,095</u>	\$ <u>34,266</u>
Allowance for doubtful accounts	\$ <u>2,566,008</u>	\$ <u>5,829,952</u>	\$ <u>175,078</u>
Operating revenues	\$ <u>8,839,265</u>	\$ <u>2,534,333</u>	\$ <u>140,391</u>
Notes payable	\$ <u>29,635,534</u>	\$ <u>130,952</u>	\$ <u>-</u>
Depreciation and amortization	\$ <u>2,371,806</u>	\$ <u>38,878</u>	\$ <u>13,093</u>
Operating income (loss)	\$ <u>1,127,981</u>	\$ <u>(16,102,887)</u>	\$ <u>(394,279)</u>

B. 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, 1998, are as follows:

	FSM Telecom- munications <u>Corporation</u>	FSM Development <u>Bank</u>	FSM Coconut Development <u>Authority</u>	<u>Total</u>
Estimated useful lives	5-35 years	3 years	5-20 years	
Building and leasehold improvement	\$ -	\$ -	\$ 166,950	\$ 166,950
Furniture and fixtures	-	157,500	46,355	203,855
Vehicles	-	161,875	18,973	180,848
Equipment and machinery	-	186,093	3,489	189,582
General support assets	11,255,946	-	-	11,255,946
Central office assets	8,338,175	-	-	8,338,175
Earth station	4,580,836	-	-	4,580,836
Terminal equipment	3,107,065	-	-	3,107,065
Cable, pole & wiring facilities	28,230,217	-	-	28,230,217
Less accumulated depreciation	(15,045,700)	(425,518)	(102,509)	(15,573,727)
Construction in progress	<u>1,144,901</u>	<u>-</u>	<u>60,168</u>	<u>1,205,069</u>
	\$ <u>41,611,440</u>	\$ <u>79,950</u>	\$ <u>193,426</u>	\$ <u>41,884,816</u>

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements  
September 30, 1998

(10) Component Units, Continued

C. Fixed Assets - Higher Education Fund

Fixed assets of the Higher Education Fund are comprised of the following:

Land	\$ 1,245,685
Buildings and improvements	8,890,037
Furniture and equipment	3,040,638
Library	582,340
Less accumulated depreciation	<u>(3,237,604)</u>
	\$ <u>10,521,096</u>

(11) Restricted Assets

Component Units - Proprietary Funds - Restricted assets at September 30, 1998, 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 \$6,475,000 of U.S. Government obligations and loans receivable of \$6,369,536.

Component Units – Higher Education – The \$2,298,401 of restricted assets are related to the current restricted fund. These restricted assets include, among others, receivable of \$1,468,886 from U.S Government.

(12) Prior Period Adjustments

The Higher Education Fund recorded prior period adjustments to correct for an error made in recording accruals of the current funds as of September 30, 1997.



**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Supplementary Year 2000 Issue Information  
September 30, 1998

Like other organizations and individuals around the world, the FSM National Government could be adversely affected if the computer systems it uses and those used by significant third parties (e.g. vendors, customers, third party administrators, etc.) do not properly process and calculate date-related information and data. This is commonly known as the "Year 2000 (Y2K) issue." Management is assessing its computer systems and business processes and intends to initiate actions to address the Y2K needs identified. Management is also assessing the actions being taken by significant third parties that interface with the FSM National Government. As a result of these assessments, the FSM National Government decided to upgrade its accounting software system to a Y2K compliant version. Management is of the opinion that the upgrade has been accomplished successfully and its accounting system is now Y2K compliant.

See Accompanying Independent Auditors' Report.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Combined Schedule of Expenditures by Account -  
All Governmental Fund Types and Expendable Trust Funds  
Year Ended September 30, 1998  
(With comparative totals for the year ended September 30, 1997)

	Governmental Fund Types			Fiduciary	Totals	
	General	Special	Capital	Expensible	(Memorandum Only)	
		Revenue	Projects	Trust	1998	1997
Expenditures:						
Personnel	\$ 9,547,758	\$ 2,969,613	\$ 12,746	\$ -	\$ 12,530,117	\$ 13,486,850
Travel	2,796,549	1,388,304	77,466	-	4,262,319	4,315,758
Capital asset purchases	2,648,875	328,724	348,492	-	3,326,091	4,724,542
Contractual services, contributions and subsidies	6,950,122	1,697,232	-	-	8,647,354	7,424,324
Communications	721,086	114,660	479	-	836,225	895,284
Supplies and materials	4,869,495	884,170	158,039	-	5,911,704	4,871,219
Office/house rent/lease	1,774,277	102,442	-	-	1,876,719	1,717,506
Construction in progress	2,988,148	-	2,529,997	-	5,518,145	1,014,732
Scholarships	165,719	1,040,045	-	-	1,205,764	2,283,391
Other	4,348,572	2,566,162	103,119	2,085,911	9,103,764	9,894,609
Total expenditures	\$ <u>36,810,601</u>	\$ <u>11,091,352</u>	\$ <u>3,230,338</u>	\$ <u>2,085,911</u>	\$ <u>53,218,202</u>	\$ <u>50,628,215</u>

See Accompanying Independent Auditors' Report.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

**GENERAL FUND  
Schedule of Revenues and Transfers In  
Year Ended September 30, 1998**

(With comparative totals for the year ended September 30, 1997)

	<u>1998</u>	<u>1997</u>
<b>Compact funding current:</b>		
Base amount	\$ 3,499,200	\$ 3,499,200
Inflation adjustment	1,854,576	1,749,600
	<u>5,353,776</u>	<u>5,248,800</u>
<b>Local taxes:</b>		
Import	3,244,563	2,081,850
Fuel	203,541	133,235
Income tax, individuals, net of tax refunds	3,925,242	2,588,409
Gross receipts tax, businesses	2,831,332	2,898,503
	<u>10,204,678</u>	<u>7,701,997</u>
<b>Fees, licenses, and other income:</b>		
Fishing rights fees	13,471,197	14,181,243
Fishing violation fines	-	190,942
Postal collections	555,883	618,678
Penalties and interest on delinquent taxes	237,065	468,303
Business license and firearms fees	77,481	73,529
Other income	3,085,848	338,465
	<u>17,427,474</u>	<u>15,871,160</u>
<b>Investment income:</b>		
Unrealized (losses) gains on equities	(5,413,980)	3,174,220
Realized gain on sale of equities	4,696,629	6,580,093
Realized losses on sale of equities	(59,722)	(1,321,550)
Dividend and interest income	1,908,993	1,874,410
	<u>1,131,920</u>	<u>10,307,173</u>
<b>Other sources:</b>		
Transfer in	129,408	31,684
<b>Total revenues and transfers in</b>	<u>\$ 34,247,256</u>	<u>\$ 39,160,814</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, 1998  
(With comparative totals for the year ended September 30, 1997)

	1998	1997
<b>Executive Branch:</b>		
President's Office	\$ 653,350	\$ 846,060
Department of External Affairs and LNO's	3,447,821	3,414,423
Department of Health Services	401,326	445,860
Department of Education	146,547	404,550
Department of Resources and Development	650,560	579,057
Department of Transportation	328,507	352,540
Department of Finance	1,651,361	1,815,508
Office of the Attorney General	1,921,603	1,684,142
Office of the Public Defender	462,643	542,856
Budget Office	144,937	255,042
Office of Planning and Statistics	507,466	609,369
Office of Administrative Services	952,437	1,059,770
	11,268,558	12,009,177
<b>Judicial Branch</b>	<b>917,273</b>	<b>952,269</b>
<b>Legislative Branch:</b>		
Office of the Speaker	628,296	686,248
Congress staff	1,024,391	1,305,615
Delegation offices	403,190	477,527
Leg. Conference/US Visit	859	644
Special Session/Others	3,188	102,198
Official representation and others	403,585	502,087
Members travel	178,880	174,241
Legislative committees	-	9,519
	2,642,389	3,258,079
<b>Office of the Public Auditor</b>	<b>425,408</b>	<b>402,896</b>
<b>Other National Government Programs:</b>		
President Medical Care Expenses	-	266,371
FY 1997 Youth & Sports	190	40,687
Yap Sports Facilities	91,112	-
FSM National Economic Summit	1,170	2,236
Aquaculture Center Program	95,361	78,443
South Pacific Forum	303,191	-
Governor, Yap PL 8-103	34,336	17,862
Yap Political Education	63,947	-
FSM De. Travel-Wash/Tokyo	-	36,855
Chuuk Gov/National Elect	-	93,896
State & National Scholarship	2,445	34,907
Pohnpei Rural Development	7,537	-
Kosrae/Pohnpei Rural Development	125,624	148,898
Chuuk Farmers Home Admin	25,888	45,680
Direct Telecom Link Finance	-	775
Festival of Arts	-	2,387
Transportation Costs/Ballot Boxes	-	13,819
Air Continental scholarship	35,000	20,000
Kosrae Rural Development	46,536	14,797
Yap Rural Development	41,027	27,814
COM-FSM Palikir Construction	-	975
Pohnpei Tourism	-	1,229
ICAO membership Fee	-	26,913
T-3 program	247,907	264,235
Service Consultant/US Govt	4,690	39,988
FSM Membership/IMF	-	14
Pohnpei State Elec. Comm.	-	69,110
	1,125,961	1,247,890
<b>Subtotal - Other National Government Programs</b>	<b>1,125,961</b>	<b>1,247,890</b>

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, 1998

(With comparative totals for the year ended September 30, 1997)

	1998	1997
<b>Other National Government Programs, Continued:</b>		
FY98 Energy	35,850	-
Secretary R & D	-	211
March 4, 1997 Congress Election	-	13,363
UNDP Micro Cost Sharing	194,000	180,000
Aids to non-public schools	400,000	400,000
Fisheries Development Project	7,953	747,797
Cons/Revnov. CECenter/State	152,429	498,086
FSM Olympic Games	-	12,656
World Health Organization	41,385	47,500
Olympic Swimming Pool	-	172,320
Parking/Roadway Pav/PCOM	109,535	172,112
Financial Assistance/COM Students	-	30,563
Joint Committee Compact Economic Contributions	222,951	3,393
FSM ADB Water Supply	1,826,657	974,810
Staff Upgrade Program	429,607	306,761
Kosrae Olympic Grand Stand	1,299	6,236
Gymnasium Extension Proj	-	88,529
FSM Census	54,657	48,207
Truk National Election Comm.	7,217	66,873
Yap National Election	-	11,267
National Corrdinator FSM/TRV	4,210	54,514
Contribution FSM Amateur Sports	-	9,991
Joint law enforcement	-	3,120
State Judiciary	409,920	422,259
Disaster Relief	322,322	276,274
	13,477	-
Total Other National Government Programs	5,359,430	5,794,733
<b>Boards and Commissions:</b>		
Micronesian Maritime Authority	324,872	350,769
FSM Postmaster Postal Services	558,163	646,248
College of Micronesia Board of Regents	25,000	26,142
National Board of Nursing	5,364	11,943
	913,399	1,035,102
<b>Other Legislative Appropriations:</b>		
State projects:		
Chuuk	5,676,065	6,064,077
Pohnpei	5,188,076	5,394,294
Yap	3,226,012	1,814,850
Kosrae	480,849	1,937,074
National Government	713,142	487,755
	15,284,144	15,698,050
Total Other Legislative Appropriations	15,284,144	15,698,050
Total General Fund expenditures before operating transfers	\$ 36,810,601	\$ 39,150,305

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, 1998**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Compact	\$ 5,213,808	\$ 5,353,776	\$ 139,968
Local taxes	7,800,000	10,204,678	2,404,678
Fishing right fees	19,000,000	13,471,197	(5,528,803)
Postal revenues	500,000	555,883	55,883
Investment earnings	1,500,000	1,131,920	(368,080)
Business fees, fines, penalties and interest on delinquent taxes	350,000	314,546	(35,454)
Other	500,000	3,085,848	2,585,848
Total revenues	34,863,808	34,117,848	(745,960)
<b>Expenditures-budgetary basis by department:</b>			
<b>Executive Branch:</b>			
Office of the President	539,388	526,815	12,573
Disaster Office	21,000	19,096	1,904
Public Information	90,402	83,449	6,953
Total	650,790	629,360	21,430
<b>Department of External Affairs:</b>			
Administration	272,009	266,570	5,439
International affairs	426,418	89,756	336,662
U.S. Relations	109,100	108,399	701
FSM Consulate - Guam	276,093	265,106	10,987
FSM Consulate - Honolulu	337,244	305,906	31,338
FSM Embassy - Tokyo	823,533	822,316	1,217
FSM Embassy - Washington D.C.	735,785	727,769	8,016
FSM Embassy - Fiji	259,034	228,284	30,750
FSM Permanent Mission - New York	501,166	542,258	(41,092)
UN Mission - New York Building American and European Affairs	- 69,500	89,756 56,964	(89,756) 12,536
Total	3,809,882	3,503,084	306,798
<b>Department of Health:</b>			
Administration	117,500	112,447	5,053
Medical Care Services	29,200	22,850	6,350
Preventive Health	66,658	60,838	5,820
Environmental/Community Service	221,027	207,555	13,472
Total	434,385	403,690	30,695
<b>Department of Education:</b>			
Administration	153,385	146,722	6,663
Total	153,385	146,722	6,663
<b>Department of Resources and Development:</b>			
Administration	225,647	247,192	(21,545)
Commerce and Industry	229,756	240,028	(10,272)
Agriculture	166,001	68,564	97,437
Marine Resources	93,700	90,590	3,110
Labor	102,000	108,444	(6,444)
Total	817,104	754,818	62,286

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, 1998

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Department of Transportation:</b>			
Administration	89,597	80,464	9,133
Marine	116,703	116,600	103
Aviation	112,025	93,498	18,527
Communication	61,580	58,437	3,143
Total	<u>379,905</u>	<u>348,999</u>	<u>30,906</u>
<b>Department of Finance:</b>			
Administration	256,938	259,373	(2,435)
ADP	104,189	89,121	15,068
Investment Management	88,020	67,642	20,378
Accounting	356,020	372,908	(16,888)
Revenue	420,084	431,606	(11,522)
Customs	363,450	368,245	(4,795)
Property and Supply	47,155	42,077	5,078
FSM Banking Board	89,010	73,965	15,045
Total	<u>1,724,866</u>	<u>1,704,937</u>	<u>19,929</u>
<b>Office of the Attorney General:</b>			
Administration - Attorney General	111,990	104,974	7,016
Law	187,075	174,505	12,570
Litigation	141,900	141,209	691
Immigration	387,649	406,346	(18,697)
AG-National Police	960,219	859,524	100,695
PHLR FSS Palikir/Slip FSS	125,000	176,133	(51,133)
Immigration & Labor Overtime Compensation	54,000	54,221	(221)
Total	<u>1,967,833</u>	<u>1,916,912</u>	<u>50,921</u>
Office of the Public Defender	<u>511,403</u>	<u>463,263</u>	<u>48,140</u>
<b>Office of Budget:</b>			
Administration	74,575	56,869	17,706
Budget preparation	59,231	57,332	1,899
Management	17,635	12,584	5,051
Grant management	42,800	21,054	21,746
Total	<u>194,241</u>	<u>147,839</u>	<u>46,402</u>
<b>Office of Planning and Statistics:</b>			
Administration	34,400	34,383	17
Statistics	143,200	136,664	6,536
Planning	59,900	37,078	22,822
Construction review	142,574	138,972	3,602
Maintenance	170,847	161,912	8,935
Total	<u>550,921</u>	<u>509,009</u>	<u>41,912</u>
<b>Office of Administrative Services:</b>			
Administration	68,075	64,240	3,835
Personnel	64,768	59,182	5,586
Archives and Historic Preservation	76,960	76,161	799
Training	44,712	42,695	2,017
OAS Maintenance	-	(7,823)	7,823
Recruitment/repatriation	186,000	191,852	(5,852)
Housing allowance	593,917	589,071	4,846
Total	<u>1,034,432</u>	<u>1,015,378</u>	<u>19,054</u>
Total Executive Branch	<u>12,229,147</u>	<u>11,544,011</u>	<u>685,136</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, Continued  
Year Ended September 30, 1998

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Judicial Branch	937,599	906,801	30,798
Legislative Branch:			
Office of the Speaker	688,700	658,973	29,727
Congress staff	1,183,016	1,030,276	152,740
Delegation offices	400,100	406,749	(6,649)
Members official representation	409,000	345,366	63,634
Members' travel fund	207,500	164,269	43,231
Legislature committees	6,000	4,439	1,561
Other expenditures	23,760	94,258	(70,498)
Total Legislative Branch	<u>2,918,076</u>	<u>2,704,330</u>	<u>213,746</u>
Office of the Public Auditor	<u>521,800</u>	<u>416,638</u>	<u>105,162</u>
Other National Government Programs:			
Serv Consult/US Government	-	4,525	(4,525)
FY97 Youth & Sports	-	190	(190)
Aquaculture Center Program	121,300	107,392	13,908
Pohnpei Rural Development	-	9,329	(9,329)
Yap Sports Facilities	-	91,112	(91,112)
FSM National Olympic Committee	-	(318)	318
Governor, Yap PL 8-103	-	34,336	(34,336)
NTLESAL/South Pacific Forum	416,996	313,073	103,923
Transp. Bal/Chuuk Disaster	50,000	-	50,000
FY98 Energy	35,850	35,850	-
Pohnpei Rural Development	148,486	134,424	14,062
Chuuk Farmers Home	98,000	135,834	(37,834)
Air Continental Scholarship	35,000	35,000	-
Kosrae Rural Development	35,000	49,581	(14,581)
Yap Rural Development	35,000	41,362	(6,362)
Pohnpei State Tourism Program	(1,240)	-	(1,240)
ICAO membership fee	28,050	-	28,050
T-3 Program	289,800	261,501	28,299
Yap Concon/Disaster Relief	20,000	15,364	4,636
UNDP Micro Cost Sharing	194,000	194,000	-
Aids to Non-Public School Program	400,000	400,000	-
Fisheries Development Project	-	10,803	(10,803)
World Health Organization	41,385	41,385	-
Joint Commission Compact Negotiation	185,000	173,397	11,603
Joint Commission Compact Econo	65,000	272,827	(207,827)
Cons/Renov. Center/State	-	126,014	(126,014)
Parking/Roadway	-	71,178	(71,178)
FSM Contributions	1,938,699	2,094,475	(155,776)
FSM ADB Water Supply/Sanitation	-	209,598	(209,598)
Staff Upgrade Program/IMF Membership	-	1,299	(1,299)
National Board of Nursing	-	5,364	(5,364)
Gymnasium Extension Project	-	54,657	(54,657)
Joint law enforcement	460,000	509,377	(49,377)
State judiciary	299,700	347,893	(48,193)
Yap National Election Commission	-	4,210	(4,210)
Total Other National Government Programs	<u>4,896,026</u>	<u>5,785,032</u>	<u>(889,006)</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, Continued  
Year Ended September 30, 1998**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Board and Commissions:</b>			
Micronesian Maritime Authority	343,574	341,197	2,377
COM Treaty/Board of Regents	92,709	94,258	(1,549)
Postal services	578,572	576,044	2,528
<b>Total Boards and Commissions</b>	<b>1,014,855</b>	<b>1,011,499</b>	<b>3,356</b>
<b>Other Legislative Appropriations:</b>			
Public projects - Kosrae	2,401,817	899,542	1,502,275
Public projects - Pohnpei	8,332,699	3,954,767	4,377,932
Public projects - Chuuk	9,903,776	5,397,656	4,506,120
Public projects - Yap	6,207,538	3,090,183	3,117,355
Public projects - National Government	502,168	(2,373)	504,541
<b>Total Other Legislative Appropriations</b>	<b>27,347,998</b>	<b>13,339,775</b>	<b>14,008,223</b>
<b>Total expenditures</b>	<b>49,865,501</b>	<b>35,708,086</b>	<b>14,157,415</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(15,001,693)</b>	<b>(1,590,238)</b>	<b>13,411,455</b>
<b>Other financing sources (uses):</b>			
Passport Revolving Fund	40,000	129,408	89,408
Coconut Development Authority	(126,600)	(148,058)	(21,458)
COM-FSM	(1,771,505)	(1,771,505)	-
FSM National Fisheries	(301,500)	(301,500)	-
Maritime Revolving Fund	-	(554,384)	(554,384)
<b>Total other financing sources (uses), net</b>	<b>(2,159,605)</b>	<b>(2,646,039)</b>	<b>(486,434)</b>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>(17,161,298)</b>	<b>(4,236,277)</b>	<b>12,925,021</b>
<b>Unreserved fund balance at beginning of year</b>	<b>17,236,144</b>	<b>17,236,144</b>	<b>-</b>
<b>Other changes in unreserved fund balance:</b>			
Net encumbrances adjustment	-	(2,254,656)	(2,254,656)
Decrease in reserve for related assets	-	1,043,603	1,043,603
Decrease in reserve for continuing appropriations	-	5,114,629	5,114,629
Increase in loan	-	(3,659,112)	(3,659,112)
<b>Unreserved fund balance at end of year</b>	<b>\$ 74,846</b>	<b>\$ 13,244,331</b>	<b>\$ 13,169,485</b>

See Accompanying Independent Auditors' Report.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Special Revenue Funds  
September 30, 1998

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, 1998 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 OTIA 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.

See Accompanying Independent Auditors' Report.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Special Revenue Funds, Continued  
September 30, 1998

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, 1998

(With comparative totals as of September 30, 1997)

<u>Assets</u>	<u>Non-Compact</u>	<u>Compact</u>	<u>Totals</u>	
			<u>1998</u>	<u>1997</u>
Cash and equivalents	\$ -	\$ 732,292	\$ 732,292	\$ 5,526,083
Cash - restricted	757,354	-	757,354	-
Investments	-	20,326,107	20,326,107	21,682,054
Receivables from:				
U.S. Department of the Interior (DOI)	806,845	-	806,845	1,067,957
Federal agencies, direct	-	-	-	3,547,401
General receivables	6,064,399	-	6,064,399	185,781
Advances	108,834	29,511	138,345	27,273
Loans receivable, net	10,482,904	-	10,482,904	5,354,261
Due from other funds	2,042,049	395,815	2,437,864	4,938,438
Interest receivable	-	126,743	126,743	109,086
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	\$ 20,262,385	\$ 21,610,468	\$ 41,872,853	\$ 42,438,334
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
 <u>Liabilities and Fund Balances</u>  				
Liabilities:				
Accounts payable	\$ 211,997	\$ 494,792	\$ 706,789	\$ 826,909
Accrued payroll and others	1,652	-	1,652	8,990
Due to other funds	5,731,384	18,510,847	24,242,231	22,020,987
Due to FSM State governments	1,074,389	-	1,074,389	2,787,755
Deferred revenues	-	-	-	894,985
Advances from DOI/TTPI/Other	1,112,276	-	1,112,276	917,590
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	8,131,698	19,005,639	27,137,337	27,457,216
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Fund balances:				
Reserved for loans	10,482,904	-	10,482,904	-
Reserved for encumbrances	1,824,339	634,823	2,459,162	2,385,103
Reserved for continuing appropriations	1,045,202	1,387,867	2,433,069	3,003,665
Unreserved (deficit)	(1,221,758)	582,139	(639,619)	9,592,350
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	12,130,687	2,604,829	14,735,516	14,981,118
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Total liabilities and fund balances	\$ 20,262,385	\$ 21,610,468	\$ 41,872,853	\$ 42,438,334
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See Accompanying Independent Auditors' Report.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

**SPECIAL REVENUE FUNDS**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended September 30, 1998

(With comparative totals for the year ended September 30, 1997)

	Non-Compact	Compact	Totals	
			1998	1997
<b>Revenues:</b>				
U.S. Department of the Interior grants	\$ 869,209	\$ -	\$ 869,209	\$ 936,765
Federal contributions	4,317,386	-	4,317,386	3,103,417
Compact grants:				
Base amount	-	4,072,833	4,072,833	4,049,830
Other contributions	-	-	-	364,691
Sales of goods and services	264,703	-	264,703	239,734
	<u>5,451,298</u>	<u>4,072,833</u>	<u>9,524,131</u>	<u>8,694,437</u>
<b>Expenditures:</b>				
Executive branch	7,772,952	3,318,400	11,091,352	8,781,705
	<u>7,772,952</u>	<u>3,318,400</u>	<u>11,091,352</u>	<u>8,781,705</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,321,654)</u>	<u>754,433</u>	<u>(1,567,221)</u>	<u>(87,268)</u>
<b>Other financing sources (uses):</b>				
Operating and other transfers, net	424,976	(882,000)	(457,024)	(227,492)
Proceeds from loan	1,778,643	-	1,778,643	10,514,261
	<u>2,203,619</u>	<u>(882,000)</u>	<u>1,321,619</u>	<u>10,286,769</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(118,035)</u>	<u>(127,567)</u>	<u>(245,602)</u>	<u>10,199,501</u>
Fund balances at beginning of year	12,248,722	2,732,396	14,981,118	4,781,617
Fund balances at end of year	<u>\$ 12,130,687</u>	<u>\$ 2,604,829</u>	<u>\$ 14,735,516</u>	<u>\$ 14,981,118</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 Balances

Year Ended September 30, 1998

(With comparative totals for the year ended September 30, 1997)

	<u>Non-Compact</u>	<u>Compact</u>	<u>Totals</u>	
			<u>1998</u>	<u>1997</u>
<b>Revenues:</b>				
U.S. Department of the Interior grants	\$ 869,209	\$ -	\$ 869,209	\$ 936,765
Federal contributions	4,317,386	-	4,317,386	3,103,417
Compact grants:				
Base amount	-	4,072,833	4,072,833	4,049,830
Other contributions	-	-	-	364,691
Sales of goods and services	264,703	-	264,703	239,734
<b>Total revenues</b>	<u>5,451,298</u>	<u>4,072,833</u>	<u>9,524,131</u>	<u>8,694,437</u>
<b>Expenditures:</b>				
Personnel	1,910,710	1,058,903	2,969,613	1,978,525
Travel	1,115,874	272,430	1,388,304	1,119,997
Capital asset purchases	243,653	85,071	328,724	384,110
Contractual services, contributions and subsidies	1,623,371	73,861	1,697,232	1,343,808
Communications	75,022	39,638	114,660	163,104
Supplies and materials	779,945	104,225	884,170	590,798
Office/house rent/lease	-	102,442	102,442	6,000
Scholarships	-	1,040,045	1,040,045	1,992,091
Other	2,024,377	541,785	2,566,162	1,203,272
<b>Total expenditures</b>	<u>7,772,952</u>	<u>3,318,400</u>	<u>11,091,352</u>	<u>8,781,705</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(2,321,654)</u>	<u>754,433</u>	<u>(1,567,221)</u>	<u>(87,268)</u>
<b>Other financing sources (uses):</b>				
Operating and other transfers, net	424,976	(882,000)	(457,024)	(227,492)
Proceeds from loan	1,778,643	-	1,778,643	10,514,261
<b>Total other financing sources (uses), net</b>	<u>2,203,619</u>	<u>(882,000)</u>	<u>1,321,619</u>	<u>10,286,769</u>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	<u>(118,035)</u>	<u>(127,567)</u>	<u>(245,602)</u>	<u>10,199,501</u>
<b>Fund balances at beginning of year</b>	<u>12,248,722</u>	<u>2,732,396</u>	<u>14,981,118</u>	<u>4,781,617</u>
<b>Fund balances at end of year</b>	<u>\$ 12,130,687</u>	<u>\$ 2,604,829</u>	<u>\$ 14,735,516</u>	<u>\$ 14,981,118</u>

See Accompanying Independent Auditors' Report.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

**SPECIAL REVENUE FUNDS - NON-COMPACT  
Combining Balance Sheet  
September 30, 1998  
(With comparative totals as of September 30, 1997)**

	OTIA										Totals	
	Maritime Operations Revolving	Disaster Relief	Federal and Other Direct Assistance	Technical Assistance & Operations & Maintenance	Passport Revolving	Fisheries Revolving	Medical Revolving	Asian Development Bank Loan	1998	1997		
<b>ASSETS</b>												
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash - restricted	-	-	-	-	-	-	-	-	-	-	-	-
Receivables from:												
U.S. Department of the Interior (DOI)	-	-	-	806,845	-	-	-	-	-	-	806,845	1,067,957
Federal agencies, direct	-	-	-	-	-	-	-	-	-	-	-	3,547,401
General receivables	3,102	-	6,011,368	-	-	-	49,929	-	6,064,399	-	6,064,399	185,781
Advances	10,115	-	84,096	8,958	-	5,665	-	-	108,834	-	108,834	25,773
Loans receivables, net	-	-	-	-	-	-	-	-	-	-	-	5,354,261
Due from other funds	425,632	129,345	1,187,018	-	40,045	64,593	549	10,482,904	2,042,049	194,867	2,042,049	4,278,792
<b>Total assets</b>	<b>\$ 438,849</b>	<b>\$ 129,345</b>	<b>\$ 7,282,482</b>	<b>\$ 815,803</b>	<b>\$ 40,045</b>	<b>\$ 70,258</b>	<b>\$ 549</b>	<b>\$ 11,485,054</b>	<b>\$ 20,262,385</b>	<b>\$ 757,354</b>	<b>\$ 20,262,385</b>	<b>\$ 19,959,965</b>
<b>LIABILITIES AND FUND BALANCES</b>												
<b>Liabilities:</b>												
Account payable	\$ 24,706	\$ 1,169	\$ 157,719	\$ 28,358	\$ 45	\$ -	\$ -	\$ -	\$ 211,997	\$ -	\$ 211,997	\$ 690,140
Accrued payroll and others	1,652	-	-	-	-	-	-	-	1,652	-	1,652	8,847
Due to other funds	-	-	4,994,102	737,282	-	-	-	-	5,731,384	-	5,731,384	2,452,134
Due to FSM State governments	-	-	1,020,641	53,748	-	-	-	-	1,074,389	-	1,074,389	2,747,547
Deferred revenues	-	-	-	-	-	-	-	-	-	-	-	894,985
Advances from DOI/TIPI/Other	-	-	1,112,276	-	-	-	-	-	1,112,276	-	1,112,276	917,590
<b>Total liabilities</b>	<b>26,358</b>	<b>1,169</b>	<b>7,284,738</b>	<b>819,388</b>	<b>45</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,131,698</b>	<b>-</b>	<b>8,131,698</b>	<b>7,711,243</b>
<b>Fund balances:</b>												
Reserved for loans	-	-	-	-	-	-	-	10,482,904	10,482,904	-	10,482,904	-
Reserved for encumbrances	289,873	46,052	1,143,034	132,994	76,620	132,984	2,782	-	1,824,339	-	1,824,339	1,627,076
Reserved for continuing appropriations	-	69,198	-	-	-	-	-	976,004	1,045,202	-	1,045,202	1,530,171
Unreserved (deficit)	122,618	12,926	(1,145,290)	(136,579)	(36,620)	(62,726)	(2,233)	26,146	(1,221,758)	-	(1,221,758)	9,091,475
<b>Total fund balances</b>	<b>412,491</b>	<b>128,176</b>	<b>(2,256)</b>	<b>(3,585)</b>	<b>40,000</b>	<b>70,258</b>	<b>549</b>	<b>11,485,054</b>	<b>12,130,687</b>	<b>12,248,722</b>	<b>12,130,687</b>	<b>12,248,722</b>
<b>Total liabilities and fund balances</b>	<b>\$ 438,849</b>	<b>\$ 129,345</b>	<b>\$ 7,282,482</b>	<b>\$ 815,803</b>	<b>\$ 40,045</b>	<b>\$ 70,258</b>	<b>\$ 549</b>	<b>\$ 11,485,054</b>	<b>\$ 20,262,385</b>	<b>\$ 757,354</b>	<b>\$ 20,262,385</b>	<b>\$ 19,959,965</b>

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, 1998  
(With comparative totals for the year ended September 30, 1997)

	Maritime Operations Revolving	Disaster Relief	Federal and Other Direct Assistance	OTIA				Medical Revolving	Asian Development Bank Loan	Totals	
				Technical Assistance & Operations & Maintenance	Passport Revolving	Fisheries Revolving	Medical Revolving			1998	1997
<b>Revenues:</b>											
U.S. Department of the Interior grants	\$ -	\$ -	\$ -	\$ 869,209	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 869,209	\$ 936,765
Federal contributions	-	-	4,317,386	-	-	-	-	-	-	4,317,386	3,103,417
Other contributions	-	-	-	-	-	-	-	-	-	-	364,691
Sales of goods and services	14,796	-	-	-	127,320	105,550	-	17,037	-	264,703	239,734
<b>Total revenues</b>	<b>14,796</b>	<b>-</b>	<b>4,317,386</b>	<b>869,209</b>	<b>127,320</b>	<b>105,550</b>	<b>-</b>	<b>17,037</b>	<b>-</b>	<b>5,451,298</b>	<b>4,644,607</b>
<b>Expenditures:</b>											
Executive Branch	667,178	4,311	4,317,386	869,209	(2,088)	63,873	(286)	1,853,369	-	7,772,952	5,158,025
<b>Total expenditures</b>	<b>667,178</b>	<b>4,311</b>	<b>4,317,386</b>	<b>869,209</b>	<b>(2,088)</b>	<b>63,873</b>	<b>(286)</b>	<b>1,853,369</b>	<b>-</b>	<b>7,772,952</b>	<b>5,158,025</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(652,382)</b>	<b>(4,311)</b>	<b>-</b>	<b>-</b>	<b>129,408</b>	<b>41,677</b>	<b>286</b>	<b>(1,836,332)</b>	<b>-</b>	<b>(2,321,654)</b>	<b>(513,418)</b>
<b>Other financing sources (uses):</b>											
Operating and other transfers, net	554,384	-	-	-	(129,408)	-	-	-	-	424,976	354,508
Proceeds from loan	-	-	-	-	-	-	-	1,778,643	-	1,778,643	10,314,261
<b>Total other financing sources (uses), net</b>	<b>554,384</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(129,408)</b>	<b>-</b>	<b>-</b>	<b>1,778,643</b>	<b>-</b>	<b>2,203,619</b>	<b>10,868,769</b>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>(97,998)</b>	<b>(4,311)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>41,677</b>	<b>286</b>	<b>(57,689)</b>	<b>-</b>	<b>(118,035)</b>	<b>10,355,351</b>
<b>Fund balances (deficit) at beginning of year</b>	<b>510,489</b>	<b>132,487</b>	<b>(2,256)</b>	<b>(3,585)</b>	<b>40,000</b>	<b>28,581</b>	<b>263</b>	<b>11,542,743</b>	<b>-</b>	<b>12,248,722</b>	<b>1,893,371</b>
<b>Fund balances (deficit) at end of year</b>	<b>\$ 412,491</b>	<b>\$ 128,176</b>	<b>\$ (2,256)</b>	<b>\$ (3,885)</b>	<b>\$ 40,000</b>	<b>\$ 70,258</b>	<b>\$ 549</b>	<b>\$ 11,485,054</b>	<b>\$ 12,130,687</b>	<b>\$ 12,130,687</b>	<b>\$ 12,248,722</b>

See Accompanying Independent Auditors' Report.



**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

**SPECIAL REVENUE FUNDS - NON-COMPACT  
Combining Statement of Revenues, Expenditures by Account and Changes in Fund Balances (Deficit)  
Year Ended September 30, 1998**

(With comparative totals for the year ended September 30, 1997)

	Maritime Operations Revolving	Disaster Relief	Federal and Other Direct Assistance	OTIA					Asian Development Bank Loan	Totals
				Technical Assistance & Operations & Maintenance	Passport Revolving	Fisheries Revolving	Medical Revolving	1998		
<b>Revenues:</b>										
U.S. Department of the Interior grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 936,765
Federal contributions	-	-	4,317,386	-	-	-	-	-	4,317,386	3,103,417
Other contributions	-	-	-	-	-	-	-	-	-	364,691
Sales of goods and services	14,796	-	-	869,209	127,320	105,550	-	17,037	1,133,912	239,734
<b>Total revenues</b>	<b>14,796</b>	<b>-</b>	<b>4,317,386</b>	<b>869,209</b>	<b>127,320</b>	<b>105,550</b>	<b>-</b>	<b>17,037</b>	<b>5,451,298</b>	<b>4,644,607</b>
<b>Expenditures:</b>										
Personnel	320,756	-	1,514,981	57,634	-	-	-	17,339	1,910,710	1,473,344
Travel	38,141	2,169	983,881	61,136	(2,088)	32,635	-	-	1,115,874	923,872
Capital asset purchases	22,849	-	188,922	31,717	-	165	-	-	243,653	225,245
Contractual services, contributions and subsidies	-	-	966,950	629,172	-	27,249	-	-	1,623,371	1,238,088
Communications	62,157	-	-	12,865	-	-	-	-	75,022	131,937
Supplies and materials	47,330	-	662,652	69,192	-	771	-	-	779,945	523,730
Scholarships	-	-	-	-	-	-	-	-	-	33,630
Other	175,945	2,142	-	7,493	-	3,053	(286)	1,836,030	2,024,377	608,179
<b>Total expenditures</b>	<b>667,178</b>	<b>4,311</b>	<b>4,317,386</b>	<b>869,209</b>	<b>(2,088)</b>	<b>63,873</b>	<b>(286)</b>	<b>1,853,369</b>	<b>7,772,952</b>	<b>5,158,025</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(652,382)</b>	<b>(4,311)</b>	<b>-</b>	<b>-</b>	<b>129,408</b>	<b>41,677</b>	<b>286</b>	<b>(1,836,332)</b>	<b>(2,321,654)</b>	<b>(513,418)</b>
<b>Other financing sources (uses):</b>										
Operating and other transfers, net	554,384	-	-	-	(129,408)	-	-	-	424,976	354,508
Proceeds from loan	-	-	-	-	-	-	-	1,778,643	1,778,643	10,514,261
<b>Total other financing sources (uses)</b>	<b>554,384</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(129,408)</b>	<b>-</b>	<b>-</b>	<b>1,778,643</b>	<b>2,203,619</b>	<b>10,868,769</b>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>(97,998)</b>	<b>(4,311)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>41,677</b>	<b>286</b>	<b>(57,689)</b>	<b>(118,035)</b>	<b>10,355,351</b>
<b>Fund balances (deficit) at beginning of year</b>	<b>510,489</b>	<b>132,487</b>	<b>(2,256)</b>	<b>(3,585)</b>	<b>40,000</b>	<b>28,581</b>	<b>263</b>	<b>11,542,743</b>	<b>12,248,722</b>	<b>1,893,371</b>
<b>Fund balances (deficit) at end of year</b>	<b>412,491</b>	<b>128,176</b>	<b>(2,256)</b>	<b>(3,585)</b>	<b>40,000</b>	<b>70,258</b>	<b>549</b>	<b>11,485,054</b>	<b>12,130,687</b>	<b>12,248,722</b>

See Accompanying Independent Auditors' Report.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

**SPECIAL REVENUE FUNDS - COMPACT  
Combining Balance Sheet  
September 30, 1998**

Assets	Communications	Communications	Marine	Marine	Post	Health and	Special	Energy	Special	Totals
	Annual	One Time	Surveillance	Surveillance	Secondary	Medical	Block Grant	Compact	Development	
	Section 215(a)2	Section 215(b)2	Section 216(a)1	Section 216(b)	Education	Section 216(a)2	Section 221(b)	Section 214	Fund	
Cash and equivalents	\$ (32,460)	\$ 63	\$ 56,367	\$ (30,881)	\$ 616,369	\$ (118,434)	\$ 174,576	\$ 66,486	\$ 206	\$ 732,292
Investments	1,949,861	438,319	3,783,392	2,015,868	8,309,920	1,881,161	8,097	1,939,489	-	20,326,107
Advances	-	-	-	5,963	-	3,380	20,168	-	-	29,511
Due from other funds	-	-	-	-	-	-	395,815	-	-	395,815
Interest receivable	10,474	2,941	25,633	10,684	62,355	9,346	-	5,310	-	126,743
<b>Total assets</b>	<b>\$ 1,927,875</b>	<b>\$ 441,323</b>	<b>\$ 3,865,392</b>	<b>\$ 2,001,634</b>	<b>\$ 8,988,644</b>	<b>\$ 1,775,453</b>	<b>\$ 598,656</b>	<b>\$ 2,011,285</b>	<b>\$ 206</b>	<b>\$ 21,610,468</b>
<b>Liabilities and Fund Balances</b>										
<b>Liabilities:</b>										
Accounts payable	\$ 14,414	\$ -	\$ 40,413	\$ -	\$ 410,750	\$ 11,817	\$ 7,340	\$ 10,058	\$ -	\$ 494,792
Due to other funds	1,618,276	294,442	3,352,309	2,043,418	8,024,623	1,541,680	-	1,635,893	206	18,510,847
<b>Total liabilities</b>	<b>1,632,690</b>	<b>294,442</b>	<b>3,392,722</b>	<b>2,043,418</b>	<b>8,435,373</b>	<b>1,553,497</b>	<b>7,340</b>	<b>1,645,951</b>	<b>206</b>	<b>19,005,639</b>
<b>Fund balances:</b>										
Reserved for encumbrances	84,531	-	153,714	-	35	41,751	283,450	71,342	-	634,823
Reserved for continuing appropriations	-	146,881	-	-	1,049,099	-	18,575	173,312	-	1,387,867
Unreserved (deficit)	210,654	-	318,956	(41,784)	(495,863)	180,205	289,291	120,680	-	582,139
<b>Total fund balances</b>	<b>295,185</b>	<b>146,881</b>	<b>472,670</b>	<b>(41,784)</b>	<b>553,271</b>	<b>221,956</b>	<b>591,316</b>	<b>365,334</b>	<b>-</b>	<b>2,604,829</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,927,875</b>	<b>\$ 441,323</b>	<b>\$ 3,865,392</b>	<b>\$ 2,001,634</b>	<b>\$ 8,988,644</b>	<b>\$ 1,775,453</b>	<b>\$ 598,656</b>	<b>\$ 2,011,285</b>	<b>\$ 206</b>	<b>\$ 21,610,468</b>

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  
Year Ended September 30, 1998**

	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
<b>Revenues:</b>										
<b>Compact grants:</b>										
Base amount	\$ 918,000	\$ -	\$ 519,000	\$ -	\$ 1,889,700	\$ 124,980	\$ 315,000	\$ 306,153	\$ -	\$ 4,072,833
<b>Total revenues</b>	<u>918,000</u>	<u>-</u>	<u>519,000</u>	<u>-</u>	<u>1,889,700</u>	<u>124,980</u>	<u>315,000</u>	<u>306,153</u>	<u>-</u>	<u>4,072,833</u>
<b>Expenditures:</b>										
Executive branch	86,574	-	501,644	29,819	1,840,045	246,398	314,198	299,722	-	3,318,400
<b>Total expenditures</b>	<u>86,574</u>	<u>-</u>	<u>501,644</u>	<u>29,819</u>	<u>1,840,045</u>	<u>246,398</u>	<u>314,198</u>	<u>299,722</u>	<u>-</u>	<u>3,318,400</u>
<b>Excess (deficiency) of revenues   over (under) expenditures</b>	831,426	-	17,356	(29,819)	49,655	(121,418)	802	6,431	-	754,433
<b>Other financing sources (uses):</b>										
Transfers out	(882,000)	-	-	-	-	-	-	-	-	(882,000)
<b>Excess (deficiency)   of revenues and   other financing sources   over (under) expenditures   and other financing uses</b>	<u>(50,574)</u>	<u>-</u>	<u>17,356</u>	<u>(29,819)</u>	<u>49,655</u>	<u>(121,418)</u>	<u>802</u>	<u>6,431</u>	<u>-</u>	<u>(127,567)</u>
<b>Fund balances at beginning of year</b>	<u>345,759</u>	<u>146,881</u>	<u>455,314</u>	<u>(11,965)</u>	<u>503,616</u>	<u>343,374</u>	<u>590,514</u>	<u>358,903</u>	<u>-</u>	<u>2,732,396</u>
<b>Fund balances at end of year</b>	<u>\$ 295,185</u>	<u>\$ 146,881</u>	<u>\$ 472,670</u>	<u>\$ (41,784)</u>	<u>\$ 553,271</u>	<u>\$ 221,956</u>	<u>\$ 591,316</u>	<u>\$ 365,334</u>	<u>\$ -</u>	<u>\$ 2,604,829</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  
Year Ended September 30, 1998

	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
<b>Revenues:</b>										
Compact grants :										
Base amount	\$ 918,000	\$ -	\$ 519,000	\$ -	\$ 1,889,700	\$ 124,980	\$ 315,000	\$ 306,153	\$ -	\$ 4,072,833
<b>Total revenues</b>	<b>918,000</b>	<b>-</b>	<b>519,000</b>	<b>-</b>	<b>1,889,700</b>	<b>124,980</b>	<b>315,000</b>	<b>306,153</b>	<b>-</b>	<b>4,072,833</b>
<b>Expenditures:</b>										
Personnel	-	-	473,090	-	551,554	14,144	20,115	-	-	1,058,903
Travel	-	-	-	-	108,446	2,625	161,359	-	-	272,430
Capital asset purchases	72,591	-	-	-	10,000	-	2,480	-	-	85,071
Contractual services, contributions and subsidies	-	-	3,700	-	-	29,629	39,682	850	-	73,861
Communications	-	-	-	-	10,000	-	29,638	-	-	39,638
Supplies and materials	13,229	-	9,206	-	20,000	-	36,783	25,007	-	104,225
Office/house rent/lease	-	-	-	-	100,000	-	2,442	-	-	102,442
Scholarships	-	-	-	-	1,040,045	-	-	-	-	1,040,045
Other	754	-	15,648	29,819	-	200,000	21,699	273,865	-	541,785
<b>Total expenditures</b>	<b>86,574</b>	<b>-</b>	<b>501,644</b>	<b>29,819</b>	<b>1,840,045</b>	<b>246,398</b>	<b>314,198</b>	<b>299,722</b>	<b>-</b>	<b>3,318,400</b>
Excess (deficiency) of revenues over (under) expenditures	831,426	-	17,356	(29,819)	49,655	(121,418)	802	6,431	-	754,433
<b>Other financing sources (uses):</b>										
Transfers out	(882,000)	-	-	-	-	-	-	-	-	(882,000)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(50,574)	-	17,356	(29,819)	49,655	(121,418)	802	6,431	-	(127,567)
<b>Fund balances at</b>										
beginning of year	345,759	146,881	455,314	(11,965)	503,616	343,374	590,514	358,903	-	2,732,396
<b>Fund balances at end of year</b>	<b>\$ 295,185</b>	<b>\$ 146,881</b>	<b>\$ 472,670</b>	<b>\$ (41,784)</b>	<b>\$ 553,271</b>	<b>\$ 221,956</b>	<b>\$ 591,316</b>	<b>\$ 365,334</b>	<b>\$ -</b>	<b>\$ 2,604,829</b>

See Accompanying Independent Auditors' Report.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Capital Projects Funds  
September 30, 1998

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:

OTIA/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 Territorial and International 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, 1998

(With comparative totals as of September 30, 1997)

	Compact Capital Projects	OTIA/TTPI Capital Projects	CFSM Capital Projects	Totals	
				1998	1997
<b><u>Assets</u></b>					
Cash and equivalents	\$ 122,572	\$ -	\$ -	\$ 122,572	\$ 12,036
Investments	4,859,667	-	-	4,859,667	4,264,322
Equity investments	3,483,690	-	-	3,483,690	3,212,263
Receivables from TTPI / OTIA	-	647,933	78,822	726,755	727,637
Advances	32,060	-	-	32,060	1,413
Loan receivable, net	1,500,000	-	-	1,500,000	3,750,000
Interest and other receivables	15,865	-	-	15,865	8,508
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	\$ 10,013,854	\$ 647,933	\$ 78,822	\$ 10,740,609	\$ 11,976,179
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b><u>Liabilities and Fund Balances</u></b>					
<b>Liabilities:</b>					
Accounts payable	\$ 8,746	\$ 172,675	\$ -	\$ 181,421	\$ 209,643
Accrued payroll and others	-	-	-	-	248
Due to other funds	6,282,284	399,900	-	6,682,184	4,476,597
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	6,300,485	647,933	-	6,948,418	4,771,301
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Fund balances:</b>					
<b>Reserved for:</b>					
Loans	1,500,000	-	-	1,500,000	3,750,000
Related assets	3,483,690	-	-	3,483,690	3,212,263
Encumbrances	515,112	186,584	-	701,696	707,833
Continuing appropriations	1,568,349	-	67,947	1,636,296	3,469,675
Unreserved (deficit)	(3,353,782)	(186,584)	10,875	(3,529,491)	(3,934,893)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	3,713,369	-	78,822	3,792,191	7,204,878
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balances	\$ 10,013,854	\$ 647,933	\$ 78,822	\$ 10,740,609	\$ 11,976,179
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </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, 1998  
(With comparative totals for the year ended September 30, 1997)

	Compact Capital Projects	OTIA/TTPI Capital Projects	CFSM Capital Projects	Totals	
				1998	1997
<b>Revenues:</b>					
U.S. Department of the Interior grants	\$ -	\$ -	\$ -	\$ -	\$ 36,667
Compact Capital grants:					
Base amount	2,296,224	-	-	2,296,224	2,251,200
<b>Total revenues</b>	<b>2,296,224</b>	<b>-</b>	<b>-</b>	<b>2,296,224</b>	<b>2,287,867</b>
<b>Expenditures:</b>					
Executive branch	3,230,338	-	-	3,230,338	892,060
<b>Total expenditures</b>	<b>3,230,338</b>	<b>-</b>	<b>-</b>	<b>3,230,338</b>	<b>892,060</b>
Excess (deficiency) of revenues over (under) expenditures	(934,114)	-	-	(934,114)	1,395,807
<b>Other financing sources (uses):</b>					
Operating transfers out	(1,500,000)	-	-	(1,500,000)	-
Earnings on equity investment	271,427	-	-	271,427	278,486
Loss from noncollection of notes receivable	(1,250,000)	-	-	(1,250,000)	-
<b>Total other financing sources (uses), net</b>	<b>(2,478,573)</b>	<b>-</b>	<b>-</b>	<b>(2,478,573)</b>	<b>278,486</b>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources (uses)	(3,412,687)	-	-	(3,412,687)	1,674,293
Fund balances at beginning of year	7,126,056	-	78,822	7,204,878	5,530,585
Fund balances at end of year	\$ 3,713,369	\$ -	\$ 78,822	\$ 3,792,191	\$ 7,204,878

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 Balances

Year Ended September 30, 1998

(With comparative totals for the year ended September 30, 1997)

	Compact Capital Projects	OTIA/TTPI Capital Projects	CFSM Capital Projects	Totals	
				1998	1997
<b>Revenues:</b>					
U.S. Department of the Interior grants	\$ -	\$ -	\$ -	\$ -	\$ 36,667
<b>Compact Capital grants:</b>					
Base amount	2,296,224	-	-	2,296,224	2,251,200
<b>Total revenues</b>	<b>2,296,224</b>	<b>-</b>	<b>-</b>	<b>2,296,224</b>	<b>2,287,867</b>
<b>Expenditures:</b>					
Personnel	12,746	-	-	12,746	19,386
Travel	77,466	-	-	77,466	54,205
Capital asset purchases	348,492	-	-	348,492	128,616
Contractual services, contributions and subsidies	-	-	-	-	77,851
Communications	479	-	-	479	1,061
Supplies and materials	158,039	-	-	158,039	55,376
Construction in progress	2,529,997	-	-	2,529,997	118,080
Other	103,119	-	-	103,119	437,485
<b>Total expenditures</b>	<b>3,230,338</b>	<b>-</b>	<b>-</b>	<b>3,230,338</b>	<b>892,060</b>
Excess (deficiency) of revenues over (under) expenditures	(934,114)	-	-	(934,114)	1,395,807
<b>Other financing sources (uses):</b>					
Operating transfers out	(1,500,000)	-	-	(1,500,000)	-
Earnings on equity investment	271,427	-	-	271,427	278,486
Loss from noncollection of notes receivable	(1,250,000)	-	-	(1,250,000)	-
<b>Total other financing sources (uses), net</b>	<b>(2,478,573)</b>	<b>-</b>	<b>-</b>	<b>(2,478,573)</b>	<b>278,486</b>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(3,412,687)	-	-	(3,412,687)	1,674,293
Fund balances at beginning of year	7,126,056	-	78,822	7,204,878	5,530,585
Fund balances at end of year	\$ 3,713,369	\$ -	\$ 78,822	\$ 3,792,191	\$ 7,204,878

See Accompanying Independent Auditors' Report.



**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Component Units - Proprietary Funds  
September 30, 1998

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.

See Accompanying Independent Auditors' Report.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

**COMPONENT UNITS - PROPRIETARY FUNDS**  
Combining Balance Sheet  
September 30, 1998  
(With comparative totals as of September 30, 1997)

<u>ASSETS</u>	FSM Tele- Communication Corporation	FSM Development Bank	FSM Coconut Development Authority	Totals	
				1998	1997
Cash and equivalents	\$ 1,452,063	\$ 3,775,857	\$ 156,187	\$ 5,384,107	\$ 7,598,648
Time deposits	1,200,000	-	-	1,200,000	-
Investments	8,391,525	10,342,076	-	18,733,601	21,378,288
Investment - Intelsat	910,114	-	-	910,114	-
Investment - Iridium	274,931	-	-	274,931	-
General receivables, net	994,239	44,095	34,266	1,072,600	1,229,870
Advances	10,760	-	1,946	12,706	17,066
Loans receivable, net	-	11,553,942	-	11,553,942	13,864,380
Interest receivable	26,857	252,104	-	278,961	484,690
Available-for-sale securities	-	662,188	-	662,188	-
Inventory	261,834	-	219,640	481,474	419,973
Restricted assets	-	16,660,344	-	16,660,344	28,378,373
Prepaid expenses	867,592	2,000	33,633	903,225	459,098
Fixed assets, net	41,611,440	79,950	193,426	41,884,816	42,081,617
<b>Total assets</b>	<b>\$ 56,001,355</b>	<b>\$ 43,372,556</b>	<b>\$ 639,098</b>	<b>\$ 100,013,009</b>	<b>\$ 115,912,003</b>
<b><u>LIABILITIES AND FUND EQUITY</u></b>					
Liabilities:					
Accounts payable	\$ 211,074	\$ 246,265	\$ 39,087	\$ 496,426	\$ 249,796
Accrued payroll and others	86,928	-	7,026	93,954	213,940
Deferred revenues	34,917	-	-	34,917	43,346
Other payables	388,837	1,270,852	-	1,659,689	2,188,556
Contract retention payable	31,872	-	-	31,872	123,681
Notes payable	29,638,534	130,952	-	29,769,486	30,912,933
<b>Total liabilities</b>	<b>30,392,162</b>	<b>1,648,069</b>	<b>46,113</b>	<b>32,086,344</b>	<b>33,732,252</b>
Fund equity:					
Contributed capital	7,173,118	27,978,830	646,616	35,798,564	35,048,564
Retained earnings	18,436,075	13,745,657	(53,631)	32,128,101	47,131,187
<b>Total fund equity</b>	<b>25,609,193</b>	<b>41,724,487</b>	<b>592,985</b>	<b>67,926,665</b>	<b>82,179,751</b>
<b>Total liabilities and fund equity</b>	<b>\$ 56,001,355</b>	<b>\$ 43,372,556</b>	<b>\$ 639,098</b>	<b>\$ 100,013,009</b>	<b>\$ 115,912,003</b>

See Accompanying Independent Auditors' Report.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

**COMPONENT UNITS - PROPRIETARY FUNDS**  
Combining Statement of Revenues, Expenses and Changes in Fund Equity  
Year Ended September 30, 1998  
(With comparative totals for the year ended September 30, 1997)

	FSM Tele- Communication Corporation	FSM Development Bank	FSM Coconut Development Authority	Totals	
				1998	1997
<b>Operating revenues:</b>					
Charges for goods and services	\$ 8,645,934	\$ 1,868,081	\$ 140,391	\$ 10,654,406	\$ 10,692,281
Other	193,331	24,364	-	217,695	194,936
<b>Total operating revenues</b>	<b>8,839,265</b>	<b>1,892,445</b>	<b>140,391</b>	<b>10,872,101</b>	<b>10,887,217</b>
<b>Operating expenses:</b>					
Personnel services	2,386,806	650,502	72,525	3,109,833	2,965,847
Circuit lease	570,224	-	-	570,224	791,356
Bad debts	542,894	5,329,045	45,426	5,917,365	1,717,217
Utilities	410,258	-	-	410,258	446,260
Rent	-	121,579	-	121,579	118,195
Communications	278,930	32,708	-	311,638	313,972
Repairs and maintenance	352,953	-	-	352,953	235,002
Travel	165,000	61,312	20,480	246,792	201,493
Supplies and materials	82,472	12,635	14,868	109,975	96,790
Contractual services	143,302	45,528	31,523	220,353	241,251
Training	-	45,312	-	45,312	41,102
Depreciation	2,371,806	38,878	13,093	2,423,777	2,414,261
Cost of sales	-	-	194,926	194,926	39,966
Other	406,639	291,835	141,829	840,303	597,038
<b>Total operating expenses</b>	<b>7,711,284</b>	<b>6,629,334</b>	<b>534,670</b>	<b>14,875,288</b>	<b>10,219,750</b>
<b>Operating income (loss)</b>	<b>1,127,981</b>	<b>(4,736,889)</b>	<b>(394,279)</b>	<b>(4,003,187)</b>	<b>667,467</b>
<b>Nonoperating revenues (expenses) :</b>					
Transfers in	882,000	-	326,445	1,208,445	923,727
Interest income (expense), net	(1,246,770)	-	5,206	(1,241,564)	(1,052,637)
Other income	33,911	292,147	-	326,058	2,068
Investment income	364,851	-	-	364,851	937,794
Miscellaneous	-	-	-	-	424
<b>Total nonoperating revenues (expense), net</b>	<b>33,992</b>	<b>292,147</b>	<b>331,651</b>	<b>657,790</b>	<b>811,376</b>
<b>Net income (loss)</b>	<b>1,161,973</b>	<b>(4,444,742)</b>	<b>(62,628)</b>	<b>(3,345,397)</b>	<b>1,478,843</b>
Retained earnings at beginning of year	17,274,102	29,848,088	8,997	47,131,187	45,892,339
Deduct amounts related to assets held in trust funds	-	(11,657,689)	-	(11,657,689)	(239,995)
<b>Retained earnings at end of year</b>	<b>18,436,075</b>	<b>13,745,657</b>	<b>(53,631)</b>	<b>32,128,101</b>	<b>47,131,187</b>
Contributed capital at beginning of year	7,173,118	27,228,830	646,616	35,048,564	33,994,101
Additions	-	750,000	-	750,000	814,468
Reclassification from retained earnings	-	-	-	-	239,995
<b>Contributed capital at end of year</b>	<b>7,173,118</b>	<b>27,978,830</b>	<b>646,616</b>	<b>35,798,564</b>	<b>35,048,564</b>
<b>Total fund equity</b>	<b>\$ 25,609,193</b>	<b>\$ 41,724,487</b>	<b>\$ 592,985</b>	<b>\$ 67,926,665</b>	<b>\$ 82,179,751</b>

See Accompanying Independent Auditors' Report.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

**COMPONENT UNITS - PROPRIETARY FUNDS**

Combining Statement of Cash Flows

Year Ended September 30, 1998

(With comparative totals for the year ended September 30, 1997)

	FSM Tele- Communication Corporation	FSM Development Bank	FSM Coconut Development Authority	Totals	
				1998	1997
Increase (decrease) in cash and equivalents:					
Cash flows from operating activities:					
Operating income (loss)	\$ 1,127,981	\$ (4,736,889)	\$ (394,279)	\$ (4,003,187)	\$ 667,467
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	2,371,806	38,878	13,093	2,423,777	2,414,261
Bad debts	542,894	5,329,045	45,426	5,917,365	900,000
Others	-	292,147	5,206	297,353	(360,857)
	<u>4,042,681</u>	<u>923,181</u>	<u>(330,554)</u>	<u>4,635,308</u>	<u>3,620,871</u>
Change in assets and liabilities:					
Cash advances	4,360	-	-	4,360	(1,142)
Interest receivable	-	87,549	-	87,549	49,126
Accounts receivable trade	(178,889)	1,279	(40,757)	(218,367)	175,458
Accounts receivable other	(267,605)	-	-	(267,605)	-
Materials and supplies inventory	22,588	-	-	22,588	-
Inventory trade	-	-	(84,089)	(84,089)	(90,788)
Prepaid expenses	(486,415)	11,340	16,602	(458,473)	(297,621)
Deferred charges	-	-	-	-	50,236
Loans receivable	-	(3,018,607)	-	(3,018,607)	(4,062,289)
Accounts payable	60,129	171,623	30,006	261,758	40,814
Contract retentions payable	(91,809)	-	-	(91,809)	-
Due from other funds	-	-	1,041	1,041	(825)
Accrued payroll and others	-	-	4,979	4,979	(1,926)
Accrued leave payable	(124,965)	-	-	(124,965)	29,648
Deferred revenue	(8,429)	-	-	(8,429)	(7,890)
Accrued expenses, other	(123,393)	-	-	(123,393)	186,055
Interfund payables	-	(252,907)	-	(252,907)	(166,479)
	<u>(1,194,428)</u>	<u>(2,999,723)</u>	<u>(72,218)</u>	<u>(4,266,369)</u>	<u>(4,097,623)</u>
Net cash provided by (used for) operating activities	<u>2,848,253</u>	<u>(2,076,542)</u>	<u>(402,772)</u>	<u>368,939</u>	<u>(476,752)</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, 1998

(With comparative totals for the year ended September 30, 1997)

	FSM Tele- Communication Corporation	FSM Development Bank	FSM Coconut Development Authority	Totals	
				1998	1997
<b>Cash flows from noncapital financing activities:</b>					
CFSM appropriation received	882,000	-	326,445	1,208,445	988,195
Loan participations sold	-	(21,611)	-	(21,611)	(24,553)
Repayment of borrowed funds	-	(761,810)	-	(761,810)	(430,130)
Contributed capital received and other funding	-	750,000	-	750,000	750,000
<b>Net cash provided by (used for) noncapital financing activities</b>	<b>882,000</b>	<b>(33,421)</b>	<b>326,445</b>	<b>1,175,024</b>	<b>1,283,512</b>
<b>Cash flows from capital and related financing activities:</b>					
Note repayments	(512,589)	-	-	(512,589)	(572,165)
Acquisition of fixed assets	(2,124,704)	(35,979)	-	(2,160,683)	(648,379)
Disposals of fixed assets	-	-	1,934	1,934	44,033
Interest expense	(1,495,730)	-	-	(1,495,730)	(1,486,663)
Proceeds from other income - sale of fixed assets	33,911	-	-	33,911	424
Restricted cash	45,208	-	-	45,208	(1,005)
<b>Net cash provided by (used for) capital and related financing activities</b>	<b>(4,053,904)</b>	<b>(35,979)</b>	<b>1,934</b>	<b>(4,087,949)</b>	<b>(2,663,755)</b>
<b>Cash flows from investing activities:</b>					
Decrease (increase) in investments	(274,931)	1,437,236	-	1,162,305	(1,316,203)
Additions to time deposits	(1,200,000)	-	-	(1,200,000)	800,000
Interest income received	367,140	-	-	367,140	460,707
<b>Cash provided by (used for) investing activities</b>	<b>(1,107,791)</b>	<b>1,437,236</b>	<b>-</b>	<b>329,445</b>	<b>(55,496)</b>
<b>Net decrease in cash and equivalents</b>	<b>(1,431,442)</b>	<b>(708,706)</b>	<b>(74,393)</b>	<b>(2,214,541)</b>	<b>(1,912,491)</b>
Cash and equivalents at beginning of year	2,883,505	4,484,563	230,580	7,598,648	9,511,139
<b>Cash and equivalents at end of year</b>	<b>\$ 1,452,063</b>	<b>\$ 3,775,857</b>	<b>\$ 156,187</b>	<b>\$ 5,384,107</b>	<b>\$ 7,598,648</b>

See Accompanying Independent Auditors' Report.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Expendable Trust Funds  
September 30, 1998

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, 1998, 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, 1998

(With comparative totals as of September 30, 1997)

<u>ASSETS</u>	Health Insurance Fund	Student Loan Fund	Totals	
			1998	1997
Cash and equivalents	\$ 803,082	\$ -	\$ 803,082	\$ 687,935
Term deposits	886,770	-	886,770	551,881
Investments	1,276,098	-	1,276,098	1,176,974
General receivables, net	11,778	-	11,778	1,248
Loans receivable, net	-	-	-	-
Due from other funds	-	574,488	574,488	562,288
Prepaid insurance	261,739	-	261,739	301,054
Allowance for loan reserves	-	-	-	-
	<u>\$ 3,239,467</u>	<u>\$ 574,488</u>	<u>\$ 3,813,955</u>	<u>\$ 3,281,380</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 215,604	\$ -	\$ 215,604	\$ 4,414
Accrued payroll and others	-	-	-	987
Due to other funds	74,754	-	74,754	52,408
IBNR health insurance payable	493,974	-	493,974	480,120
	<u>784,332</u>	<u>-</u>	<u>784,332</u>	<u>537,929</u>
Fund balances:				
Reserved for encumbrances	65,135	-	65,135	65,135
Unreserved	2,390,000	574,488	2,964,488	2,678,316
	<u>2,455,135</u>	<u>574,488</u>	<u>3,029,623</u>	<u>2,743,451</u>
Total fund balances	<u>2,455,135</u>	<u>574,488</u>	<u>3,029,623</u>	<u>2,743,451</u>
Total liabilities and fund balances	<u>\$ 3,239,467</u>	<u>\$ 574,488</u>	<u>\$ 3,813,955</u>	<u>\$ 3,281,380</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, 1998

(With comparative totals for the year ended September 30, 1997)

	Health Insurance Fund	Student Loan Fund	Totals	
			1998	1997
<b>Revenues:</b>				
Interest income	\$ 89,274	\$ -	\$ 89,274	\$ -
Member's contributions	2,270,609	-	2,270,609	2,008,628
Loan repayments	-	12,200	12,200	21,656
<b>Total revenues</b>	<b>2,359,883</b>	<b>12,200</b>	<b>2,372,083</b>	<b>2,030,284</b>
<b>Expenditures:</b>				
Insurance claims	1,869,848	-	1,869,848	194,344
Administrative expense	216,063	-	216,063	1,607,900
<b>Total expenditures</b>	<b>2,085,911</b>	<b>-</b>	<b>2,085,911</b>	<b>1,802,244</b>
Excess of revenues over expenditures	273,972	12,200	286,172	228,040
Fund balances at beginning of year	2,181,163	562,288	2,743,451	2,515,411
Fund balances at end of year	\$ 2,455,135	\$ 574,488	\$ 3,029,623	\$ 2,743,451

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 Leo A. Falcam  
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, 1998, and have issued our report thereon dated April 20, 1999, which report was qualified due to our inability to substantiate fixed assets, inventory and student receivables of the Component Unit - Higher Education Fund and the omission of financial statements of the National Fisheries Corporation, a Component Unit - Proprietary Fund. Except as discussed in the preceding sentence, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

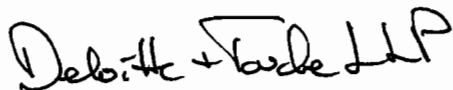
As part of obtaining reasonable assurance about whether FSM National Government's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings and Questioned Costs (pages 139 through 164) as items 98-1, 98-2, 98-L1 and 98-L2.

**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 as items 98-3 through 98-11.

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, we believe none of the reportable conditions described above is a material weakness.

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. However, this report is a matter of public record and its distribution is not limited.



April 20, 1999



**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 Leo A. Falcam  
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, 1998. 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 139 through 169). 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 generally accepted auditing standards; 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.

In our opinion, 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, 1998.

### 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.

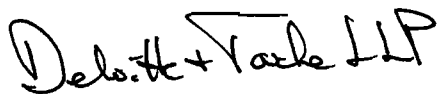
We noted one matter involving the internal control over compliance and its operations that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, 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 condition is described in the accompanying Schedule of Findings and Questioned Costs as item 98-2.

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, we believe the reportable condition described above is not 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, 1998, and have issued our report thereon dated April 20, 1999, which report was qualified due to our inability to substantiate fixed assets, inventory and student receivables of the Component Unit - Higher Education Fund and the omission of financial statements of 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 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 statement and, in our opinion, except for such adjustments, if any, which might be required had we been able to substantiate fixed assets, student receivables and inventory of the Component Unit - Higher Education Fund, 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 and the cognizant audit and other federal agencies. However, this report is a matter of public record and its distribution is not limited.



April 20, 1999

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards  
By Grantor  
Year Ended September 30, 1998

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1998 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
U.S. Federal Direct Assistance Fund									
U.S. Department of Education									
84.002		7737	93 Adult Education V002A30001 National Government	\$ 100,000	\$ 86,981	\$ -	\$ -	\$ 86,981	\$ 13,019
84.002		7738	94 Adult Education V002A40002 National Government	100,000	96,903	-	-	96,903	3,097
84.002		7728	95 Adult Education V002A40057 National Government	100,000	92,943	-	-	92,943	7,057
84.002		3121	96 Adult Education V002A50057 National Government	100,000	48,187	-	-	48,187	51,813
84.002		3006	97 Adult Education V002A60057 National Government	100,000	28,281	-	-	60,441	39,559
84.002		3026	98 Adult Education V002A70057 National Government	100,000	-	-	26,577	26,577	73,423
			Total CFDA #84.002	600,000	353,295	-	58,737	412,032	187,968
84.027			93 Special Education H027A30009 National Government	398,469	375,142	-	3,070	378,212	20,257
		7732	Pohnpei	1,187,041	1,118,285	-	-	1,118,285	68,756
		7732	Chuuk	1,301,430	901,087	-	-	901,087	400,343
		7732	Yap	491,683	328,832	-	-	328,832	162,851
		7732	Kosrae	606,074	576,549	-	-	576,549	29,525
			Program Total	3,984,697	3,299,895	-	3,070	3,302,965	681,732
			Balance forward	600,000	353,295	-	58,737	412,032	187,968

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued  
By Grantor  
Year Ended September 30, 1998

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1998 Fiscal Year Expenditures			Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government			
U.S. Federal Direct Assistance Fund										
U.S. Dept. of Education balance forwarded	84.027		94 Special Education H027A40007	\$ 600,000	\$ 353,295	\$ -	\$ 58,737	\$ 412,032	\$ 187,968	
		7742	National Government	413,923	364,681	-	-	364,681	49,242	
		7743	Pohnpei	1,221,717	1,134,119	-	-	1,134,119	87,598	
		7743	Chuuk	1,336,476	1,030,774	-	-	1,030,774	305,702	
		7743	Kosrae	640,750	515,345	-	-	515,345	125,405	
		7743	Yap	526,361	478,817	-	-	478,817	47,544	
			Program Total	4,139,227	3,523,736	-	-	3,523,736	615,491	
			95 Special Education H027A40111							
	84.027	7721	National Government	713,396	669,897	-	-	669,897	43,499	
		7729	Pohnpei	1,224,167	1,113,449	-	-	1,113,401	110,766	
		7729	Chuuk	217,464	290,110	(48)	-	290,110	(72,646)	
		7729	Kosrae	627,907	553,042	905	-	553,947	73,960	
		7729	Yap	520,000	376,407	-	-	376,407	143,593	
		3001	Chuuk	1,031,801	473,095	-	-	473,095	558,706	
			Program Total	4,334,735	3,476,000	857	-	3,476,857	857,878	
			97 Special Education H027B70006							
	84.027	3022	National Government	521,237	-	-	407,190	407,190	114,047	
		3023	Pohnpei	949,141	-	-	-	-	949,141	
		3023	Kosrae	531,235	-	446,677	-	446,677	84,558	
		3023	Yap	463,473	-	386,926	-	386,926	76,547	
		3024	Chuuk	1,052,584	-	-	750,325	750,325	302,259	
			Program Total	3,517,670	-	833,603	1,157,515	1,991,118	1,526,552	
			Balance forward	600,000	353,295	-	58,737	412,032	187,968	

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued  
By Grantor  
Year Ended September 30, 1998

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1998 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
U.S. Federal Direct Assistance Fund				\$ 600,000	\$ 353,295	\$ -	\$ 58,737	\$ 412,032	\$ 187,968
U.S. Dept. of Education balance forwarded									
	84.027		98 Special Education H027B970006-98						
		3037	National Government	-	-	-	-	-	-
		3037	Pohnpei	-	-	593,375	-	593,375	(593,375)
		3037	Kosrae	-	-	-	-	-	-
		3037	Yap	-	-	-	-	-	-
		3037	Chuuk	-	-	-	-	-	-
			Program Total	-	-	593,375	-	593,375	(593,375)
			Total CFDA #84.027	15,976,329	10,299,631	1,427,835	1,160,585	12,888,051	3,681,653
	84.124		93 Teacher Training R124A20001-93						
		7745	National Government	13,389	9,241	-	-	9,241	4,148
		7746	Pohnpei	58,135	57,885	-	-	57,885	250
		7746	Chuuk	66,810	62,299	-	-	62,299	4,511
		7746	Yap	54,424	54,072	-	-	54,072	352
		7746	Kosrae	54,750	51,938	-	-	51,938	2,812
			Program Total	247,508	235,435	-	-	235,435	12,073
	84.124		94 Teacher Training R124A20001-94						
		7722	Unallotted	4,242	-	-	-	-	4,242
		7723	National Government	13,303	10,975	-	-	10,975	2,328
		7724	Pohnpei	58,172	58,173	-	-	58,173	(1)
		7724	Chuuk	66,000	59,592	-	-	59,592	6,408
		7724	Yap	53,000	52,614	-	-	52,614	386
		7724	Kosrae	52,464	2,854	-	-	2,854	49,610
			Program Total	247,181	184,208	-	-	184,208	62,973
			Total CFDA #84.124	494,689	419,643	-	-	419,643	75,046
			Balance forward	17,071,018	11,072,569	1,427,835	1,219,322	13,719,726	3,944,667

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued  
By Grantor  
Year Ended September 30, 1998

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1998 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
U.S. Federal Direct Assistance Fund				\$ 17,071,018	\$ 11,072,569	\$ 1,427,835	\$ 1,219,322	\$ 13,719,726	\$ 3,351,292
	84.185		95 Robert C. Byrd Scholarship P185A50059 National Government	30,000	29,250	-	-	29,250	750
	84.185	7749							
	84.185	7726	FY-95 National Close-up Local National Government	15,000	14,181	-	-	14,181	819
	84.185	3008	FY-96 Robert C. Byrd Scholarship P185A60059 National Government	33,630	33,630	-	(560)	33,070	560
	84.185	3018	FY-97 Robert C. Byrd Scholars P185A60059 National Government	44,400	-	-	43,845	43,845	555
	84.185	3036	FY-98 Robert C. Byrd Scholarship P185A80059 National Government	60,000	-	-	-	-	60,000
			Total CFDA #84.185	183,030	77,061	-	43,285	120,346	62,884
	84.194Q	7735	FY-95 Bilingual Education T194Q50048 National Government	100,000	57,830	-	-	57,830	42,170
	84.194Q	3015	FY-96 Bilingual Education T194Q50048 National Government	100,000	64,281	-	23,790	88,071	11,929
	84.194Q	3020	FY-97 Bilingual Education T194Q50048-97 National Government	100,000	-	-	85,074	85,074	14,926
			Total CFDA #84.194Q	300,000	122,111	-	108,864	230,975	69,025
			Balance forward	17,554,048	11,271,741	1,427,835	1,371,471	14,071,047	3,483,001

See accompanying notes to schedule of expenditures of federal awards.



**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued  
By Grantor  
Year Ended September 30, 1998

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1998 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
U.S. Dept. of Education balance forwarded				\$ 17,554,048	\$ 11,271,741	\$ 1,427,835	\$ 1,371,471	\$ 14,071,047	\$ 3,483,001
84.276A			FY-95 Goal 2000 Program S276A50055						
		7735	National Government	29,492	27,627	-	-	27,627	1,865
		3003	Kosrae	17,237	11,365	-	-	11,365	5,872
		3004	Chuuk	27,000	16,058	-	354	16,412	10,588
			Program Total	73,729	55,050	-	354	55,404	18,325
84.276A			FY-96 Goal 2000 Program S276A60055						
		3010	Unallotted	3,991	-	-	-	-	3,991
		3011	National Government	30,243	30,400	-	-	30,400	(157)
		3012	Pohnpei	103,827	105,887	(1,227)	-	104,660	(833)
		3012	Kosrae	28,150	22,485	102	-	22,587	5,563
		3012	Yap	74,026	58,689	2,961	-	61,650	12,376
		3013	Chuuk	62,196	60,697	-	(106)	60,591	1,605
			Program Total	302,433	278,158	1,836	(106)	279,888	22,545
84.276A			FY-97 Goal 2000 Program S276A60055-96A						
		3028	National Government	28,538	-	-	23,490	23,490	5,048
		3029	Kosrae	85,946	-	3,735	-	3,735	82,211
		3029	Yap	90,904	-	69,571	-	69,571	21,333
		3030	Chuuk	80,000	-	-	36,851	36,851	43,149
			Program Total	285,388	-	73,306	60,341	133,647	151,741
84.276A			FY-98 Goal 2000 Program S276A70055						
		3031	Unallotted	292,150	-	-	-	-	292,150
		3033	Pohnpei	114,207	-	76,484	-	76,484	37,723
			Program Total	406,357	-	76,484	-	76,484	329,873
			Total CFDA #84.276A	1,067,907	333,208	151,626	60,589	545,423	522,484
			Total U.S. Dept. of Education	\$ 18,621,955	\$ 11,604,949	\$ 1,579,461	\$ 1,432,060	\$ 14,616,470	\$ 4,005,485

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

**Schedule of Expenditures of Federal Awards, Continued  
By Grantor  
Year Ended September 30, 1998**

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1998 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
U.S. Federal Direct Assistance Fund	17.250	3287	64-10/64 - JTPA 90 National Government	\$ 84,434	\$ 81,045	\$ -	\$ -	\$ 81,045	\$ 3,389
	17.250		64-016 - JTPA '92 Unallotted	347	-	-	-	88,564	347
U.S. Department of Labor		3415	National Government	88,329	88,564	-	-	88,564	(235)
		3416	National Government	26,167	23,885	-	-	23,885	2,282
		3417	National Government	50,188	52,115	-	-	52,115	(1,927)
		3418	National Government	56,141	55,789	-	-	55,789	352
		3420	Pohnpei	88,137	98,770	-	-	98,770	(10,633)
		3420	Chuuk	11,908	27,751	-	-	27,751	(15,843)
		3420	Kosrae	18,713	19,297	-	-	19,297	(584)
		3421	Pohnpei	157,193	149,639	-	-	149,639	7,554
		3421	Chuuk	257,461	265,049	-	-	265,049	(7,588)
		3421	Kosrae	33,344	35,004	-	-	35,004	(1,660)
		3421	Yap	52,397	52,398	-	-	52,398	(1)
		3422	Pohnpei	104,795	98,045	-	-	98,045	6,750
		3422	Chuuk	155,605	164,265	-	-	164,265	(8,660)
		3422	Kosrae	22,229	23,380	-	-	23,380	(1,151)
		3422	Yap	34,932	36,040	-	-	36,040	(1,108)
		3423	Pohnpei	67,946	65,753	-	-	65,753	2,193
		3423	Chuuk	83,360	83,038	-	-	83,038	322
		3423	Kosrae	11,908	12,750	-	-	12,750	(842)
		3423	Yap	18,713	18,713	-	-	18,713	-
		3424	Pohnpei	17,273	56,829	-	-	56,829	(39,556)
		3424	Chuuk	47,000	30,523	-	-	30,523	16,477
		3424	Kosrae	22,167	17,287	-	-	17,287	4,880
		3424	Yap	7,826	7,826	-	-	7,826	-
	3425	Pohnpei	38,793	11,994	-	-	11,994	26,799	
			Program Total	1,472,872	1,494,704	-	-	1,494,704	(21,832)
			Balance forward	1,557,306	1,575,749	-	-	1,575,749	(18,443)

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

**Schedule of Expenditures of Federal Awards, Continued  
By Grantor  
Year Ended September 30, 1998**

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1998 Fiscal Year Expenditures			Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government			
U.S. Federal Direct Assistance Fund										
U.S. Dept. of Labor balance forwarded:				\$ 1,557,306	\$ 1,575,749	\$ -	\$ -	\$ 1,575,749	\$ (18,443)	
	17.250		<u>93 JTPA Program</u>							
		3426	Unallotted	38,442	-	-	-	-	38,442	
		3427	National Government	79,685	78,600	-	-	78,600	1,085	
		3428	National Government	24,119	24,119	-	-	24,119	37	
		3430	Pohnpei	68,175	66,957	-	-	66,957	1,218	
		3430	Chuuk	105,496	117,919	-	-	117,919	(12,423)	
		3430	Kosrae	14,639	22,457	-	-	22,457	(7,818)	
		3430	Yap	22,244	24,612	-	-	24,612	(2,368)	
		3431	Pohnpei	104,569	94,479	-	-	94,479	10,090	
		3431	Chuuk	145,921	144,219	-	-	144,219	1,702	
		3431	Kosrae	29,444	39,048	-	-	39,048	(9,604)	
		3431	Yap	42,376	36,272	-	-	36,272	6,104	
		3432	Pohnpei	110,602	108,815	-	-	108,815	1,787	
		3432	Chuuk	181,308	179,032	-	-	179,032	2,276	
		3432	Kosrae	25,297	33,842	-	-	33,842	(8,545)	
		3432	Yap	28,250	27,499	-	-	27,499	751	
		3433	Pohnpei	57,530	54,267	-	-	54,267	3,263	
		3433	Chuuk	94,752	99,817	-	-	99,817	(5,065)	
		3433	Kosrae	9,935	22,613	-	-	22,613	(12,678)	
		3433	Yap	15,000	15,000	-	-	15,000	-	
		3434	Pohnpei	27,676	27,676	-	-	27,676	-	
		3434	Chuuk	12,263	28,824	-	-	28,824	(16,561)	
		3434	Kosrae	41,431	47,502	-	-	47,502	(6,071)	
		3435	Chuuk	35,000	35,000	-	-	35,000	-	
		3435	Kosrae	13,895	13,896	-	-	13,896	(1)	
			Program Total	1,328,086	1,342,465	-	-	1,342,465	(14,379)	
			Balance forward	2,885,392	2,918,214	-	-	2,918,214	(32,822)	

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued  
By Grantor  
Year Ended September 30, 1998

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1998 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
U.S. Federal Direct Assistance Fund				\$ 2,885,392	\$ 2,918,214	\$ -	\$ -	\$ 2,918,214	\$ (32,822)
U.S. Dept. of Labor balance forwarded:	17.250		<u>94 JTPA Program</u>						
			<u>64-94-01/64-94-02</u>						
		3437	National Government	166,162	164,201	-	-	164,201	1,961
		3438	National Government	18,575	17,781	-	-	17,781	794
		3439	National Government	57,763	56,249	-	-	56,249	1,514
		3440	Pohnpei	86,899	86,647	-	-	86,647	252
		3440	Chuuk	127,854	213,207	-	-	213,207	(85,353)
		3440	Kosrae	19,427	19,328	-	-	19,328	99
		3440	Yap	28,353	27,939	-	-	27,939	414
		3441	Pohnpei	159,702	150,660	-	-	150,660	9,042
		3441	Chuuk	344,503	308,862	-	-	308,862	35,641
		3441	Kosrae	47,110	42,820	-	-	42,820	4,290
		3441	Yap	43,218	42,506	-	-	42,506	712
		3442	Pohnpei	115,428	110,943	-	-	110,943	4,485
		3442	Chuuk	136,231	124,420	-	-	124,420	11,811
		3442	Kosrae	25,400	21,833	-	-	21,833	3,567
		3443	Yap	55,046	63,212	-	-	63,212	(8,166)
		3443	Pohnpei	51,610	47,019	-	-	47,019	4,591
		3443	Kosrae	540	1,780	-	-	1,780	(1,240)
		3443	Yap	8,346	7,868	-	-	7,868	478
		3444	Pohnpei	5,546	-	-	-	-	5,546
		3444	Kosrae	5,948	5,042	-	-	5,042	906
		3444	Yap	20,108	18,808	-	-	18,808	1,300
		3445	Pohnpei	40,000	38,744	-	-	38,744	1,256
		3445	Kosrae	16,000	15,922	-	-	15,922	78
		3446	Pohnpei	20,852	19,518	-	-	19,518	1,334
		3446	Chuuk	30,680	41,595	-	-	41,595	(10,915)
		3446	Kosrae	4,662	4,210	-	-	4,210	452
		3446	Yap	6,804	6,315	-	-	6,315	489
			Program Total	1,642,767	1,657,429	-	-	1,657,429	(14,662)
			Balance forward	4,528,159	4,575,643	-	-	4,575,643	(47,484)

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued  
By Grantor  
Year Ended September 30, 1998

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1998 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
U.S. Federal Direct Assistance Fund				\$ 4,528,159	\$ 4,575,643	\$ -	\$ -	\$ 4,575,643	\$ (47,484)
U.S. Dept. of Labor balance forwarded:									
	17.250		<u>95 JTPA Program</u> <u>64-95-01/64-95-02</u>						
		3200	Unallotted	23,222	-	-	-	-	23,222
		3201	National Government	112,997	109,354	-	1,600	110,954	2,043
		3202	National Government	35,429	35,428	-	-	35,428	1
		3203	Pohnpei	70,829	64,517	2,175	-	66,692	4,137
		3203	Kosrae	15,413	15,138	-	-	15,138	275
		3203	Yap	22,495	22,719	2,432	-	25,151	(2,656)
		3204	Pohnpei	120,000	117,801	1,614	-	119,415	585
		3204	Kosrae	36,000	33,566	279	-	33,845	2,155
		3204	Yap	22,946	17,532	-	-	17,532	5,414
		3205	Pohnpei	90,687	78,423	6,252	-	84,675	6,012
		3205	Kosrae	26,379	25,450	-	-	25,450	929
		3205	Yap	38,520	32,671	5,688	-	38,359	161
		3206	Pohnpei	56,801	55,203	-	-	55,203	1,598
		3206	Yap	7,592	7,597	-	-	7,597	(5)
		3207	Pohnpei	17,236	13,152	-	-	13,152	4,084
		3207	Yap	5,624	4,466	-	-	4,466	1,158
		3208	National Government	82,286	76,236	-	-	76,236	6,050
		3209	Chuuk	105,136	101,105	-	2,903	104,008	1,128
		3210	Chuuk	267,007	252,598	-	7,031	259,629	7,378
		3211	Chuuk	128,177	96,103	-	23,488	119,591	8,586
		3213	Chuuk	25,359	24,664	-	-	24,664	695
		3214	Kosrae	16,000	15,397	84	-	15,481	519
			Program Total	1,326,135	1,199,120	18,524	35,022	1,252,666	73,469
			Balance forward	5,854,294	5,774,763	18,524	35,022	5,828,309	25,985

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

**Schedule of Expenditures of Federal Awards, Continued  
By Grantor  
Year Ended September 30, 1998**

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	Subrecipient	1998 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
							National Government	Government		
U.S. Federal Direct Assistance Fund	17.250			\$ 5,854,294	\$ 5,774,763	\$ 18,524	\$ 35,022	\$ 5,828,309	\$ 25,985	
U.S. Dept. of Labor balance forwarded:										
			<u>96 JIPA Program</u>							
			<u>64-96-01/64-96-02</u>							
		3150	Unallotted	59,226	-	-	-	-	59,226	
		3152	National Government	167,831	162,083	-	7,095	169,178	(1,347)	
		3153	National Government	32,412	11,310	-	7,306	18,616	13,796	
		3154	National Government	57,206	34,708	-	10,193	44,901	12,305	
		3155	Pohnpei	55,856	47,986	6,972	-	54,958	898	
		3156	Pohnpei	106,218	104,594	5,099	-	109,693	(3,475)	
		3157	Pohnpei	77,516	74,022	10,602	-	84,624	(7,108)	
		3158	Pohnpei	39,692	30,631	4,809	-	35,440	4,252	
		3160	Chuuk	85,932	73,169	-	1,555	74,724	11,208	
		3161	Chuuk	190,282	185,646	-	5,130	190,776	(494)	
		3162	Chuuk	128,782	103,359	-	(8,881)	94,478	34,304	
		3155	Yap	18,225	17,804	328	-	18,132	93	
		3156	Yap	28,000	28,486	309	-	28,795	(795)	
		3157	Yap	36,182	22,776	11,446	-	34,222	1,960	
		3158	Yap	8,718	8,487	231	-	8,718	-	
		3155	Kosrae	12,488	17,172	(4,824)	-	12,348	140	
		3156	Kosrae	28,950	23,454	5,323	-	28,777	173	
		3157	Kosrae	16,000	17,071	(1,070)	-	16,001	(1)	
		3158	Kosrae	5,000	5,000	-	-	5,000	-	
		3166	Kosrae	12,000	11,898	60	-	11,958	42	
			Program Total	1,166,516	979,656	39,285	22,398	1,041,339	125,177	
			Balance forward	7,020,810	6,754,419	57,809	57,420	6,869,648	151,162	

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued  
By Grantor  
Year Ended September 30, 1998

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1998 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
U.S. Federal Direct Assistance Fund	17.250			\$ 7,020,810	\$ 6,754,419	\$ 57,809	\$ 57,420	\$ 6,869,648	\$ 151,162
			<u>97 JTPA Program</u>						
			<u>64-97-01/64-97-02</u>						
		3167	Unallotted	12,164	-	-	-	104,089	12,164
		3168	National Government	106,613	9,354	-	94,735	37,027	2,524
		3170	National Government	73,848	-	-	37,027	53,104	36,821
		3171	National Government	57,694	640	-	52,464	105,528	4,590
		3176	Chuuk	109,569	16,905	-	88,623	71,570	4,041
		3177	Chuuk	172,166	-	-	71,570	11,937	100,596
		3178	Chuuk	46,415	-	-	11,937	49,035	34,478
		3179	Chuuk	76,050	-	-	49,035	70,298	27,015
		3172	Pohnpei	58,094	14,105	56,193	-	118,392	(12,244)
		3173	Pohnpei	143,742	7,182	111,210	-	33,658	25,350
		3174	Pohnpei	36,955	96	33,562	-	38,925	3,297
		3175	Pohnpei	65,609	-	38,925	-	14,603	26,684
		3172	Yap	18,942	-	14,603	-	26,438	4,339
		3173	Yap	42,007	-	26,438	-	21,231	15,569
		3174	Yap	28,387	-	21,231	-	1,000	7,156
		3175	Yap	1,000	-	1,000	-	16,711	-
		3180	Yap	31,728	-	16,711	-	12,121	15,017
		3172	Kosrae	12,978	-	12,121	-	21,939	857
		3173	Kosrae	19,721	-	21,939	-	9,877	(2,218)
		3174	Kosrae	13,630	-	9,877	-	968	3,753
		3175	Kosrae	12,285	-	968	-	15,988	11,317
		3180	Kosrae	14,327	2,209	13,779	-	834,439	(1,661)
			Program Total	1,153,884	50,491	378,557	405,391	7,704,087	319,445
			Balance forward	8,174,694	6,804,910	436,366	462,811		470,607

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

**Schedule of Expenditures of Federal Awards, Continued  
By Grantor  
Year Ended September 30, 1998**

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1998 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
U.S. Dept. of Labor balance forwarded:				\$ 8,174,694	\$ 6,804,910	\$ 436,366	\$ 462,811	\$ 7,704,087	\$ 470,607
	17.250		<u>98 JTPA Program</u>						
			<u>64-98-01</u>						
		3183	Unallotted	912,088	-	-	-	-	912,088
		3184	National Government	103,034	-	-	5,688	5,688	97,346
		3187	National Government	40,761	-	-	5,187	5,187	35,574
		3188	Pohnpei	62,423	-	18,412	-	18,412	44,011
		3189	Pohnpei	38,747	-	15,063	-	15,063	23,684
		3190	Pohnpei	9,559	-	3,788	-	3,788	5,771
		3191	Pohnpei	48,600	-	11,560	-	11,560	37,040
		3188	Yap	-	-	1,427	-	1,427	(1,427)
		3189	Yap	-	-	77	-	77	(77)
		3190	Yap	-	-	42	-	42	(42)
			Program Total	1,215,212	-	50,369	10,875	61,244	1,153,968
			Total CFDA #17.250	9,389,906	6,804,910	486,735	473,686	7,765,331	1,624,575
	17.249		<u>School To Work</u>						
			<u>U-5120-5-00-88-60</u>						
		3448	National Government	302,860	131,471	-	86,074	217,545	85,315
		3181	Pohnpei	52,431	-	25,131	-	25,131	27,300
		3181	Kosrae	50,638	-	15,592	-	15,592	35,046
		3181	Yap	54,500	-	32,780	-	32,780	21,720
		3182	Chuuk	52,431	-	-	23,094	23,094	29,337
			Total CFDA #17.249	512,860	131,471	73,503	109,168	314,142	198,718
			Total U.S. Dept. of Labor	\$ 9,902,766	\$ 6,936,381	\$ 560,238	\$ 582,854	\$ 8,079,473	\$ 1,823,293

See accompanying notes to schedule of expenditures of federal awards.



**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued  
By Grantor  
Year Ended September 30, 1998

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1998 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures			
						Subrecipient	National Government					
U.S. Federal Direct Assistance Fund	10.555	3388	Food Service 89	\$ 206,873	\$ 203,715	\$ -	\$ 305	\$ 204,020	\$ 2,853			
			F97081	169,775	166,881	-	-	166,881	2,894			
			Yap	500,674	452,473	-	3,078	455,551	45,123			
			Kosrae	905,068	1,012,290	-	-	1,012,290	(107,222)			
			Polinpei	141,824	135,512	-	-	135,512	6,312			
			Chuuk	28,943	-	-	-	-	28,943			
			National Government	9,933	-	-	-	-	9,933			
			National Government	1,963,090	1,970,871	-	3,383	1,974,254	(11,164)			
			Total Program (CFDA #10.555)									
			U.S. Dept. of Agriculture	10.560	3338	Nutrition Education	57,886	39,354	-	-	39,354	18,532
F97190:												
National	57,886	39,354				-	-	39,354	18,532			
Total Program (CFDA #10.560)												
National	57,886	39,354				-	-	39,354	18,532			
U.S. Dept. of Agriculture	10.664	7708	Forestry 93	68,470	64,498	-	-	64,498	3,972			
			05-93-13	12,200	7,003	-	-	7,003	5,197			
			Polinpei	12,400	20,769	-	-	20,769	(8,369)			
			Chuuk	7,000	7,000	-	-	7,000	-			
			Kosrae	100,070	99,270	-	-	99,270	800			
			Yap									
			Program Total									
			Program Total	100,070	99,270	-	-	99,270	800			
			U.S. Dept. of Agriculture	10.664	7714	94 Forestry	28,107	22,281	-	-	22,281	5,826
						G-5-94-20-035	7,900	2,047	-	-	2,047	5,853
Polinpei	12,816	12,492				-	-	12,492	324			
Chuuk	11,577	5,901				-	-	5,901	5,676			
Yap	60,400	42,721				-	-	42,721	17,679			
Kosrae												
Program Total												
Program Total	60,400	42,721				-	-	42,721	17,679			
U.S. Dept. of Agriculture	10.664	7711				93 Fire Prevention	3,500	3,056	-	-	3,056	444
						G-5-93-20-043	5,000	4,120	-	-	4,120	880
			National Government	3,500	-	-	-	-	3,500			
			Polinpei	5,000	-	-	-	-	5,000			
			Chuuk	3,000	2,201	-	-	2,201	799			
			Yap	20,000	9,377	-	-	9,377	10,623			
			Kosrae	2,020,976	2,010,225	-	3,383	2,013,608	7,368			
			Program Total									
			Program Total	2,020,976	2,010,225	-	3,383	2,013,608	7,368			
			Balance forward									

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued  
By Grantor  
Year Ended September 30, 1998

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1998 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
U.S. Federal Direct Assistance Fund									
U.S. Dept. of Agriculture balance forwarded				\$ 2,020,976	\$ 2,010,225	\$ 3,383	\$ -	\$ 2,013,608	\$ 7,368
10.664			94 Fire Prevention G-5-94-20-097						
		7716	National	5,000	3,918	-	-	3,918	1,082
		7717	Pohnpei	10,000	7,148	-	-	7,148	2,852
		7717	Chuuk	8,500	1,530	-	-	1,530	6,970
		7717	Yap	11,000	6,531	-	-	6,531	4,469
		7717	Kosrae	8,500	9,285	-	-	9,285	(785)
			Program Total	43,000	28,412	-	-	28,412	14,588
10.664			95 Fire Prevention G-5-95-20-114						
		3407	National	6,000	4,862	-	-	4,862	1,138
		3408	Pohnpei	10,000	8,042	-	-	8,042	1,958
		3409	Chuuk	7,000	3,777	-	609	4,386	2,614
		3408	Yap	10,000	7,119	-	-	7,119	2,881
		3408	Kosrae	10,000	4,740	-	-	4,740	5,260
			Program Total	43,000	28,540	-	609	29,149	13,851
10.664			97 Fire Prevention G-5-97-20-027						
		3411	National	8,000	5,190	-	952	6,142	1,858
		3412	Pohnpei	11,000	2,216	8,494	-	10,710	290
		3413	Chuuk	10,000	1,427	-	3,968	5,395	4,605
		3412	Yap	11,000	1,844	9,031	-	10,875	125
		3412	Kosrae	10,000	-	7,984	-	7,984	2,016
			Program Total	50,000	10,677	25,509	4,920	41,106	8,894
10.664			95 Forestry G-5-95-20-042						
		7719	Pohnpei	22,900	12,669	927	-	13,596	9,304
		7717	Chuuk	4,000	3,132	-	-	3,132	868
		7719	Yap	11,200	7,988	1,099	-	9,087	2,113
		7719	Kosrae	-	490	-	-	490	(490)
			Program Total	38,100	24,279	2,026	-	26,305	11,795
			Balance forward	2,020,976	2,010,225	3,383	-	2,013,608	7,368

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued  
By Grantor  
Year Ended September 30, 1998

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	Subrecipient	1998 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
							National Government			
U.S. Federal Direct Assistance Fund										
U.S. Dept. of Agriculture balance forwarded				\$ 2,020,976	\$ 2,010,225	\$ 3,383	\$ -	\$ 2,013,608	\$ 7,368	
10.664			96 Forestry G-5-96-20-026							
		3302	National	9,000	5,495	-	2,146	7,641	1,359	
		3303	Pohnpei	6,000	5,084	425	-	5,509	491	
			Program Total	15,000	10,579	425	2,146	13,150	1,850	
10.664			97 Forestry/Resource Management PSW-97-0031CA							
		3308	National	1,235	-	-	1,235	1,235	-	
		3310	Pohnpei	8,850	-	4,656	-	4,656	4,194	
		3310	Yap	1,370	-	201	-	201	1,169	
		3310	Kosrae	5,000	-	-	-	-	5,000	
			Program Total	16,455	-	4,857	1,235	6,092	10,363	
10.664			97 Forestry/Seedling Nursery & Tree Improvement PSW-97-0031CA							
		3311	Pohnpei	2,000	-	660	-	660	1,340	
		3311	Yap	2,000	-	1,470	-	1,470	530	
		3311	Kosrae	2,000	-	-	-	-	2,000	
			Program Total	6,000	-	2,130	-	2,130	3,870	
10.664			97 Forestry/Urban Community AE7205							
		3309	National	2,675	-	-	2,495	2,495	180	
		3312	Pohnpei	38,055	-	8,931	-	8,931	29,124	
		3312	Yap	5,400	-	3,150	-	3,150	2,250	
		3312	Kosrae	4,500	-	62	-	62	4,438	
			Program Total	50,630	-	12,143	2,495	14,638	35,992	
10.664			97 Resource Management Training							
		3414	National	6,566	1,696	-	1,228	2,924	3,642	
10.664			98 Forestry/Urban Community G-5-98-20-017							
			Unallotted	134,680	-	-	-	-	134,680	
			National	8,375	-	-	-	-	8,375	
		3310	National	-	-	500	-	500	(500)	
		3316	Yap	-	-	7,454	-	7,454	(7,454)	
		3316	Kosrae	-	-	-	-	-	-	
			Program Total	143,055	-	7,954	-	7,954	135,101	
			Total CFDA #10.664	592,276	255,551	55,044	12,633	323,228	269,048	
			Total U.S. Dept. of Agriculture	\$ 2,613,252	\$ 2,265,776	\$ 58,427	\$ 12,633	\$ 2,336,836	\$ 276,416	

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued  
By Grantor  
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Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1998 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures	
						Subrecipient	National Government			
U.S. Federal Direct Assistance Fund U.S. Dept. of the Interior	15.904	3450 3451 3451 3451 3452	95 Historic Preservation							
			64-95-10113	\$ 88,351	\$ 88,080	\$ -	\$ -	\$ 88,080	\$ 271	
			National Government	44,850	42,501	-	-	42,501	2,349	
			Pohnpei	49,850	39,065	1,365	-	40,430	9,420	
			Kosrae	45,668	45,511	158	-	45,669	(1)	
			Yap	43,050	38,550	-	-	38,550	4,500	
			Chuuk							
			Program Total	271,769	253,707	1,523	-	255,230	16,539	
			96 Historic Preservation							
			64-96-11051	96,276	73,260	-	304	73,564	22,712	
National Government	44,550	40,760	4,064	-	44,824	(274)				
Pohnpei	43,050	10,228	28,281	-	38,509	4,541				
Kosrae	43,050	40,492	2,089	-	42,581	469				
Yap	31,250	16,152	-	999	17,151	14,099				
Chuuk										
Program Total	258,176	180,892	34,434	1,303	216,629	41,547				
97 Historic Preservation										
64-97-12010	29,176	-	-	29,175	29,175	1				
National Government	26,545	-	-	10,937	10,937	15,608				
Pohnpei	47,583	-	37,030	-	37,030	10,553				
Pohnpei	10,338	-	-	-	-	10,338				
Kosrae	47,584	-	35,171	-	35,171	12,413				
Kosrae	2,000	-	-	-	-	2,000				
Yap	47,583	-	47,415	-	47,415	168				
Yap	11,117	-	5,066	-	5,066	6,051				
Program Total	221,926	-	124,682	40,112	164,794	57,132				
98 Historic Preservation										
Yap	3460	-	359	-	359	(359)				
Program Total		-	359	-	359	(359)				
Total U.S. Dept. of the Interior (CFDA #15.904)			\$ 751,871	\$ 434,599	\$ 160,998	\$ 41,415	\$ 637,012	\$ 114,859		

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued  
By Grantor  
Year Ended September 30, 1998

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1998 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
U.S. Federal Direct Assistance Fund  U.S. Environmental Protection Agency	66.418	3589 3592	C640001-01-3: National Admin. PRSP-3 Pohnpei RSP  Program Total	\$ 16,000 734,000	\$ 17,033 413,429	\$ - -	\$ - 3,769	\$ 17,033 417,198	\$ (1,033) 316,802
				750,000	430,462	-	3,769	434,231	315,769
	66.418	3582 3581	C640003-02: Yap Sewer Connection Yap Sewer Connection/Admin.	531,134 15,934	525,019 15,467	- -	- -	525,019 15,467	6,115 467
				547,068	540,486	-	-	540,486	6,582
	66.418	3580	C640003-03: Yap Waste Water Treatment  Program Total	16,000 16,000	16,000 16,000	- -	- -	16,000 16,000	- -
	66.418	3593 3590	C640003-04: Ulithi Sewer System Ulithi Sewer System/Admin  Program Total	209,000 18,000	172,689 21,476	- -	- -	172,689 21,476	36,311 (3,476)
				227,000	194,165	-	-	194,165	32,835
	66.418	7582	C640003-05: Tomil On-Site Sewer System	39,650	37,864	-	-	37,864	1,786
			Balance forward	1,579,718	1,218,977	-	3,769	1,222,746	356,972

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued  
By Grantor  
Year Ended September 30, 1998

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1998 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
U.S. Federal Direct Assistance Fund									
U.S. Environmental Protection Agency balance forwarded				\$ 1,579,718	\$ 1,218,977	\$ -	\$ 3,769	\$ 1,222,746	\$ 356,972
66.418	3584 3585	C640004-01-0: Kosrae Waste Water/Admin. Const. Waste Water Facility	64,500 4,423,977	73,448 4,806,919	-	-	-	73,448 4,806,919	(8,948) (382,942)
		Program Total	4,488,477	4,880,367	-	-	-	4,880,367	(391,890)
66.418	7576	C640002-02: Chuuk Rural Sanitation Prog.	197,600	391,262	-	-	-	391,262	(193,662)
		Program Total	197,600	391,262	-	-	-	391,262	(193,662)
66.418	7580 3591	C640002-03: Chuuk House Sewer Connection Chuuk HSC Admin.	184,627 15,373	152,726 8,483	-	-	-	152,726 8,868	31,901 6,505
		Program Total	200,000	161,209	-	-	-	161,594	38,406
66.418	7581	C640001-06: Pohnpei RSP Supplemental	95,000	152,102	-	-	-	152,102	(57,102)
66.418	7351	93 Climate Change Study CX822560-01-0 National Government	275,000	258,669	-	-	10,468	269,137	5,863
		Total U.S. EPA (CFDA #66.418)	6,835,795	7,062,586	\$ -	\$ -	\$ 14,622	\$ 7,077,208	\$ (241,413)

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued  
By Grantor  
Year Ended September 30, 1998

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1998 Fiscal Year Expenditures			Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government			
U.S. Federal Direct Assistance Fund										
U.S. Department of Health and Human Services										
	13.268		Childhood Immunization Program '90							
		7615	Unallotted	\$ 2,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,000
		7616	National Government	64,581	68,172	-	-	68,172	68,172	(3,591)
		7617	Chuuk	5,255	10,183	-	-	10,183	10,183	(4,928)
		7617	Kosrae	357	19	-	-	19	19	338
		7617	Pohnpei	3,168	3,298	-	-	3,298	3,298	(130)
			Program Total (CFDA #13.268)	75,361	81,672	-	-	81,672	81,672	(6,311)
	13.902	7633	Treatment Program IH87 TI00054-0100 National Government	136,513	122,613	-	-	122,613	122,613	13,900
			Program Total (CFDA #13.902)	136,513	122,613	-	-	122,613	122,613	13,900
	13.994		Maternal & Child Health '89 89BIFMCHS:							
		7537	Yap	61,725	49,235	-	-	49,235	49,235	12,490
		7538	Yap	3,700	1,527	-	-	1,527	1,527	2,173
		7538	Kosrae	1,900	1,287	-	-	1,287	1,287	613
		7538	Pohnpei	5,381	1,760	-	-	1,760	1,760	3,621
		7538	Chuuk	7,700	4,759	-	-	4,759	4,759	2,941
		7539	Kosrae	27,055	4,171	-	-	4,171	4,171	22,884
		7541	Pohnpei	75,564	75,564	-	-	75,564	75,564	-
		7543	Chuuk	87,460	70,780	-	-	70,780	70,780	16,680
		7545	National Government	91,190	84,473	-	-	84,473	84,473	6,717
		7546	National Government	80,354	71,358	-	-	71,358	71,358	8,996
			Program Total (CFDA #13.994)	442,029	364,914	-	-	364,914	364,914	77,115
			Balance forward	653,903	569,199	-	-	569,199	569,199	84,704

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued  
By Grantor  
Year Ended September 30, 1998

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	Subrecipient	1998 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
							National Government			
U.S. Federal Direct Assistance Fund				\$	\$	\$	\$	\$	\$	\$
U.S. DHHS balance forwarded	93.110		94 State Sys. Develop. Initiative 1 MCI-64T046-01-0 National Government	653,903	569,199	-	-	569,199	84,704	
		7480	Pohnpei	2,072	2,072	-	-	2,072	-	
		7481	Chuuk	16,272	16,306	-	-	16,306	(34)	
		7481	Kosrae	18,034	20,941	-	-	20,941	(2,907)	
		7481	Yap	7,874	11,894	-	-	11,894	(4,020)	
			Program Total	44,652	51,613	-	-	51,613	(6,961)	
	93.110		95 SSDI 5 MCI-64T046-02 National Government	17,000	17,000	-	-	17,000	-	
		7387	Pohnpei	3,900	2,900	-	-	2,900	1,000	
		7388	Chuuk	14,422	17,234	-	-	17,234	(2,812)	
		7388	Kosrae	13,020	21,292	-	-	21,292	(8,272)	
		7388	Yap	9,668	8,743	-	-	8,743	925	
			Program Total	58,010	67,169	-	-	67,169	(9,159)	
	93.110		96 State System Dev. Init. 5 MCI-64T046-03 National Government	89,434	75,317	-	-	75,317	14,117	
		3648	Kosrae	6,777	4,043	-	-	4,043	2,734	
		3642	Chuuk	3,789	2,977	-	-	2,977	812	
			Program Total	100,000	82,337	-	-	82,337	17,663	
	93.110		97 SSDI Program 2-MCI-64T046-04-0 National Government	80,007	28,925	-	16,704	45,629	34,378	
		3732	Pohnpei	3,750	17	-	-	17	3,733	
		3733	Kosrae	3,750	-	-	-	-	3,750	
		3733	Yap	3,750	-	-	-	-	3,750	
		3734	Chuuk	8,743	3,348	-	1,055	4,403	4,340	
			Program Total	100,000	32,290	-	17,759	50,049	49,951	
			Balance forward	653,903	569,199	-	-	569,199	84,704	

See accompanying notes to schedule of expenditures of federal awards.



**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued  
By Grantor  
Year Ended September 30, 1998

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	Subrecipient	1998 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
							Subrecipient	National Government		
U.S. Federal Direct Assistance Fund				\$ 653,903	\$ 569,199	\$ -	\$ -	\$ 569,199	\$ 84,704	
U.S. DHHS balance forwarded	93.110	3761	98 SSDI Program 2-MCJ-64T046-05-0 National Government	110,000	-	-	59,014	59,014	50,986	
			Total CFDA #93.110	412,662	233,409	-	76,773	310,182	102,480	
	93.116	7362 7363 7363 7363 7363	94 Tuberculosis Control U52/CCU907874-03 National Government Pohnpei Chuuk Kosrae Yap	89,364 17,520 21,427 8,100 15,470	77,921 11,159 14,727 7,589 3,695	- - - - -	- - - - -	77,921 11,159 14,727 7,589 3,695	11,443 6,361 6,700 511 11,775	
			Program Total	151,881	115,091	-	-	115,091	36,790	
	93.116	7446 7447 7448 7448 7448 7448	95 Tuberculosis Control U52/CCU907874-04 Unallotted National Government Pohnpei Chuuk Kosrae Yap	15,172 57,689 20,194 25,883 13,809 17,876	- 32,012 16,948 18,961 8,289 13,257	- - - - -	- - - - -	- 32,012 16,948 18,961 8,289 13,257	15,172 25,677 3,246 6,922 5,520 4,619	
			Program Total	150,623	89,467	-	-	89,467	61,156	
	93.116	3664 3665 3665 3665 3666	96 Tuberculosis & AIDS. U52/CCU907874-05 National Government Pohnpei Kosrae Yap Chuuk	47,424 28,854 19,892 24,809 29,644	30,108 20,658 18,275 20,496 22,625	- - - - -	- - - - -	30,108 20,658 18,275 20,496 22,625	17,316 8,196 1,617 4,313 7,019	
			Program Total	150,623	112,162	-	-	112,162	38,461	
			Balance forward	1,066,565	802,608	-	76,773	879,381	187,184	

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT  
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Schedule of Expenditures of Federal Awards, Continued  
By Grantor  
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Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1998 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
U.S. Federal Direct Assistance Fund									
U.S. DHHS balance forwarded	93.116		97 TB & AIDS Program U52/CCU907874-06	\$ 1,066,565	\$ 802,608	\$ -	\$ 76,773	\$ 879,381	\$ 187,184
		3716	Unallotted	373	-	-	-	-	373
		3717	National Government	40,795	21,134	-	17,934	39,068	1,727
		3718	Pohnpei	25,271	8,519	4,350	-	12,869	12,402
		3718	Kosrae	12,942	3,969	5,193	-	9,162	3,780
		3718	Yap	21,129	4,834	4,446	-	11,849	11,849
		3719	Chuuk	26,111	13,933	-	5,582	19,515	6,596
			Program Total	126,621	52,389	13,989	23,516	89,894	36,727
	93.116		98 TB & AIDS Program U52/CCU907874-07	7,000	-	-	-	-	7,000
		3771	Unallotted	58,687	-	-	22,004	22,004	36,683
		3772	National Government	25,804	-	7,042	-	7,042	18,762
		3773	Pohnpei	11,125	-	6,330	-	6,330	4,795
		3773	Kosrae	19,363	-	12,579	-	12,579	6,784
		3774	Chuuk	26,644	-	-	11,018	11,018	15,626
			Program Total	148,623	-	25,951	33,022	58,973	89,650
			Total CFDA #93.116	728,371	369,109	39,940	56,538	465,587	262,784
	93.118		94 AIDS Surveillance U62/CCU906251-04	5,260	5,570	-	-	5,570	(310)
		7496	National Government						
	93.118		95 AIDS Surveillance U62/CCU906251-05	13,415	7,169	-	-	7,169	6,246
		7396	National Government						
	93.118		96 Aids Surveillance U62/CCU906251.06	6,973	1,017	-	3,131	4,148	2,825
		3730	National Government						
	93.118		98 Aids Surveillance U62/CCU906251.07	6,383	-	-	2,746	2,746	3,637
		3561	National Government						
			Total CFDA #93.118	32,031	13,756	-	5,877	19,633	12,398
			Balance forward	1,826,967	1,185,473	39,940	139,188	1,364,601	462,366

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT  
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Schedule of Expenditures of Federal Awards, Continued  
By Grantor  
Year Ended September 30, 1998

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	Subrecipient	1998 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
							National Government	Government		
U.S. Federal Direct Assistance Fund				\$ 1,826,967	\$ 1,185,473	\$ 39,940	\$ 139,188	\$ 1,364,601	\$ 462,366	
U.S. DHHS balance forwarded	93.119		95 MHIS 5 HR1 SM50914-03 National Government	113,123	104,402	-	4,603	109,005	4,118	
		7371	Pohnpei	17,760	10,527	-	-	10,527	7,233	
		7372	Kosrae	8,325	5,487	-	-	5,487	2,838	
		7372	Yap	5,690	5,051	-	-	5,051	639	
		3674	Chuuk	10,250	8,229	-	-	8,229	2,021	
			Program Total	155,148	133,696	-	4,603	138,299	16,849	
			Total CFDA #93.119	155,148	133,696	-	4,603	138,299	16,849	
	93.163	7483	93 PBI/Nurse Practice Act CSH006473-03-0 National Government	50,339	-	-	-	-	50,339	
	93.163	7484	93 PBI/Biomedical Services CSH006478-02-0 National Government	45,419	45,419	-	-	45,419	-	
	93.163	7485	93 PBI/Comm. Base Health CSH064710-01-0 Pohnpei	40,000	15,280	-	-	15,280	24,720	
	93.163	7381	94 PBI/Nurse Practice CSH006478-04-0 National Government	50,339	21,120	-	-	21,120	29,219	
	93.163	7382	94 PBI/Biomedical Service CSH006478-03-0 National Government	178,510	178,510	-	-	178,510	-	
	93.163	7383	94 PBI/Comm. Base Health Education CSH006710-02-0 National Government	40,000	-	-	-	-	40,000	
			Total CFDA #93.163	404,607	260,329	-	-	260,329	144,278	
			Balance forward	2,386,722	1,579,498	39,940	143,791	1,763,229	623,493	

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT  
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Schedule of Expenditures of Federal Awards, Continued  
By Grantor  
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Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1998 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
U.S. Federal Direct Assistance Fund				\$ 2,386,722	\$ 1,579,498	\$ 39,940	\$ 143,791	\$ 1,763,229	\$ 623,493
U.S. DHHS balance forwarded	93.217		94 Family Planning 09H-001777-8-0	37,229	30,259	-	-	30,259	6,970
		7463	Pohnpei	38,197	31,611	-	-	31,611	6,586
		7463	Chuuk	16,919	16,919	-	-	16,919	2,006
		7463	Kosrae	25,159	16,700	-	-	16,700	8,459
		7360	Yap	20,014	11,625	-	-	11,625	8,389
			National Government						
			Program Total	139,524	107,114	-	-	107,114	32,410
			95 Family Planning 09H-001777-09-1	41,209	33,573	-	-	33,573	7,636
	93.217	7365	Pohnpei	48,993	40,436	-	-	40,436	8,557
		7365	Chuuk	19,959	17,063	-	-	17,063	2,896
		7365	Kosrae	21,434	14,610	-	-	14,610	6,824
			Yap						
			Program Total	131,595	105,682	-	-	105,682	25,913
			96 Family Planning 09H-001777-10-0	42,096	27,042	-	-	27,042	15,054
	93.217	3750	Pohnpei	18,010	14,543	-	-	14,543	3,467
		7438	Chuuk	24,510	13,106	-	-	13,106	11,404
		7438	Kosrae	24,190	19,023	-	-	19,023	5,167
		7438	Yap	32,547	29,955	-	-	29,955	2,592
			Chuuk						
			Program Total	141,353	103,669	-	-	103,669	37,684
			97 Family Planning 09H-001777-11-0	15,000	7,006	-	-	7,006	7,994
	93.217	3677	Pohnpei	41,962	21,931	-	-	21,931	20,031
		3675	Kosrae	24,604	24,467	667	-	25,134	(530)
		3675	Yap	28,690	24,731	-	-	24,731	3,959
		3676	Chuuk	46,097	37,435	-	-	37,435	8,662
			Program Total	156,353	115,570	667	-	116,237	40,116
			Balance forward	2,386,722	1,579,498	39,940	143,791	1,763,229	623,493

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.	Total Authorization	Prior Expenditures	1998 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
U.S. Federal Direct Assistance Fund									
U.S. DHHS balance forwarded	93.217		98 Family Planning 09H-001777-12-0	\$ 2,386,722	\$ 1,579,498	\$ 39,940	\$ 143,791	\$ 1,763,229	\$ 623,493
		3759	National Government	4,500	-	-	3,700	3,700	800
		3745	Pohnpei	61,569	2,767	42,189	-	44,956	16,613
		3745	Kosrae	41,827	1,146	28,795	-	29,941	11,886
		3746	Chuuk	61,175	2,954	-	51,676	54,630	6,545
		3745	Yap	51,383	4,346	36,294	-	40,640	10,743
			Program Total	220,454	11,213	107,278	55,376	173,867	46,587
			99 Family Planning 09H-001777-13-0						
	93.217	3796	Unallotted	63,284	-	-	-	-	63,284
		3798	Pohnpei	22,865	-	4,845	-	4,845	18,020
		3798	Kosrae	13,281	-	-	-	-	13,281
		3798	Chuuk	17,975	-	3,923	-	3,923	14,052
		3798	Yap	14,411	-	4,857	2,894	7,751	6,660
			Program Total	131,816	-	13,625	2,894	16,519	115,297
			Total CFDA #93.217	921,095	443,248	121,570	58,270	623,088	298,007
			Balance forward	3,307,817	2,022,746	161,510	202,061	2,386,317	921,500

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.	Total Authorization	Prior Expenditures	1998 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
U.S. Federal Direct Assistance Fund				\$ 3,307,817	\$ 2,022,746	\$ 161,510	\$ 202,061	\$ 2,386,317	\$ 921,500
U.S. DHHS balance forwarded									
	93.224		94 CHC CSH901774-09-0	2,653 139,709	- 110,566	- -	- -	- 110,566	2,653 29,143
			Program Total	142,362	110,566	-	-	110,566	31,796
	93.224		95 CHC CSH901774-10-0	142,362	140,071	-	-	140,071	2,291
			Program Total	142,362	139,451	-	-	139,451	2,911
	93.224		96 Community Health Center CSH901774-11-0	233,456	65,323	75,113	-	140,436	93,020
			Program Total	233,456	65,323	75,113	-	140,436	93,020
	93.224		97 Community Health Center CSH901774-12-0	71,181	-	70,170	-	70,170	1,011
			Program Total	71,181	-	70,170	-	70,170	1,011
	93.224		98 Community Health Center CSH901774-13-0	731,723	455,411	145,283	-	600,694	131,029
			Program Total	731,723	455,411	145,283	-	600,694	131,029
	93.268		Immunization 92 H23/CCH904426-03	179,636	150,782	-	-	150,782	28,854
			Program Total	179,636	150,782	-	-	150,782	28,854
			National Government	9,471	9,470	-	-	9,470	1
			Chuuk	19,319	20,463	-	-	20,463	(1,144)
			Kosrae	141	141	-	-	141	-
			Yap	716	1,340	-	-	1,340	(624)
			Program Total	209,283	182,196	-	-	182,196	27,087
			Balance forward	4,039,540	2,478,157	306,793	202,061	2,987,011	1,052,529

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued  
By Grantor  
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Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1998 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
U.S. Federal Direct Assistance Fund									
U.S. DHHS balance forwarded				\$ 4,039,540	\$ 2,478,157	\$ 306,793	\$ 202,061	\$ 2,987,011	\$ 1,052,529
	93.268	7792	93 Immunization H23/CCH904426-04 National Government	157,507	155,692	-	-	155,692	1,815
		7793	Pohnpei	24,937	24,936	-	-	24,936	1
		7793	Chuuk	33,366	49,097	-	-	49,097	(15,731)
		7793	Yap	5,596	5,595	-	-	5,595	1
		7793	Kosrae	573	573	-	-	573	-
			Program Total	221,979	235,893	-	-	235,893	(13,914)
	93.268	7493	94 Immunization Program H23/CCH904426-05 National Government	287,025	260,119	-	-	260,119	26,906
		7494	Pohnpei	29,233	28,843	-	-	28,843	390
		7494	Chuuk	40,736	51,319	-	-	51,319	(10,583)
		7494	Kosrae	7,505	7,505	-	-	7,505	-
		7494	Yap	5,747	5,746	-	-	5,746	1
			Program Total	370,246	353,532	-	-	353,532	16,714
	93.268	7393	95 Immunization H23/CCH904426-06 National Government	270,411	269,374	-	-	269,374	1,037
		7394	Pohnpei	40,166	40,976	-	-	40,976	(810)
		7394	Chuuk	35,306	55,386	-	-	55,386	(20,080)
		7394	Kosrae	536	699	-	-	699	(163)
		7394	Yap	11,805	11,806	-	-	11,806	(1)
			Program Total	358,224	378,241	-	-	378,241	(20,017)
	93.268	3668	96 Immunization Program H23/CCH904426-07 National Government	201,172	192,331	-	-	192,331	8,841
		3669	Pohnpei	42,567	44,220	-	-	44,220	(1,653)
		3669	Kosrae	4,589	4,589	-	-	4,589	-
		3669	Yap	10,912	11,614	-	-	11,614	(702)
		3670	Chuuk	46,920	46,921	-	-	46,921	(1)
			Program Total	306,160	299,675	-	-	299,675	6,485
			Balance forward	4,039,540	2,478,157	306,793	202,061	2,987,011	1,052,529

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued  
By Grantor  
Year Ended September 30, 1998

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1998 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
U.S. Federal Direct Assistance Fund									
U.S. DHHS balance forwarded				\$ 4,039,540	\$ 2,478,157	\$ 306,793	\$ 202,061	\$ 2,987,011	\$ 1,052,529
	93.268		97 Immunization Program H23/CCH904426-08	60	-	-	-	-	60
		3709	Unallotted	234,304	116,003	-	91,798	207,801	26,503
		3710	National Government	59,157	26,224	-	-	40,012	19,145
		3711	Pohnpei	26,555	17,108	13,788	-	21,014	5,541
		3711	Kosrae	30,560	15,627	3,906	-	18,645	11,915
		3711	Yap	76,915	32,541	3,018	-	43,456	33,459
		3712	Chuuk				10,915		
			Program Total	427,551	207,503	20,712	102,713	330,928	96,623
	93.268		98 Immunization Program H23/CCH904426-09	231,147	-	-	155,704	155,704	75,443
		3768	National Government	56,127	-	28,256	-	28,256	27,871
		3769	Pohnpei	24,830	-	14,070	-	14,070	10,760
		3769	Kosrae	12,460	-	7,459	-	7,459	5,001
		3769	Yap	94,323	-	-	43,110	43,110	51,213
			Program Total	418,887	-	49,785	198,814	248,599	170,288
			Total CFDA #93.268	2,312,330	1,657,040	70,497	301,527	2,029,064	283,266
	93.283		93 Data Mgmt. Capacity H1G/CCH908215-01	26,975	22,895	-	-	22,895	4,080
		7799	National Government						
	93.283		96 Nutrition Intervention H75/CCH912116-01	14,670	12,167	-	1,096	13,263	1,407
		3691	National Government	41,645	35,062	-	1,096	36,158	5,487
			Total CFDA #93.283						
	93.630		93 Development Disabilities G-9301-FMBS84	68,613	-	-	-	-	68,613
		7466	Unallotted	152,137	128,665	-	-	128,665	23,472
		7467	National Government	220,750	128,665	-	-	128,665	92,085
			Program Total	6,393,515	4,170,259	377,290	504,684	5,052,233	1,341,282
			Balance forward						

See accompanying notes to schedule of expenditures of federal awards.



**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued  
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Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1998 Fiscal Year Expenditures			Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government	\$		
U.S. Federal Direct Assistance Fund										
U.S. DHHS balance forwarded				\$ 6,393,515	\$ 4,170,259	\$ 377,290	\$ 504,684	\$ 5,052,233	\$ 1,341,282	
	93.630		94 Development Disabilities G-9401-FMBS84 National Government	126,610	123,470	-	-	123,470	3,140	
		7374	Total CFDA #93.630	347,360	252,135	-	-	252,135	95,225	
	93.940		94 AIDS Prevention U62/CCU902703-08 National Government	40,077	37,131	-	-	37,131	2,946	
		7498	Pohnpei	9,105	9,104	-	-	9,104	1	
		7499	Chuuk	2,668	2,669	-	-	2,669	(1)	
		7499	Kosrae	9,181	11,644	-	-	11,644	(2,463)	
			Program Total	61,031	60,548	-	-	60,548	483	
	93.940		95 AIDS Prevention U62/CCU902703-09 National Government	5,115	5,115	-	-	5,115	-	
		7440	Pohnpei	10,527	12,229	-	-	12,229	(1,702)	
		7441	Chuuk	9,860	12,908	-	-	12,908	(3,048)	
		7441	Kosrae	6,893	6,893	-	-	6,893	-	
		7441	Yap	4,243	4,244	-	-	4,244	(1)	
			Program Total	36,638	41,389	-	-	41,389	(4,751)	
	93.940		96 AIDS Prevention U62/CCU902703-10 National Government	12,715	12,714	-	-	12,714	1	
		3681	Pohnpei	5,103	5,900	-	-	5,900	(797)	
		3682	Kosrae	5,088	5,113	-	-	5,113	(25)	
		3683	Chuuk	6,725	6,725	-	-	6,725	-	
			Program Total	29,631	30,452	-	-	30,452	(821)	
			Balance forward	6,740,875	4,422,394	377,290	504,684	5,304,368	1,436,507	

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT  
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Schedule of Expenditures of Federal Awards, Continued  
By Grantor  
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Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1998 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
U.S. Federal Direct Assistance Fund									
U.S. DHHS balance forwarded	93.940		97 AIDS Prevention Program U62/CCU902703-11	\$ 6,740,875	\$ 4,422,394	\$ 377,290	\$ 504,684	\$ 5,304,368	\$ 1,436,507
		3723	Unallotted	25,691	-	-	-	-	25,691
		3724	National Government	28,239	18,699	-	6,989	25,688	2,551
		3725	Kosrae	8,800	172	7,650	-	7,822	978
		3726	Chuuk	11,570	6,612	-	1,565	8,177	3,393
			Program Total	74,300	25,483	7,650	8,554	41,687	32,613
	93.940		98 AIDS Prevention Program U62/CCU902703-11						
		3787	Unallotted	10,079	-	-	-	-	10,079
		3788	National Government	22,120	-	-	13,838	13,838	8,282
		3788	Pohnpei	13,236	-	3,351	-	3,351	9,885
		3789	Kosrae	10,800	-	7,673	-	7,673	3,127
		3789	Yap	13,236	-	825	-	825	12,411
		3790	Chuuk	13,236	-	-	4,780	4,780	8,456
			Program Total	82,707	-	11,849	18,618	30,467	52,240
			Total CFDA #93,940	284,307	157,872	19,499	27,172	204,543	79,764
U.S. DHHS balance forwarded	93.958		94 Comm. Mental Health 94 B1 FM CMHS-01 National Government	80,062	66,433	-	-	66,433	13,629
	93.958		95 CMHS 95 B1 FM CMHS National Government	102,115	96,920	-	-	96,920	5,195
	93.958		96 Community Mental Health 96-B1-FM-CMHS National Government	102,115	101,422	-	-	101,422	693
	93.958		97 Community Mental Health 97-B1-FM-CMHS National Government	102,115	-	-	93,234	93,234	8,881
			Total CFDA #93,958	386,407	264,775	-	93,234	358,009	28,398
			Balance forward	7,411,589	4,845,041	396,789	625,090	5,866,920	1,544,669

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.	Total Authorization	Prior Expenditures	1998 Fiscal Year Expenditures			Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government			
U.S. Federal Direct Assistance Fund										
U.S. DHHS balance forwarded	93.959		93 Subs. Abuse Prevention 93 B1 FM SAPT-02	\$ 7,411,589	\$ 4,845,041	\$ 396,789	\$ 625,090	\$ 5,866,920	\$ 1,544,669	
		7464	National Government	138,185	97,988	-	-	97,988	40,197	
		7465	Pohnpei	65,000	62,114	-	-	62,114	2,886	
		7473	Chuuk	121,000	118,282	-	-	118,282	2,718	
		7473	Yap	30,800	15,421	-	-	15,421	15,379	
		7473	Yap	36,400	33,656	-	-	33,656	2,744	
		7473	Kosrae	18,000	16,923	-	-	16,923	1,077	
			Program Total	409,385	344,384	-	-	344,384	65,001	
	93.959		94 Substance Abuse Prevention & Treatment 94 B1 FM SAPT	\$ 427,356	\$ 378,762	-	-	\$ 378,762	\$ 48,594	
		7377	National Government	86,056	84,899	-	-	84,899	1,157	
		7378	Pohnpei	124,950	118,634	-	-	118,634	6,316	
		7378	Chuuk	122,150	124,216	-	-	124,216	(2,066)	
		7378	Kosrae	18,000	8,836	-	-	8,836	9,164	
		7378	Yap	25,000	21,340	-	-	21,340	3,660	
		7378	Yap	31,900	140	-	-	140	31,760	
		7385	Chuuk	19,300	20,697	-	-	20,697	(1,397)	
			Program Total	427,356	378,762	-	-	378,762	48,594	
	93.959		95 Substance Abuse Prevention & Treatment 95 B1 FM SAPT	\$ 7,411,589	\$ 4,845,041	\$ 396,789	\$ 625,090	\$ 5,866,920	\$ 1,544,669	
		3653	Unallotted	1,761	-	-	-	-	1,761	
		3654	National Government	125,488	118,478	-	-	118,478	7,010	
		3655	Pohnpei	90,100	86,467	-	-	86,467	3,633	
		3655	Kosrae	44,100	40,052	-	-	40,052	4,048	
		3655	Yap	27,000	23,484	-	-	23,484	3,516	
		3656	Pohnpei	16,900	14,439	-	-	14,439	2,461	
		3656	Yap	32,900	26,942	-	-	26,942	5,958	
		3657	Chuuk	111,090	87,398	-	-	87,398	23,692	
		3658	Chuuk	500	-	-	-	-	500	
		3659	Chuuk	14,270	7,089	-	-	7,089	7,181	
			Program Total	464,109	404,349	-	-	404,349	59,760	
			Balance forward	7,411,589	4,845,041	396,789	625,090	5,866,920	1,544,669	

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT  
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Schedule of Expenditures of Federal Awards, Continued  
By Grantor  
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Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1998 Fiscal Year Expenditures			Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government			
U.S. Federal Direct Assistance Fund										
U.S. DHHS balance forwarded	93.959		96 Substance Abuse Prevention & Treatment 96-B1-FM-SAPT	\$ 7,411,589	\$ 4,845,041	\$ 396,789	\$ 625,090	\$ 5,866,920	\$ 1,544,669	
		3692	Unallotted	450	-	-	-	-	450	
		3693	National Government	118,173	110,663	-	3,987	114,650	3,523	
		3702	Chuuk	114,035	113,575	-	311	113,886	149	
		3700	Pohnpei	89,371	86,718	19	-	86,737	2,634	
		3700	Kosrae	57,171	38,529	15,974	-	54,503	2,668	
		3700	Yap	53,169	40,259	7,486	-	47,745	5,424	
		3701	Yap	31,740	27,487	93	-	27,580	4,160	
			Program Total	464,109	417,231	23,572	4,298	445,101	19,008	
U.S. DHHS balance forwarded	93.959		97 Substance Abuse Prevention & Treatment 97-B1-FM-SAPT	\$ 2,277,442	\$ 1,544,726	\$ 221,992	\$ 241,740	\$ 2,008,458	\$ 268,984	
		3755	National Government	170,653	-	-	142,151	142,151	28,502	
		3756	Pohnpei	108,331	-	96,632	-	96,632	11,699	
		3756	Kosrae	63,033	-	48,968	-	48,968	14,065	
		3756	Yap	34,303	-	22,909	-	22,909	11,394	
		3757	Yap	32,336	-	29,911	-	29,911	2,425	
		3758	Chuuk	103,827	-	-	95,291	95,291	8,536	
			Program Total	512,483	-	198,420	237,442	435,862	76,621	
U.S. DHHS balance forwarded	93.977		92 Sexually Trans. Diseases H25/CCH904363-03-1	\$ 2,277,442	\$ 1,544,726	\$ 221,992	\$ 241,740	\$ 2,008,458	\$ 268,984	
		7695	Unallotted	210	-	-	-	-	210	
		7696	National Government	48,090	31,948	-	-	31,948	16,142	
		7697	Pohnpei	10,691	7,396	-	-	7,396	3,295	
			Program Total	58,991	39,344	-	-	39,344	19,647	
U.S. DHHS balance forwarded	93.977		94 Sexually Trans. Diseases H25/CCH904363-04	\$ 34,573	\$ 24,333	\$ -	\$ -	\$ 24,333	\$ 4,223	
		7356	National Government	28,556	24,333	-	-	24,333	4,223	
		7357	Pohnpei	6,017	6,017	-	-	6,017	-	
			Program Total	34,573	30,350	-	-	30,350	4,223	
Balance forward				9,689,031	6,389,767	618,781	866,830	7,875,378	1,813,653	

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT  
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Schedule of Expenditures of Federal Awards, Continued  
By Grantor  
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Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1998 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
U.S. Federal Direct Assistance Fund									
U.S. DHHS balance forwarded				\$ 9,689,031	\$ 6,389,767	\$ 618,781	\$ 866,830	\$ 7,875,378	\$ 1,813,653
	93.977		95 Sexually Trans. Diseases H25/CCH904363-05 National Government Pohnpei	31,673 6,300	26,314 5,998	-	-	26,314 5,998	5,359 302
			Program Total	37,973	32,312	-	-	32,312	5,661
	93.977		96 Sexually Trans. Diseases H58/CCH904363-06 Unallotted National Government Pohnpei	750 33,550 7,075	- 31,339 7,074	-	-	- 31,339 7,074	750 2,211 1
			Program Total	41,375	38,413	-	-	38,413	2,962
	93.977		97 STD Program H25/CCH904363-07 Unallotted National Government Pohnpei	1,250 29,584 7,140	- 21,935 5,112	-	-	- 25,835 6,951	1,250 3,749 189
			Program Total	37,974	27,047	1,839	3,900	32,786	5,188
	93.977		98 STD Program H25/CCH904363-08 National Government Pohnpei	40,163 7,140	-	-	2,116	2,116	38,047 7,140
			Program Total	47,303	-	-	2,116	2,116	45,187
			Total CFDA #93.977	258,189	167,466	1,839	6,016	175,321	82,868
	93.988		94 State-Base Diabetes U32/CCU910641-01 National Government Pohnpei Chuuk Kosrae Yap	36,690 8,400 8,400 8,400 8,400	30,336 5,789 22,543 8,319 611	-	-	30,336 5,789 22,543 8,319 611	6,354 2,611 (14,143) 81 7,789
			Program Total	70,290	67,598	-	-	67,598	2,692
			Balance forward	9,947,220	6,557,233	620,620	872,846	8,050,699	1,896,521

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.	Total Authorization	Prior Expenditures	1998 Fiscal Year Expenditures			Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government			
U.S. Federal Direct Assistance Fund				\$	\$	\$	\$	\$	\$	
U.S. DHHS balance forwarded	93.988		95 Diabetes U32/CCU910641-02	15,011	17,838	-	-	17,838	(2,827)	
		3651	National Government	-	-	-	-	-	-	
		3652	Pohnpei	-	-	-	-	-	-	
		3652	Chuuk	-	-	-	-	-	-	
		3652	Kosrae	8,083	1,302	-	-	1,302	6,781	
		3652	Yap	7,817	8,013	-	-	8,013	(196)	
			Program Total	30,911	27,153	-	-	27,153	3,758	
			96 Diabetes Program U32/CCU910641-03	8,774	8,773	-	-	8,773	1	
		3695	National Government	-	-	-	-	-	-	
		3696	Pohnpei	565	565	-	-	565	-	
		3696	Kosrae	3,031	3,031	-	-	3,031	-	
		3697	Chuuk	6,813	6,813	-	-	6,813	-	
			Program Total	19,183	19,182	-	-	19,182	1	
			97 Diabetes Program U32/CCU910641-04	41,565	662	-	-	34,745	41,565	
		3747	Unallotted	41,690	-	-	-	6,945	6,945	
		3751	National Government	5,600	-	-	-	5,617	(17)	
		3753	Pohnpei	6,000	-	-	-	6,000	-	
		3752	Kosrae	13,600	2,136	-	-	10,283	3,317	
		3752	Chuuk	6,000	-	-	-	3,754	2,246	
		3752	Yap	-	-	-	-	-	-	
			Program Total	114,455	2,798	-	-	60,399	54,056	
			98 Diabetes Program U32/CCU910641-05	36,027	-	-	-	904	36,027	
		3562	Unallotted	11,500	-	-	-	2,916	10,596	
		3563	National Government	5,000	-	-	-	2,084	2,916	
		3564	Pohnpei	5,000	-	-	-	-	5,000	
		3564	Kosrae	5,000	-	-	-	906	4,094	
		3564	Yap	7,851	-	-	-	1,423	6,428	
		3565	Chuuk	-	-	-	-	-	-	
			Program Total	70,378	-	2,990	2,327	5,317	65,061	
			Total CFDA #93.988	305,217	116,731	18,361	44,557	179,649	125,568	
			Balance forward	10,252,437	6,673,964	638,981	917,403	8,230,348	2,022,089	

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Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1998 Fiscal Year Expenditures			Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government			
U.S. Federal Direct Assistance Fund				\$	\$	\$	\$	\$	\$	
U.S. DHHS balance forwarded	93.991		93 Preventive Health 93-B1-FM-PRVS	10,252,437	6,673,964	638,981	917,403	8,230,348	2,022,089	
		7471	Unallotted	18,372	-	-	-	-	18,372	
		7472	National Government	19,650	11,698	-	-	11,698	7,952	
		7472	Pohnpei	17,918	17,174	-	-	17,174	744	
		7472	Chuuk	19,292	15,300	-	-	15,300	3,992	
		7472	Kosrae	10,000	9,112	-	-	9,112	888	
		7472	Yap	12,572	12,516	-	-	12,516	56	
			Program Total	97,804	65,800	-	-	65,800	32,004	
	93.991		94 PH & PH 94-B1-FM-PRVS	103,690	50,868	-	-	50,868	52,822	
		7352	Unallotted	7,671	-	-	-	-	7,671	
		7488	National Government	25,350	20,259	-	-	20,259	5,091	
		7489	Pohnpei	21,917	9,242	-	-	9,242	12,675	
		7489	Chuuk	23,591	1,800	-	-	1,800	21,791	
		7489	Kosrae	11,790	7,116	-	-	7,116	4,674	
		7489	Yap	13,371	12,451	-	-	12,451	920	
			Program Total	103,690	50,868	-	-	50,868	52,822	
	93.991		95 Preventive Health & PH 95-B1-FM-PRVS	104,204	68,931	-	-	68,931	35,273	
		3644	National Government	28,325	20,764	-	-	20,764	7,561	
		3645	Pohnpei	21,917	5,475	-	-	5,475	16,442	
		3645	Kosrae	13,500	9,090	-	-	9,090	4,410	
		3645	Yap	16,871	16,388	-	-	16,388	483	
		3646	Chuuk	23,591	17,214	-	-	17,214	6,377	
			Program Total	104,204	68,931	-	-	68,931	35,273	
	93.991		96 PH & PH 96-B1-FM-PRVS-01	109,287	63,129	995	(713)	63,411	45,876	
		3705	Unallotted	26,287	-	-	-	-	26,287	
		3706	National Government	45,000	39,445	-	-	39,445	6,268	
		3707	Pohnpei	10,000	8,462	-	-	8,462	1,538	
		3707	Kosrae	8,000	1,317	-	-	1,317	6,683	
		3707	Yap	9,300	7,965	995	-	8,960	340	
		3708	Chuuk	10,700	5,940	-	-	5,940	4,760	
			Program Total	109,287	63,129	995	(713)	63,411	45,876	
			Balance forward	10,252,437	6,673,964	638,981	917,403	8,230,348	2,022,089	

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT  
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Schedule of Expenditures of Federal Awards, Continued  
By Grantor  
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Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1998 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
U.S. Federal Direct Assistance Fund									
U.S. DHHS balance forwarded	93.991		97 PH & PH 97-BI-FM-PRYS	\$ 10,252,437	\$ 6,673,964	\$ 638,981	\$ 917,403	\$ 8,230,348	\$ 2,022,089
		3763	Unallotted	76,826	-	-	-	-	76,826
		3764	National Government	10,700	-	-	16,641	16,641	(5,941)
			Program Total	87,526	-	-	16,641	16,641	70,885
			Total CFDA #93.991	502,511	248,728	995	15,928	265,651	236,860
	93.994		93 MCH 93BIFMCHS						
		7451	Unallotted	38,846	-	-	-	-	38,846
		7452	National Government	53,003	45,818	-	-	45,818	7,185
		7453	National Government	113,920	92,474	-	-	92,474	21,446
		7454	Pohnpei	98,914	100,051	-	-	100,051	(1,137)
		7454	Chuuk	99,981	98,615	-	-	98,615	1,366
		7454	Kosrae	40,312	33,773	-	-	33,773	6,539
		7454	Yap	55,646	53,188	-	-	53,188	2,458
		7455	Pohnpei	6,000	176	-	-	176	5,824
		7455	Chuuk	5,500	5,456	-	-	5,456	44
		7455	Kosrae	7,200	6,800	-	-	6,800	400
		7456	Kosrae	6,220	4,355	-	-	4,355	1,865
		7455	Yap	4,500	3,995	-	-	3,995	505
			Program Total	530,042	444,701	-	-	444,701	85,341
	93.994		94 MCH 94BIFMCHS						
		7487	National Government	54,582	41,929	-	-	41,929	12,653
		7488	National Government	163,746	111,144	-	-	111,144	52,602
		7489	Pohnpei	103,665	83,038	-	-	83,038	20,627
		7489	Chuuk	107,322	107,290	-	-	107,290	32
		7489	Kosrae	52,093	44,308	-	-	44,308	7,785
		7489	Yap	64,412	58,244	-	-	58,244	6,168
			Program Total	545,820	445,953	-	-	445,953	99,867
			Balance forward	10,754,948	6,922,692	639,976	933,331	8,495,999	2,258,949

See accompanying notes to schedule of expenditures of federal awards.



**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued  
By Grantor  
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Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1998 Fiscal Year Expenditures			Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government			
U.S. Federal Direct Assistance Fund										
U.S. DHHS balance forwarded	93.994		95 MCH 95B1FMCHS	\$ 10,754,948	\$ 6,922,692	\$ 639,976	\$ 933,331	\$ 8,495,999	\$ 2,258,949	
		7442	Unallotted	8,519	-	-	-	-	8,519	
		7443	National Government	54,490	43,359	-	-	43,359	11,131	
		7444	National Government	136,382	89,941	-	14,880	104,821	31,561	
		7445	Pohnpei	97,777	84,360	-	-	84,360	13,417	
		7445	Chuuk	37,834	28,732	-	-	28,732	9,102	
		7445	Kosrae	55,917	51,107	-	-	51,107	4,810	
		7490	Yap	64,484	59,228	-	-	59,228	5,256	
		7490	Pohnpei	11,943	11,943	-	-	11,943	-	
		7490	Kosrae	4,821	4,821	-	-	4,821	-	
		3728	Chuuk	71,480	6,510	-	-	6,510	64,970	
		7490	Chuuk	-	57,491	-	-	57,491	(57,491)	
			Program Total	543,647	437,492	-	14,880	452,372	91,275	
	93.994		96 MCH Program 96-B1-FM-MCHS							
		3685	National Government	59,081	44,831	-	6,116	50,947	8,134	
		3686	National Government	130,622	50,762	-	2,200	52,962	77,660	
		3688	Chuuk	100,407	97,806	-	2,977	100,783	(376)	
		3704	Chuuk	15,262	2,785	-	-	2,785	12,477	
		3689	Pohnpei	97,907	72,168	1	-	72,169	25,738	
		3703	Pohnpei	11,943	11,855	-	-	11,855	88	
		3689	Kosrae	55,917	54,438	309	-	54,747	1,170	
		3703	Kosrae	5,267	-	-	-	-	5,267	
		3689	Yap	61,957	52,655	3,330	-	55,985	5,972	
			Program Total	538,363	387,300	3,640	11,293	402,233	136,130	
	93.994		97 MCH 97-B1-FM-MCHS							
		3735	Unallotted	15,003	-	-	-	-	15,003	
		3736	National Government	60,266	6,167	-	42,091	48,258	12,008	
		3737	National Government	133,146	21,395	-	47,158	68,553	64,593	
		3738	Pohnpei	103,713	363	80,978	-	81,341	22,372	
		3738	Kosrae	43,888	-	38,821	-	38,821	5,067	
		3738	Kosrae	4,866	-	-	-	-	4,866	
		3738	Yap	56,677	-	50,178	-	50,178	6,499	
		3740	Chuuk	103,389	-	-	81,283	81,283	22,106	
		3741	Chuuk	15,413	-	-	12,571	12,571	2,842	
			Program Total	536,361	27,925	169,977	183,103	381,005	155,356	
			Balance forward	10,754,948	6,922,692	639,976	933,331	8,495,999	2,258,949	

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued  
By Grantor  
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Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1998 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
U.S. Federal Direct Assistance Fund				\$ 10,754,948	\$ 6,922,692	\$ 639,976	\$ 933,331	\$ 8,495,999	\$ 2,258,949
U.S. DHHS balance forwarded	93.994		98 MCH 98-B1-FMMCHS						
		3778	Unallotted	464,237	-	-	-	-	464,237
		3779	National Government	15,341	-	-	3,961	3,961	11,380
		3790	National Government	57,500	-	-	18,743	18,743	38,757
		3790	Yap	-	-	1,296	-	1,296	(1,296)
			Program Total	537,078	-	1,296	22,704	24,000	513,078
			Total CFDA #93.994	3,231,311	1,743,371	174,913	231,980	2,150,264	1,081,047
			Total U.S. Dept. of Health and Human Services	\$ 13,986,259	\$ 8,666,063	\$ 814,889	\$ 1,165,311	\$ 10,646,263	\$ 3,339,996

See accompanying notes to schedule of expenditures of federal awards.

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Schedule of Expenditures of Federal Awards, Continued  
By Grantor  
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Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	Fiscal Year 1998 Expenditures			Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government			
U.S. Federal Direct Assistance Fund  Federal Emergency Management Agency (FEMA)	83.505	3866	94 Disaster Preparedness EMF-94-K-0435 National Government	\$ 25,000	\$ 17,694	\$ -	\$ -	\$ 17,694	\$ 7,306	
	83.505	3867 3868	95 Disaster Preparedness-IG EMF-95-K-0565 Unallotted National Government	1,000 49,000	- 43,858	- -	- -	43,858	1,000 5,142	
			Program Total	50,000	43,858	-	-	43,858	6,142	
	83.505	3812	96 Disaster Preparedness EMF-96-PA-0606 National Government	50,000	63,441	-	2,395	65,836	(15,836)	
	83.505	3877	97 Disaster Preparedness EMF-97-PA-0309 National Government	38,000	6,561	-	15,580	22,141	15,859	
	83.505	3816	98 Disaster Preparedness EMF-98-PA-9008 National Government	50,000	-	-	1,821	1,821	48,179	
			Total CFDA #83.505	213,000	131,554	-	19,796	151,550	61,650	
	83.516		FEMA-934-DR-FSM Typhoon Axel PA							
		3842 3837 3837 3837	National Government/Admin. Pohnpei Yap Kosrae	13,313 655,682 - 36,184	12,461 178,308 - -	- - 31,992 -	- - -	12,461 178,308 31,992 -	852 477,374 (31,992) 36,184	
			Program Total	705,179	190,769	31,992	-	222,761	482,418	
	83.516	3826	FEMA -886-DR-FSM Typhoon Owen IFG Chuuk	6,406,904	6,188,383	-	-	6,188,383	218,521	
			Balance forward	213,000	131,554	-	19,796	151,550	61,650	

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT  
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Schedule of Expenditures of Federal Awards, Continued  
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Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	Fiscal Year 1998 Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
U.S. Federal Direct Assistance Fund				\$ 213,000	\$ 131,554	\$ -	\$ 19,796	\$ 151,350	\$ 61,650
FEMA balance forwarded									
	83.516		FEMA -886-DR-FSM Typhoon Owen PA						
		3820	Chuuk	1,667,674	161,860	-	-	161,860	1,505,814
		3821	Yap	822,353	-	-	-	-	822,353
		3824	National Government	40,771	-	-	-	-	40,771
		3830	National Government	33,472	-	-	-	-	33,472
			Program Total	2,564,270	161,860	-	-	161,860	2,402,410
	83.516		FEMA-892-FSM Typhoon Russ PA						
		3823	Pohnpei	324,200	560,913	-	-	560,913	(236,713)
		3829	National	8,213	-	-	-	-	8,213
			Program Total	332,413	560,913	-	-	560,913	(228,500)
	83.516		FEMA-892-DR-FSM Typhoon Russ IFG						
		3828	Pohnpei	129,401	123,481	-	-	123,481	5,920
	83.516		FEMA-926-DR-FSM Typhoon Yuri PA						
		3834	Pohnpei	647,938	(6,106)	-	-	(6,106)	654,044
		3840	Chuuk	199,764	27,431	-	-	27,431	172,333
		3841	National Government	3,484	367,513	-	-	367,513	(364,029)
		3843	National Government	19,300	3,485	-	3,527	7,012	12,288
			Program Total	870,486	392,323	-	3,527	395,850	474,636
	83.516		FEMA-926-FSM Typhoon Yuri IFG						
		3830	Pohnpei	375,000	455,682	-	-	455,682	(80,682)
			Total CFDA #83.516	11,383,653	8,073,411	31,992	3,527	8,108,930	3,274,723
	83.519		Hazard Mitigation FEMA-892-FSM						
			Unallotted	744	-	-	-	-	744
		3848	National Government	394	-	-	-	-	394
		3852	Pohnpei	12,398	12,398	-	-	12,398	-
			Program Total	13,536	12,398	-	-	12,398	1,138
			Balance forward	11,596,653	8,204,965	31,992	23,323	8,260,280	3,336,373

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT  
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Schedule of Expenditures of Federal Awards, Continued  
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Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	Fiscal Year 1998 Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
U.S. Federal Direct Assistance Fund									
FEMA balance forwarded				\$ 11,596,653	\$ 8,204,965	\$ 31,992	\$ 23,323	\$ 8,260,280	\$ 3,336,373
	83.519		Hazard Mitigation FEMA-886-FSM						
		3846	Unallotted	751	-	-	-	-	751
		3847	National/HMGP Grantee Admin.	15,851	10,002	-	3,753	13,755	2,096
		3881	National/Local Plant Grant	155,000	-	-	19,197	19,197	135,803
		3882	National/Local Plant Grant	6,200	-	-	821	821	5,379
		3854	Chuuk	187,000	94,004	-	-	94,004	92,996
		3855	Yap	26,911	21,721	-	-	21,721	5,190
		3856	Yap	313,716	206,499	24,722	-	231,221	82,495
		3857	Yap	114,485	112,557	-	-	112,557	1,928
		3836	Yap	79,147	8,796	-	-	8,796	70,351
		3878	Yap	207,000	-	-	-	-	207,000
		3880	Yap	92,897	-	570,743	-	570,743	(477,846)
		3870	Chuuk	7,729	-	-	-	-	7,729
		3869	Chuuk	61,237	-	-	-	-	61,237
		3879	Kosrae	362,509	-	-	-	-	362,509
			Program Total	1,630,433	453,579	595,465	23,771	1,072,815	557,618
	83.519		Hazard Mitigation FEMA-926-FSM						
		3849	National Government	7,224	5,730	-	-	5,730	1,494
		3851	Pohnpei	9,308	8,580	1,441	-	10,021	(713)
		3858	Pohnpei	23,202	23,202	-	-	23,202	-
		3859	Pohnpei	207,700	173,682	23,212	-	196,894	10,806
			Program Total	247,434	211,194	24,653	-	235,847	11,587
	83.519		Hazard Mitigation FEMA-934-FSM						
		3850	National Government	1,846	-	-	-	-	1,846
		3860	Kosrae	18,829	-	3,871	-	3,871	14,958
		3861	Kosrae	58,216	-	-	-	-	58,216
			Program Total	78,891	-	3,871	-	3,871	75,020
			Balance forward	11,596,653	8,204,965	31,992	23,323	8,260,280	3,336,373

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued  
By Grantor  
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Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	Fiscal Year 1998 Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
U.S. Federal Direct Assistance Fund									
FEMA balance forwarded				\$ 11,596,653	\$ 8,204,965	\$ 31,992	\$ 23,323	\$ 8,260,280	\$ 3,336,373
	83.519		Hazard Management Cost FEMA-886-934						
		3862	Unallotted	1,600	-	-	-	-	1,600
		3864	Chuuk	36,000	9,027	-	-	9,027	26,973
		3864	Yap	32,000	28,604	-	-	28,604	3,396
		3864	Pohnpei	10,400	-	-	-	-	10,400
		3853	National Government	9,455	11,959	-	(2,549)	9,410	45
			Program Total	89,455	49,590	-	(2,549)	47,041	42,414
			Total CFDA #83.519	2,059,749	726,761	623,989	21,222	1,371,972	687,777
			Typhoon Fern FEMA-DR-1166-FM						
		3872	National/Grantee Admin.	27,749	4,677	-	8,910	13,587	14,162
		3873	Yap/Public Assistance	1,662,254	-	-	-	-	1,662,254
		3874	Yap/Sub-Grantee Admin.	39,636	-	-	-	-	39,636
			Program Total	1,729,639	4,677	-	8,910	13,587	1,716,052
			Typhoon Fern FEMA-1166-DR-FM						
		3885	National/HMGP Grantee Admin.	6,387	-	-	4,870	4,870	1,517
		3887	Yap State	261,366	-	502,965	-	502,965	(241,599)
		3886	Yap/HMGP Sub-Grantee Admin.	7,970	-	-	-	-	7,970
			Program Total	275,723	-	502,965	4,870	507,835	(232,112)
			Typhoon Fern Hazard Management Cost FEMA-1166-DR-FM						
		3875	National Government	61,782	-	-	4,308	4,308	57,474
		3883	Yap State	66,551	-	3,774	-	3,774	62,777
			Program Total	128,333	-	3,774	4,308	8,082	120,251
			Balance forward	15,790,097	8,936,403	1,162,720	62,633	10,161,756	5,628,341

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT  
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Schedule of Expenditures of Federal Awards, Continued  
By Grantor  
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Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	Fiscal Year 1998 Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
U.S. Federal Direct Assistance Fund				\$ 15,790,097	\$ 8,936,403	\$ 1,162,720	\$ 62,633	\$ 10,161,756	\$ 5,628,341
FEMA balance forwarded									
			<b>El Nino Drought</b>						
			<b>FEMA-1213-DR-FM</b>						
		3807	National/Grantee Admin.	12,408	-	-	7,600	7,600	4,808
		3808	National/PA Management Cost	8,063	-	-	-	-	8,063
		3809	National/Public Assistance	15,244	-	-	-	-	15,244
		3810	Pohnpei/Public Assistance	50,513	-	38	-	38	50,475
		3811	Pohnpei/Sub-Grantee Admin.	2,021	-	1,946	-	1,946	75
		3813	Yap/Public Assistance	520,052	-	-	-	-	520,052
		3813	Yap/Sub-Grantee Admin.	15,478	-	-	-	-	15,478
		3813	Chuuk/Public Assistance	211,112	-	-	-	-	211,112
		3814	Chuuk/Sub-Grantee Admin.	6,630	-	-	-	-	6,630
			<b>Program Total</b>	<b>841,521</b>	<b>-</b>	<b>1,984</b>	<b>7,600</b>	<b>9,584</b>	<b>831,937</b>
			<b>Total Federal Emergency Management Agency</b>	<b>\$ 16,631,618</b>	<b>\$ 8,936,403</b>	<b>\$ 1,164,704</b>	<b>\$ 70,233</b>	<b>\$ 10,171,340</b>	<b>\$ 6,460,278</b>

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT  
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Schedule of Expenditures of Federal Awards, Continued  
By Grantor  
Year Ended September 30, 1998

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	Fiscal Year 1998 Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
U.S. Federal Direct Assistance Fund									
U.S. Department of Transportation - Federal Aviation Administration	20.106	N/A	Chuuk International Airport	\$ 721,000	\$ 688,053	\$ -	\$ -	\$ 688,053	\$ 32,947
			Total U.S. Federal Aviation Administration	\$ 721,000	\$ 688,053	\$ -	\$ -	\$ 688,053	\$ 32,947
U.S. National Oceanic and Atmospheric Administration	11.460	N/A	National Government	\$ 2,004,481	\$ 3,328,642	\$ -	\$ 665,699	\$ 3,994,341	\$ (1,989,860)
			Total National Oceanic and Atmospheric Administration	\$ 2,004,481	\$ 3,328,642	\$ -	\$ 665,699	\$ 3,994,341	\$ (1,989,860)
			Total U.S. Federal Direct Assistance	\$ 72,068,997	\$ 49,923,452	\$ 4,338,717	\$ 3,984,827	\$ 58,246,996	\$ 13,822,001

See accompanying notes to schedule of expenditures of federal awards.



**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Non U.S. Direct Assistance Grants  
Statement of Expenditures By Grantor  
Year Ended September 30, 1998

Grantor	Org. No.	Grantor Title	1998 Expenditures National Government
Other Direct Assistance Fund:			
World Health Organization	3893	Leprosy elimination program	\$ 28,481
	3911	Vital Statistics Training	9,677
	3912	Food Safety & Sanitation Training	7,468
	3915	Family Plan Administration	25
	3917	Dental and Traumatic	98
	3970	Health Promotion WSP	2,685
	3972	Breast Feeding WKP	1,060
	3976	FY89 Leprosy	55,602
	7415	Health Planning	380
	7416	Drinking Water Program	540
	7803	AIDS Prevention Control	9,874
	7838	FY92 Family Health Program	19,039
			<u>134,929</u>
South Pacific Commission Grants	3931	Climate Change Program	3,436
	7426	FSM Port Sampling	8,803
	7428	Capital Building For S. Dev.	2,431
		<u>14,670</u>	
United Nations	3950	National Execution WP	197
	3975	Micronesia Entrepreneur Development	16,064
	7424	FY94 Pop & Housing CE	14,588
	3889	TCP/Nutrition Program	1,759
	3916	Family Food Production	4,841
	3930	Family Food Production	7,006
	7401	Vitamin A Project	700
	7404	Family Food Production	17,844
	7834	TCP/Nutrition Program	14,263
	3892	Family Health Program	61,031
3910	Family Health Program	1,926	
		<u>140,219</u>	
		<u>289,818</u>	

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Non U.S. Direct Assistance Grants  
Statement of Expenditures By Grantor  
Year Ended September 30, 1998

Grantor	Org. No.	Grantor Title	1998 Expenditures National Government
Other Direct Assistance Fund, Balance Forwarded			\$ 289,818
Forum Fisheries Agency	3906	Support for Regulations	12,648
	7824	FSM Port Sampling	46,442
			<u>59,090</u>
Australian Government Grants	3928	FSM World Water Day	195
	7808	Micronesian Patient Administration	11,115
			<u>11,310</u>
Girls Scout Holding	3909	Girls Scout	<u>109</u>
Wetland International	3895	JFGE Mangrove Project	13,330
	3919	Ramsar WCF Project	317
			<u>13,647</u>
Total Non-U.S. Grants			\$ <u><u>373,974</u></u>
Total U.S. Federal Direct Assistance and Non-U.S. Grants Expenditures			\$ <u><u>4,358,801</u></u>
Reconciliation to general purpose financial statements			
Balance per the above			\$ 4,358,801
Less amounts which relate to foreign grants			<u>(373,974)</u>
Net federal share			<u><u>3,984,827</u></u>
Amount per general purpose financial statements			\$ 4,317,386
Add amount included in financials which relate to OIA (page 112)			<u>41,415</u>
			<u><u>\$ 4,358,801</u></u>

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

**Schedule of Expenditures of Federal Awards, Continued  
By Grantor  
Year Ended September 30, 1998**

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1998 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
<b>OTIA TECHNICAL ASSISTANCE:</b>	15,875								
FSM-24		3487	Automated Land Record System	\$ 43,866	\$ 50,840	\$ -	\$ -	\$ 50,840	\$ (6,974)
FSM-24		7888	Land Survey Record	30,000	21,460	-	-	21,460	8,540
FSM-25		3488	Financial Advisor	133,000	-	-	-	-	133,000
FSM-25		3488	Computer Advisor	56,000	55,596	-	-	55,596	404
FSM-38		3505	Economic Newsletter	200,020	158,571	-	-	158,571	41,449
N/A		3506	Single Audit	340,000	16,231	-	-	16,231	323,769
FSM-35		3511	National Health Care Plan	22,900	16,827	-	-	16,827	6,073
N/A		3512	Single Audit 88	375,000	366,699	-	-	366,699	8,301
FSM-31		3513	Financial Management System	252,655	237,495	-	-	237,495	15,160
FSM-44		7507	Anti-Drug Training	28,170	11,515	-	-	11,515	16,655
FSM-45		7508	Comprehensive Needs	379,450	378,322	-	-	378,322	1,128
FSM-46		7509	Procurement Management Training	13,600	12,054	-	-	12,054	1,546
N/A		7510	Single Audit '89	350,000	348,915	-	-	348,915	1,085
FSM-48		7512	Cash Management Study	45,000	35,000	-	-	35,000	10,000
FSM-50		7514	Improvement of Radiology	14,200	14,200	-	-	14,200	-
FSM-50		7515	Custom Advisor	96,000	84,165	-	-	84,165	11,835
FSM-47		7516	Single Audit 90	350,000	328,347	-	-	328,347	21,653
N/A		7517	Intercensal Survey	4,000	4,000	-	-	4,000	-
FSM-51		7517	Material Man. Works	6,000	4,979	-	-	4,979	1,021
FSM-53		7518	Kosrae Sec. Dev. Plan	50,000	25,000	-	-	25,000	25,000
FSM-54		7852	Vital Statistics	24,576	22,820	-	-	22,820	1,756
FSM-55		7853	Tourism Educ. Video	32,000	26,351	-	-	26,351	5,649
FSM-56		7854	Short-Term Health	40,000	31,000	-	-	31,000	9,000
FSM-57		7855	Pohnpei Utilities Corporation	110,000	99,383	-	-	99,383	10,617
FSM-58		7856	FY-91 Single Audit	355,000	353,105	-	-	353,105	1,895
N/A		7857	FSM Capital Comp.	61,360	47,618	-	-	47,618	13,742
OMIP-FSM-91		7859	IMPS	5,200	4,569	-	-	4,569	631
FSM-59		7863	Initial. of PUC	430,250	422,767	(2,919)	-	419,848	10,402
OMIP-Pohnpei-91-1		7864	Detector Dog Prog.	45,000	36,419	-	-	36,419	8,581
PIR-91-1-FSM		7866	On-Island Anti-Substance Abuse	25,000	15,742	-	-	15,742	9,258
PIR-91-2-FSM		7867	PIRAAP Conference	15,000	13,531	-	-	13,531	1,469
PIR-91-3-FSM		7868	PIRAAP Conference	4,000	2,892	-	-	2,892	1,108
PIR-91-5-FSM		7869	PIRAAP Ranger Train.	3,000	1,180	-	-	1,180	1,820
PIR-91-8-FSM		7870	ONDCCP Conference	5,000	4,727	-	-	4,727	273
PIR-91-9-FSM		7871	FBI Regional Training	75,000	71,134	-	-	71,134	3,866
OMIP-KOS-91-1		7872	Kosrae School Maintenance	25,000	10,474	-	-	10,474	14,526
OMIP-KOS-91-8		7873	Kosrae Vocational Education	91,000	90,862	-	-	90,862	138
OMIP-KOS-91-1		7874	Public Works reorganization	365,000	358,641	-	-	358,641	6,359
N/A		7882	FY-92 Single Audit	9,679	110	-	-	110	9,569
N/A		3482	Computer Training	35,000	11,666	-	-	11,666	23,334
FSM-30		3493	Marketing Study	25,800	20,017	-	-	20,017	5,783
FSM-49		7513	Hospital Lab mgn't imp						
			Balance forward	4,571,726	3,815,224	(2,919)	2,127	3,814,432	757,294

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

**Schedule of Expenditures of Federal Awards, Continued  
By Grantor  
Year Ended September 30, 1998**

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1998 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
OTIA Technical Assistance balance forwarded				\$ 4,571,726	\$ 3,815,224	\$ (2,919)	\$ 2,127	\$ 3,814,432	\$ 757,294
FSM-60		7885	93 Census Workshop	3,600	2,864	-	-	2,864	736
FSM-61		7886	Economic Newsletter	84,250	84,250	-	-	84,250	-
FSM-64		7896	Tourism Master Plan	85,596	71,206	-	-	71,206	14,390
FSM-63		7890	Environmental Management Spec.	30,500	30,829	-	-	30,829	(329)
FSM-62		7887	Supply & Pharmacy	9,440	7,534	-	-	7,534	1,906
FSM-66		7304	Firearms Training	33,000	21,329	-	-	21,329	11,671
PIR-91-18-FSM		7899	FBI Reg. Train	3,000	988	-	-	988	2,012
PIR-92-20-FSM		7881	DUI Breathalyzer	25,200	9,702	-	-	9,702	15,498
PIR-91-13-FSM		7897	Secure Faxnet System	12,000	11,500	-	-	11,500	500
PIR-91-17-FSM		7898	Anti-Drug Youth	60,000	32,492	-	8,860	41,352	18,648
PIR-91-11-FSM		7884	Comm. Base Trainer	79,000	75,252	-	-	75,252	3,748
PIR-91-19-FSM		7883	Cook Support Proj.	12,000	3,341	-	-	3,341	8,659
OMIP-CHUUK-91-1		7894	Dept. Ed. O&M	180,137	54,654	-	-	54,654	125,483
OMIP-CHUUK-91-1		7893	Road Disp. Repair	259,863	80,968	-	-	80,968	178,895
OMIP-KOS-91-1		7892	Power System O&M	232,000	33,705	-	-	33,705	198,295
OMIP-KOS-91-1		7874	Reorgan. PUC	91,000	-	-	-	-	91,000
OMIP-KOS-91-1		7889	Kosrae Util. Auth.	101,500	79,559	-	-	79,559	21,941
FSM-67		7305	Yap Historic Preserv	13,000	10,630	-	-	10,630	2,370
FSM-68		7307	Statistics Workshop	6,500	4,443	-	-	4,443	2,057
FSM-69		7329	Micro. Invest Qrly	84,250	84,250	-	-	84,250	-
FSM-70		7318	US/FSM Econ. Cons.	20,000	19,826	-	-	19,826	1,733
FSM-72		7322	Pharmac. Workshop	6,000	4,267	-	-	4,267	1,733
FSM-74		7328	Med. Epidem. Train	13,232	9,405	-	-	9,405	3,827
N/A		7300	FY-93 Single Audit	404,000	398,757	-	-	398,757	5,243
N/A		7319	FSM National Census	500,000	470,388	-	19,498	489,886	10,114
PIR/93-24-FSM		7309	Or-Is. Anti-Sub Conf.	25,000	21,131	-	-	21,131	3,869
PIR/93-25-FSM		7310	PIRAAP Rev. Meet.	25,000	19,428	-	-	19,428	5,572
PIR/93-26-FSM		7311	DOI/US Army Training	20,000	8,803	-	-	8,803	11,197
PIR/93-27-FSM		7312	FBI Pac. Training	11,000	9,735	-	-	9,735	1,265
PIR/93-28-FSM		7313	Anti-Sub. Abuse PSA	10,000	6,808	-	-	6,808	3,192
PIR/93-34-FSM		7314	Altern. Youth Actv.	60,000	14,189	-	-	14,189	45,811
PIR/93-35-FSM		7315	Kos. Anti-Sub. Abuse	150,000	71,624	-	13,851	28,040	31,960
OMIP-POHN-93-2		7327	DARE Training	30,000	28,054	-	-	28,054	1,946
OMIP-POHN-93-3		7306	Water, Sewer Develop	810,000	426,266	-	-	426,266	383,734
OMIP-POHN-91-5		7317	Elect. Utility Dev.	273,468	221,543	-	-	221,543	51,925
OMIP-CHUUK-91-1		7323	Hosp. Maint. Imprv	140,420	126,318	-	-	126,318	14,102
OMIP-CHUUK-91-1		7895	Water & Sewer O&M	50,000	48,337	-	-	48,337	1,663
OMIP-CHUUK-91-1		7316	Public Util. Corp.	140,000	23,738	-	-	23,738	116,262
OMIP-KOS-91-1		7321	Elec. & Power Sys.	108,000	-	-	-	-	108,000
OMIP-KOS-91-2		7891	Maint. Repr Hosp.	20,000	66,141	-	-	66,141	58,859
OMIP-KOS-93-1		7320	School Maint. Prog	125,000	66,141	-	-	66,141	58,859
FSM-73		7333	Health Care Worker	9,750	3,729	-	-	3,729	6,021
Balance forward				8,928,432	6,533,207	(2,919)	44,336	6,574,624	2,353,808

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

**Schedule of Expenditures of Federal Awards, Continued  
By Grantor  
Year Ended September 30, 1998**

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	Subrecipient	1998 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
							National Government	Government		
OTIA Technical Assistance balance forwarded				\$ 8,928,432	\$ 6,533,207	\$ (2,919)	\$ 44,336	\$ 6,574,624	\$ 2,353,808	
FSM-75		7332	Eliminate VAD Chuuk	18,796	15,776	-	-	15,776	3,020	
FSM-76		7335	Statistics Workshop	17,500	12,890	-	-	12,890	4,610	
N/A		7334	94 Single Audit	619,000	618,354	-	-	618,354	646	
PIR-36-1-FSM		7337	Dare Training	20,000	-	-	-	-	20,000	
PIR-36-2-FSM		7338	Criminal Prosecution	60,000	21,664	-	-	21,664	38,336	
PIR-36-3-FSM		7339	Regional Law Enforcement	48,000	23,437	-	-	23,437	24,563	
PIR-36-4-FSM		7340	Regional Law Enforcement Equip.	40,000	9,525	-	13,982	23,507	16,493	
PIR-36-5-FSM		7341	Kosrae Youth Activities	30,000	-	-	28,727	28,727	1,273	
PIR-36-7-FSM		7342	Pohnpei PADY	115,000	55,274	-	1,999	57,273	57,727	
PIR-36-8-FSM		7343	Yap Youth Activities	53,000	-	-	-	-	53,000	
PIR-36-9-FSM		7344	Chuuk Youth Activities	53,000	-	-	10,338	10,338	42,662	
PIR-36-10-FSM		7345	FSM Detective Dog	15,000	11,900	-	-	11,900	3,100	
PIR-36-11-FSM		7346	FSM Anti-Drug PSA	5,000	384	-	269	653	4,347	
PIR-36-14-FSM		7347	On-island Conference	25,000	16,731	-	-	16,731	8,269	
PIR-36-17-FSM		7348	Treatment Block Grant	100,000	38,055	-	6,381	44,436	55,564	
N/A		7349	FY-95 Single Audit	630,000	610,678	-	-	610,678	19,322	
OMIP-KOS-96-1		3601	Strengthening of KUA 3rd Year	315,000	-	-	-	-	315,000	
OMIP-YAP-94-1		3602	Power Generation and Distribution	559,931	-	-	-	-	559,931	
OMIP-YAP-97-1		3603	Power and Water 2nd Year	257,500	-	-	-	-	257,500	
OMIP-POHN-97-2		3604	Facility Repair Maintenance	100,000	-	97,494	-	97,494	2,506	
OMIP-POHN-97-3		3605	Solid Waste O&M Program	100,000	-	78,750	-	78,750	21,250	
OMIP-POHN-97-5		3607	Civil O&M Engineer	30,500	-	7,285	-	7,285	23,215	
OMIP-KOS-97-1		3608	School Maintenance 3rd Year	150,000	-	-	-	-	150,000	
OMIP-CPUC-98-1		3614	Strengthening of CPUC 2nd Year	135,000	-	-	-	-	135,000	
OMIP-CPUC-98-2		3615	CPUC Technical Assistance	90,000	-	-	-	-	90,000	
OMIP-POHN-PUC-95-2		3621	PUC 2nd & 3rd Year	1,035,000	-	-	-	-	1,035,000	
OMIP-POHN-PUC-95-1		3622	Financial Comprehensive Analysis	71,000	-	-	-	-	71,000	
OMIP-POHN-95-2		3626	Financial Management 1st Year	108,500	108,056	444	-	108,500	222,341	
OMIP-POHN-95-3		3627	95 Pohnpei OMIP Program	366,000	146,155	(2,496)	-	143,659	8,457	
OMIP-KOS-94-1		7331	Upgrade C & E/Jail	11,500	3,043	-	-	3,043	30	
OMIP-KOS-94-1		3504	Computer Aided Design	12,500	12,470	-	-	12,470	1,800	
OMIP-KOS-94-1		3514	Technical Manual C & E	1,800	-	-	-	-	1,800	
OMIP-KOS-94-1		7330	2nd Year DPW	314,000	13,183	-	-	13,183	300,817	
OMIP-KOS-95-1		3623	Strengthening KUA 2nd Year	441,000	-	-	-	-	441,000	
OMIP-KOS-95-3		3624	Solid Waste Management	50,000	47,050	-	-	47,050	2,950	
FSM-79		3630	Training in Tax Administration	12,479	12,399	-	-	12,399	80	
FSM-80		3631	Training in SCO/Univx & Focus	39,380	34,330	-	2,750	37,080	2,300	
FSM-77		3632	Acct'g/Computer Intern & Staff	91,000	23,780	-	60,608	84,388	6,612	
N/A		3633	96 Single Audit	655,000	545,979	-	40,043	586,022	68,978	
FSM-81		3634	Economic Planning Advisor	150,000	36,923	60,365	-	99,288	50,712	
FSM-82		3635	Land & Survey	474,000	131,159	32,470	-	163,629	310,371	
FSM-83		3636	Pharmacy Supply Workshop	17,000	9,101	-	4,539	13,640	3,360	
			Balance forward	16,365,818	9,095,503	271,393	213,972	9,580,868	6,784,950	

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued  
By Grantor  
Year Ended September 30, 1998

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1998 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
OTIA Technical Assistance balance forwarded									
FSM-84		3637	Statistic Program Travel	\$ 14,000	10,390	-	1,870	12,260	1,740
OMIP-KOS-95-4		3625	Road Maintenance Management	130,000	127,290	-	-	127,290	2,710
OMIP-FSM-95-1		3629	COM Vocational Education	112,500	-	-	-	-	112,500
FSM-84		3638	Law Enforcement Assessment	20,000	-	3,307	-	3,307	16,693
N/A		3639	97 Single Audit	660,000	-	-	563,075	563,075	96,925
Gen-130		3640	House income & expenses survey	65,000	-	-	48,877	48,877	16,123
Total OTIA Technical Assistance Grants				\$ 17,367,318	\$ 9,233,183	\$ 274,700	\$ 827,794	\$ 10,335,677	\$ 7,031,641
Amount per general-purpose financial statements				\$	869,209				
Less amounts which are classified in U.S. Direct Assistance Fund (See page 115)					(41,415)				
				\$	827,794				

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued  
By Grantor  
Year Ended September 30, 1998

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1998 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
Subrecipient OTIA Special O&M	15.875								
			Yap O&M - 1,3	\$ 1,550,000	\$ 610,957	\$ -	\$ -	\$ 610,957	\$ 939,043
			Kosrae O&M - 1,1A,2	1,480,000	284,189	-	-	284,189	1,195,811
			Pohnpei O&M 1,2,3,4,5,6,7,8	2,185,000	1,010,684	-	-	1,010,684	1,174,316
			Chuuk O&M - 1,2,3	2,135,000	592,939	-	-	592,939	1,542,061
			Total O&M	\$ 7,350,000	\$ 2,498,769	\$ -	\$ -	\$ 2,498,769	\$ 4,851,231
CFSM and OTIA/TTPI Capital Project Funds:									
		6303	FSM Capitol Construction	\$ 13,320,000	\$ 13,317,773	\$ -	\$ -	\$ 13,317,773	\$ 2,227
		6304	Pohnpei Airport Terminal Design and Constructions	438,544	152,917	-	-	152,917	285,627
		6305	Kolonia Water Sewer Improvement Project	2,007,000	1,678,671	-	-	1,678,671	328,329
		6306	Staff House Renovation	250,000	246,767	-	-	246,767	3,233
		6307	COM-Palikir Campus Proj.	3,979,040	3,979,040	-	-	3,979,040	-
		6308	Pohnpei Rural Sanitation	277,500	245,511	-	-	245,511	31,989
		6309	Pohnpei Circumferential Road	1,775,000	234,361	-	-	234,361	1,540,639
		6311	Kolonia Roadside Drainage	485,000	450,756	-	-	450,756	34,244
		6312	Supply Warehouse	38,087	-	-	-	-	38,087
		6313	COM-Palikir Campus Proj	3,950,000	3,948,569	-	-	3,948,569	1,431
		6314	Capital Complex & Road	40,760	35,646	-	-	35,646	5,114
		6315	CIP Administration-OPS	93,149	25,342	-	-	25,342	67,807
		6316	Pohnpei CIP Administration	-	-	-	-	-	-
		6324	Kolonia House Sewer Connection	373,800	17,000	-	-	17,000	356,800
		6325	Kolonia Sanitary Facilities	189,000	189,001	-	-	189,001	(1)
		N/A	Capital Wells	39,213	-	-	-	-	39,213
			Total CFSM & OTIA/TTPI Capital Projects Funds	\$ 27,256,093	\$ 24,521,354	\$ -	\$ -	\$ 24,521,354	\$ 2,734,739

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued  
By Grantor  
Year Ended September 30, 1998

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1998 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
				\$ 750,000	\$ -	\$ -	\$ -	\$ 750,000	
<b>Compact of Free Association Funding:</b>									
U.S. Office of Territorial and International Affairs (OTIA) 15.875									
		2153	<b>Special Development Assistance</b> Section 212 98 Special Development Assistance						
			<b>Communications--Annual</b> Section 215(a)(2)						
		2240	FSM Telecommunication	1,464,000	582,000	-	882,000	1,464,000	-
		2241	Chuuk	40,000	-	-	-	-	40,000
		2242	Pohnpei	30,000	-	-	-	-	30,000
		2243	Yap	30,000	-	-	-	-	2,482
		2244	Chuuk	50,000	3,512	-	27,518	27,518	2,482
		2245	Koror	50,000	34,592	-	13,401	47,993	2,007
		2246	Pohnpei	50,000	-	-	29,741	29,741	20,259
		2248	Pohnpei	50,000	12,137	-	15,914	28,051	21,949
				1,764,000	632,241	-	968,574	1,600,815	163,185
		2232	<b>Communications--One Time</b> Section 215(b)(2) Telephone System	875,000	71,775	-	-	71,775	803,225
		2239	<b>Communications--One Time</b> Section 215(b)(2) Digital switches	-	64,468	-	-	64,468	(64,468)
		2286	<b>Marine Surveillance--Annual</b> Section 216(a)(1)	519,000	2,512,934	-	501,644	3,014,578	(2,495,578)
		2287/2761	<b>Marine Surveillance--One Time</b> Section 216(b)	187,395	409,894	-	29,819	439,713	(252,318)
		2505	<b>Health and Medical</b> Section 216(a)(2) Med. Serv./President Otter	280,753	280,753	-	-	280,753	-
		2501	Local Capabilities	68,000	45,529	-	16,769	62,298	5,702
		2502	Health Team Visit	70,000	61,802	-	29,629	91,431	(21,431)
		2506	Tripler Hospital Medical Bills	200,000	-	-	200,000	200,000	-
			<b>Total Health and Medical</b>	618,753	388,084	-	246,398	634,482	(15,729)
			<b>Balance forward</b>	4,714,148	4,079,396	-	1,746,435	5,825,831	(1,111,683)

See accompanying notes to schedule of expenditures of federal awards.



**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

**Schedule of Expenditures of Federal Awards, Continued  
By Grantor  
Year Ended September 30, 1998**

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1998 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
Compact Funding balance forwarded				\$ 4,714,148	\$ 4,079,396	\$ -	\$ 1,746,435	\$ 5,825,831	\$ (1,111,683)
<b>Special Block Grant, Section 221(b)</b>									
			Nutrition Serv.	30,000	55,780	-	6,916	62,696	(32,696)
2002			Tuberculosis Program	16,000	32,386	-	4,993	37,379	(21,379)
2004			Leptospirosis/O/Ch	10,000	6,257	-	-	6,257	3,743
2005			Leptospirosis Control	19,000	2,553	-	-	2,553	16,447
2012			Lep/Den/Cholera Program	20,000	2,985	-	-	2,985	17,015
2017			Lep/Dengue/Cholera	90,000	32,986	-	-	32,986	57,014
2018			Lep/Dengue/Cholera	10,000	-	-	-	-	10,000
2019			Lep/Dengue/Cholera	20,000	3,660	-	-	3,660	16,340
2051			Leprosy Prevention & Control	8,000	7,543	-	4,698	12,241	(4,241)
2052			Family Planning	20,350	1,178	-	-	1,178	19,172
2053			Mental Health Serv.	14,000	45,956	-	652	46,608	(32,608)
2054			Maternal and Child Health	10,000	17,781	-	4,985	22,766	(12,766)
2055			Health Plan/Workforce	13,800	12,801	-	6,149	18,950	(5,150)
2058			Vital Statistics	12,000	43,790	-	11,022	54,812	(42,812)
2059			STD Program	13,000	8,892	-	2,925	11,817	1,183
2060			Childhood Immunization	10,000	30,338	-	4,966	35,304	(25,304)
2101			National Curriculum Str.	-	10,679	-	-	10,679	(10,679)
2102			National Standard	48,543	96,003	-	36,266	132,269	(83,726)
2104			FSM Youth Activities	-	17,829	-	9,465	27,294	(27,294)
2106			Teacher Training Program	-	400	-	-	400	(400)
2107			Vocational Education	50,141	26,625	-	1,991	28,616	21,525
2109			College Admin. Test	18,600	33,541	-	18,360	51,901	(33,301)
2900			Nat. Womens Intr.	17,300	60,214	-	11,380	71,594	(54,294)
2902			Chronic Disease	9,000	32,378	-	1,681	34,059	(25,059)
2903			Health Education	8,000	8,482	-	3,800	12,282	(4,282)
2904			C/Disease Control & Prevention	-	68,150	-	-	68,150	(68,150)
2905			C/Disease Control & Prevention	-	22,249	-	-	22,249	(22,249)
2905			Continuing Education Center	-	-	-	5,486	5,486	(5,486)
2908			Child Abuse & Neg.	11,060	42,717	-	6,211	48,928	(37,868)
2909			S/Abuse Prevention & Treatment	14,300	54,829	-	12,961	67,790	(53,490)
2910			Professional Support Services	12,800	25,113	-	4,386	29,499	(16,699)
2911			FSM Food Protection, Inspection, & Cert.	33,400	106,798	-	3,867	110,665	(77,265)
2913			AIDS & Prevention Control	14,100	17,432	-	5,197	22,629	(8,529)
2914			Tobacco Prevention	9,400	4,423	-	1,594	6,017	3,383
2915			National Close-Up	73,466	96,582	-	6,236	102,818	(29,352)
2916			FSM Youth Cultural	30,000	46,123	-	13,357	59,480	(29,480)
2919			Environmental Ed. & Sustainable Dev.	55,400	23,234	-	47,063	70,297	(14,897)
2921			FSM Sports Development	18,200	-	-	16,446	16,446	1,754
2922			FSM Boy Scout Program	2,000	-	-	1,570	1,570	430
2923			Youth Leadership Conference	11,700	-	-	8,319	8,319	3,381
2924			Teacher Certification Program	17,464	-	-	7,860	7,860	9,604
2925			National Education Standard	23,735	-	-	18,066	18,066	5,669
2926			Civic Education & FSM History	20,302	-	-	19,270	19,270	1,032
2927			Development of Educational Ties to Econ. Summ.	24,646	-	-	6,060	6,060	18,586
2928			Teacher Child Parent Program	31,500	-	-	-	-	31,500
<b>Total Special Block Grant</b>				<b>871,207</b>	<b>1,098,687</b>	<b>-</b>	<b>314,198</b>	<b>1,412,885</b>	<b>(541,678)</b>
Balance forward				5,585,355	5,178,083	-	2,060,633	7,238,716	(1,653,361)

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued  
By Grantor  
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Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1998 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
Compact Funding balance forwarded									
				\$ 5,585,355	\$ 5,178,083	\$ -	\$ 2,060,633	\$ 7,238,716	\$ (1,653,361)
Post-Secondary Education									
Section 216(a)(3)									
2579			87 Scholarship - Pohnpei	349,783	-	-	-	-	349,783
2610			87 Scholarship - Chuuk	499,488	-	-	-	-	499,488
2631			87 Scholarship - Kosrae	155,900	431,228	-	-	431,228	(275,328)
2641			87 Scholarship - Yap	194,828	-	-	-	-	194,828
2580			88 Scholarship - Pohnpei	431,228	-	-	-	-	431,228
2611			88 Scholarship - Chuuk	615,852	-	-	-	-	615,852
2650			88 Scholarship - Kosrae	192,181	26,776	-	-	26,776	-
2641			88 Scholarship - Yap	240,179	-	-	-	-	240,179
2549			88 COM Operations	900,000	-	-	-	-	900,000
2681			89 Scholarship - Pohnpei	288,003	288,003	-	-	288,003	-
2612			89 Scholarship - Chuuk	411,716	-	-	-	-	411,716
2651			89 Scholarship - Kosrae	128,661	-	-	-	-	128,661
2642			89 Scholarship - Yap	161,321	-	-	-	-	161,321
N/A			89 COM Operations	900,000	-	-	-	-	900,000
2581			90 Scholarship - Pohnpei	288,003	-	-	-	-	288,003
2613			90 Scholarship - Chuuk	411,716	-	-	-	-	411,716
2652			90 Scholarship - Kosrae	128,661	-	-	-	-	128,661
2643			90 Scholarship - Yap	161,321	-	-	-	-	161,321
2674			90 COM Operations	800,000	-	-	-	-	800,000
2675			91 Scholarship - National	100,000	615,812	-	-	615,812	(515,812)
2582			91 Scholarship - Pohnpei	288,003	411,716	-	-	411,716	(123,713)
2614			91 Scholarship - Chuuk	411,716	-	-	-	-	411,716
2653			91 Scholarship - Kosrae	128,661	460,158	-	-	460,158	(331,497)
2642			91 Scholarship - Yap	161,321	411,716	-	-	411,716	(250,395)
2549			91 COM Operations	800,000	774,990	-	-	774,990	25,010
2582			92 Scholarship - Pohnpei	288,003	161,321	-	-	161,321	126,682
2613			92 Scholarship - Chuuk	128,661	161,320	-	-	161,320	250,396
2653			92 Scholarship - Kosrae	128,661	355,623	-	-	355,623	(226,962)
2644			92 Scholarship - Yap	161,320	153,467	-	-	153,467	7,853
2549			92 COM Operations	800,000	125,285	-	-	125,285	674,715
2675			93 Scholarship - National	75,000	53,241	-	-	53,241	21,759
2582			93 Scholarship - Pohnpei	288,003	-	-	-	-	288,003
2613			93 Scholarship - Chuuk	411,716	199,600	-	-	199,600	212,116
2653			93 Scholarship - Kosrae	128,661	349,783	-	-	349,783	(221,122)
2644			93 Scholarship - Yap	161,320	288,003	-	-	288,003	(126,683)
2549			93 COM Operations	400,000	400,000	-	-	400,000	-
2550			93 COM-FSM	711,837	710,826	-	-	710,826	1,011
Subtotal Post Secondary Education				13,114,779	6,378,868	-	-	6,378,868	6,735,911
Balance forward				5,585,355	5,178,083	-	2,060,633	7,238,716	(1,653,361)

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued  
By Grantor  
Year Ended September 30, 1998

CFDA No.	FSM Org. No.	Grantor	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1998 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
Compact Funding balance forwarded									
Post Secondary Education balance forwarded									
				\$	\$	\$	\$	\$	\$
				5,585,355	5,178,083	-	2,060,633	7,238,716	(1,653,361)
2675			94 Scholarship - National	13,114,779	6,378,868	-	-	6,378,868	6,735,911
2582			94 Scholarship - Pohnpei	50,000	288,003	-	-	288,003	(238,003)
2613			94 Scholarship - Chuuk	411,716	344,221	-	-	344,221	(56,218)
2676			94 Scholarship - Kosrae	18,852	180,172	-	-	180,172	411,716
2677			94 Scholarship - Kosrae	109,809	566,501	-	-	566,501	(161,320)
2644			94 Scholarship - Yap	161,320	115,000	-	-	115,000	(456,692)
2550			94 COM-FSM	457,500	42,251	-	-	42,251	46,320
2551			94 Continuing Education Center	115,000	292,500	-	-	292,500	415,249
2552			94 Assistance to Students	50,000	226,484	-	-	226,484	(177,500)
2553			94 COM-FSM Operation	292,500	800,392	-	-	800,392	(176,484)
2675			95 Scholarship - National	100,000	49,000	-	-	49,000	51,000
2582			95 Scholarship - Pohnpei	288,003	288,003	-	-	288,003	-
2613			95 Scholarship - Chuuk	411,716	468,960	-	-	468,960	(57,244)
2653			95 Scholarship - Kosrae	128,661	226,646	-	-	226,646	(97,985)
2644			95 Scholarship - Yap	161,320	161,320	-	-	161,320	-
2553			95 COM-FSM Operation	800,000	-	-	-	-	800,000
2675			91 Graduate Student Scholarship	10,000	93,000	-	-	93,000	(83,000)
2678			96 Scholarship - Chuuk	411,716	804,508	-	-	804,508	(392,792)
2582			96 Scholarship - Pohnpei	288,003	506,189	-	-	506,189	(218,186)
2613			96 Scholarship - Chuuk	411,716	364,975	-	-	364,975	46,741
2653			96 Scholarship - Kosrae	128,661	364,827	-	-	364,827	(236,166)
2644			96 Scholarship - Yap	161,320	453,640	-	-	453,640	-
2553			97 COM-FSM Operation	800,000	800,000	-	-	800,000	-
2553			96 COM-FSM Operation	800,000	800,000	-	-	800,000	-
2582			97 Scholarship - Pohnpei	288,003	149,150	-	-	149,150	138,853
2644			97 Scholarship - Yap	161,320	131,000	-	-	131,000	30,320
2678			97 Scholarship - Chuuk	411,716	-	-	-	-	411,716
2653			97 Scholarship - Kosrae	128,661	-	-	-	-	128,661
2675			97 Graduate Scholarship	100,000	-	-	-	-	100,000
2582			98 Scholarship - Pohnpei	288,003	-	-	224,525	224,525	63,478
2679			98 Scholarship - Kosrae	128,661	-	-	128,417	128,417	244
2644			98 Scholarship - Yap	161,320	-	-	143,320	143,320	18,000
2678			98 Scholarship - Chuuk	411,716	-	-	418,783	418,783	(7,067)
2675			98 Graduate Scholarship	45,000	-	-	125,000	125,000	(80,000)
2553			98 COM-FSM Operation	800,000	-	-	800,000	800,000	-
Total Post Secondary Education				22,894,995	14,895,610	-	1,840,045	16,735,655	6,159,340
Compact Energy - Section 214									
2760			National Government	300,150	562,743	-	299,722	862,465	(562,315)
2761			National Government	70,000	-	-	-	-	70,000
Total Compact Energy				370,150	562,743	-	299,722	862,465	(492,315)
Balance forward				28,850,500	20,636,436	-	4,200,400	24,836,836	4,013,664

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

**Schedule of Expenditures of Federal Awards, Continued  
By Grantor  
Year Ended September 30, 1998**

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1998 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subreceipt	National Government		
<b>Compact Funding balance forwarded</b>									
				\$ 28,850,500	\$ 20,636,436	\$ -	\$ 4,200,400	\$ 24,836,836	\$ 4,013,664
<b>Compact Capital Account</b>									
<b>Capital Project Funds:</b>									
5870			Piggery Production Project	-	17,005	-	-	17,005	(17,005)
6000			Caroline Fisheries Corporation Debt Restructuring	-	-	-	1,250,000	1,250,000	(1,250,000)
6001			MTN Program	1,148,125	1,148,125	-	-	1,148,125	-
6003			FSM Development Projects-FSM Development Bank	23,000	22,898	-	1,500,000	1,522,898	(1,499,898)
6004			Pest & Disease Survey	45,000	43,907	-	-	43,907	1,093
6005			Livestock Project	25,000	17,381	-	-	17,381	7,619
6006			MLSC Office Building	60,000	55,930	-	250,000	305,930	(245,930)
6006			Local Catch Stns.	45,000	44,950	-	-	44,950	50
6007			National Staff Upgrading	-	-	-	71,333	71,333	(71,333)
6008			Fish Poisoning	10,000	6,712	-	-	6,712	3,288
6009			Investment Development	61,000	54,303	-	-	54,303	6,697
6010			Consumer Price Index	10,000	82,930	-	-	82,930	(72,930)
6011			Supreme Court Building	100,000	82,910	-	-	82,910	17,090
6013			ADB Strength/Ag.	-	15,027	-	12,116	27,143	(27,143)
6014			Eco. Mgmt Policy Advisory	-	17,770	-	38,821	56,591	(56,591)
6015			Tuna Transshipment Fees	12,000	11,495	-	-	11,495	505
6016			Commercial Fish Posters	14,000	18,124	-	9,548	27,672	(13,672)
6017			Marine Poison Investigation	42,000	8,290	-	199,649	207,939	(165,939)
6018			Project Planning & Development	354,540	128,028	-	75,000	203,028	151,512
6019			CCDP Yap International Airport	-	-	-	1,856,111	1,856,111	(1,856,111)
6020			FSM Tourism Promotion Project	-	-	-	19,921	19,921	(19,921)
6021			U. S Embassy Office Pur.	-	(1,074)	-	-	(1,074)	1,074
6022			Hemodialysis Project	50,000	48,224	-	-	48,224	1,776
6024			Yap Outer Island High School	100,000	97,751	-	-	97,751	2,249
6025			Livestock Dev. Broiler	140,000	137,769	-	(1,128)	136,641	3,359
6026			Technical Assistance	350,000	341,810	-	-	341,810	8,190
6027			Chuuk Broiler Project	140,000	116,475	-	-	116,475	23,525
6028			Chuuk Survey	15,000	14,520	-	-	14,520	480
6029			FSM Manpower Survey	50,000	43,085	-	-	43,085	6,915
6030			Ulul Airstrip	40,000	39,444	-	-	39,444	556
6032			Fish Aggregation Device	20,000	16,915	-	-	16,915	3,085
6033			Chuuk Court House Construction	202,000	202,000	-	-	202,000	-
6034			Kititi Road Development	-	8,333	-	-	8,333	(8,333)
6035			FSM Third Patrol Boat	300,000	300,000	-	-	300,000	-
6039			National Staff Upgrade	45,000	28,255	-	9,281	37,536	7,464
6042			FSM Supreme Court	86,720	40,728	-	27,579	68,307	18,413
6046			FSM Kosrae Court House	-	-	-	241,382	241,382	(241,382)
6047			CCM Repair & Renov.	-	270	-	-	270	(270)
6048			Res. Assessment in Outer Bank	75,000	49,400	-	-	49,400	25,600
6049			YAP PD Office Renovation	-	18,944	-	-	18,944	(18,944)
<b>Compact Capital Account Subtotal</b>				<b>3,563,385</b>	<b>3,278,634</b>	<b>-</b>	<b>5,559,613</b>	<b>8,838,247</b>	<b>(5,274,862)</b>
<b>Balance forward</b>				<b>28,850,500</b>	<b>20,636,436</b>	<b>-</b>	<b>4,200,400</b>	<b>24,836,836</b>	<b>4,013,664</b>

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT  
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**Schedule of Expenditures of Federal Awards, Continued  
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Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1998 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
Compact Funding balance forwarded				\$ 28,850,500	\$ 20,636,436	\$ -	\$ 4,200,400	\$ 24,836,836	\$ 4,013,664
Subtotal Compact Capital Account balance forwarded				3,563,385	3,278,634	-	5,559,613	8,838,247	(5,274,862)
	6050		Judiciary Staff Training	20,000	12,054	-	-	12,054	7,946
	6051		National Social & Economic Survey	18,000	11,715	-	-	11,715	6,285
	6052		National Staff Upgrade	75,000	89,837	-	-	89,837	(14,837)
	6053		FSM Aquaculture Center	150,000	124,016	-	-	124,016	25,984
	6054		Development Loan Fund	2,200,000	2,200,000	-	-	2,200,000	-
	6054		A&E CCM Campus	1,100,000	1,094,786	-	-	1,094,786	5,214
	6055		Maritime Boundary	5,000	24,967	-	2,338	27,305	(22,305)
	6056		Copra Warehouse Pohmpei	71,500	71,196	-	-	71,196	304
	6057		Yap Broiler Project	85,000	69,849	-	-	69,849	15,151
	6058		Pohnpei PD Office Construction	38,000	34,204	-	-	34,204	3,796
	6060		Business & Tourism Promotion	35,000	34,678	-	-	34,678	322
	N/A		Lehimesi River Hydro	45,000	-	-	-	-	45,000
	N/A		Chunk Cold Storage	50,000	-	-	-	-	50,000
	6083		Development Loan Fund	2,000,000	2,000,000	-	-	2,000,000	-
	N/A		FSM Ambassador's Residence	175,000	-	-	-	-	175,000
	6085		National Government Office Building	-	-	-	100,000	100,000	(100,000)
	6088		Capital Complex Water/Sewer	-	-	-	56,822	56,822	(56,822)
	6090		MS Drydocking	610,000	607,851	-	-	607,851	2,149
	6091		National Board	80,000	64,249	-	-	64,249	15,751
	6211		Kosrae Court House Project	150,000	82,225	-	-	110,241	39,759
	6227		Fumigation of Citrus	20,000	7,604	-	-	7,604	12,396
	6228		Ext. Tafweyat Section Road	-	6,412	-	-	6,412	(6,412)
	6229		FSM Postal Services Hdqtr	-	-	-	-	-	-
	6285		Micro Spirit Des. Equip.	45,000	45,000	-	-	45,000	-
	6288		Yap Hospital Maintenance	70,000	64,038	-	-	64,038	5,962
	6900		Kosrae-Broiler Project	-	-	-	38,347	38,347	(38,347)
	6901		Iohi Road	-	10,698	-	-	10,698	100,000
	6902		Natl Staff Upgrading	100,000	-	-	-	-	95,000
	6903		Natl Staff Upgrading	95,000	-	-	-	-	3,000,000
	6904		Purchase of shares/FSM Bank	3,000,000	-	-	-	-	-
	6905		Caroline Fisheries Corp. subsidy	1,700,000	1,700,000	-	-	1,700,000	-
	6907		Coastal Resources Atlas	-	170,000	-	-	170,000	(170,000)
	6908		Oneop Ice-plant	-	10,000	-	-	10,000	(10,000)
	6916		Water Treatment Assessment	390,000	345,493	-	-	345,493	44,507
	6917		Bus. Dev. Loan Fund	2,500,000	2,500,000	-	-	2,500,000	-
	6918		Iohi Road	-	41,900	-	-	41,900	-
	6920		Natl and State CIP	-	10,000	-	-	10,000	(41,900)
	6921		Chuuk Fresh Tuna	1,100,000	1,100,000	-	-	1,100,000	(10,000)
	6922		Kosrae Sea Venture Inc.	850,000	50,000	-	-	50,000	800,000
	6923		YFTI Equipment Purchase	1,300,000	1,300,000	-	-	1,300,000	-
Compact Capital Account Subtotal				21,640,885	17,161,406	-	5,785,136	22,946,542	(1,305,657)
Balance forward				28,850,500	20,636,436	-	4,200,400	24,836,836	4,013,664

See accompanying notes to schedule of expenditures of federal awards.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued  
By Grantor  
Year Ended September 30, 1998

Grantor	CFDA No.	FSM Org. No.	Grant Title Grant I.D. No.	Total Authorization	Prior Expenditures	1998 Fiscal Year Expenditures		Total Program Expenditures	Excess (Deficit) Authorizations Over Program Expenditures
						Subrecipient	National Government		
Compact Funding balance forwarded				\$ 28,850,500	\$ 20,636,436	-	\$ 4,200,400	\$ 24,836,836	\$ 4,013,664
Subtotal Compact Capital Account balance forwarded				\$ 21,640,885	\$ 17,161,406	-	\$ 5,783,136	\$ 22,946,542	\$ (1,305,657)
6924 Kosrae Sea Venture				850,000	850,000	-	-	850,000	-
6925 Tuna Cannery Feasibility				50,000	23,000	-	-	23,000	27,000
6926 Business Development Loan Fund				3,000,000	3,000,000	-	-	3,000,000	-
6927 FSM Staff Upgrade				130,000	128,323	-	-	128,323	1,677
6928 Yap Fishing Corporation				286,449	286,449	-	-	286,449	-
6929 Postal Services Headquarters				385,000	346,837	-	33,241	380,078	4,922
6930 FY95 Development Loan Fund				3,000,000	3,000,000	-	-	3,000,000	-
6931 Immigration Communication Network				53,500	53,411	-	-	53,411	89
6932 Furniture/Equipment New Campus				1,810,248	782,598	-	-	782,598	1,027,650
6933 National Staff Upgrading				39,452	14,965	-	-	14,965	24,487
6934 Policy Adv. Team Tech. Assist.				100,000	94,216	-	-	94,216	5,784
6937 Drydocking of YSS Palulap				85,180	74,671	-	-	74,671	10,509
6938 Iohi Road				1,800	1,800	-	-	1,800	-
6940 National Board Sustain Dev.				76,000	57,309	-	-	57,309	18,691
6941 FY96 National Staff Upgrade				105,000	98,820	-	-	98,820	6,180
6942 FY96 Business Development Loan Fund				3,000,000	3,000,000	-	-	3,000,000	-
6943 Pukusrik Inkoeya Inner Road				20,000	20,000	-	-	20,000	-
6944 Chuuk Coconut Authority				150,000	6,242	-	89,508	95,750	54,250
6945 Office Building Expansion				30,000	29,847	-	552	30,399	(399)
6956 Relocation of Schoolroom				30,000	25,000	-	4,992	29,992	8
6957 The President				-	783,562	-	-	783,562	(783,562)
6960 Furniture and Equipment/New COM Campus				1,810,248	1,027,650	-	-	1,027,650	782,598
6962 Coconut Replanting				50,000	11,640	-	4,429	16,069	33,931
6963 National Staff Upgrade				130,000	108,698	-	7,871	116,569	13,431
6965 Pohnpei Copra Project				150,000	120,048	-	12,716	132,764	17,236
6966 Radio Frequency Repragram				50,000	1,840	-	14,284	16,124	33,876
6994 Labor Consultant				45,000	10,361	-	27,609	37,970	7,030
Total Compact Capital Account				\$ 37,078,762	\$ 31,118,693	-	\$ 5,980,338	\$ 37,099,031	\$ (20,269)
Compact Current Account									
General Fund:									
Title II, Article 1, Section 211(e)				6,513,761	11,762,561	-	5,353,776	17,116,337	(10,602,576)
Total Compact Funding				\$ 72,443,023	\$ 63,517,690	-	\$ 15,534,514	\$ 79,052,204	\$ (6,609,181)

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.

**FEDERATED STATES OF MICRONESIA NATIONAL GOVERNMENT AND SUBRECIPIENTS**

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, 1998

Grant Title	Government	Base Grant	Section 217 Inflation Adjustment	Total Cumulative Apportionment	Prior Year Expenditures and Transfers	Fiscal Year 1998		Total Program Expenditures and Transfers	Excess (Deficit) Apportionment Over Program Expenditures
						Subrecipients	National Government		
<b>Section 211(a), Current Account</b>									
National Government		\$ 27,905,480	\$ 7,934,218	\$ 35,839,698	\$ 56,309,781	\$ -	\$ 5,353,776	\$ 61,663,557	\$ (25,823,859)
Chuuk		88,600,800	28,996,796	117,597,596	163,418,756	13,488,480	-	176,907,236	(59,309,640)
Pohnpei		56,802,600	17,307,890	74,110,490	116,188,084	9,847,560	-	126,035,644	(51,925,154)
Yap		38,624,160	11,693,896	50,318,056	70,293,088	5,880,096	-	76,173,184	(25,855,128)
Kosrae		22,005,480	6,705,103	28,710,583	40,522,101	3,350,088	-	43,872,189	(15,161,606)
Subtotal		233,938,520	72,637,903	306,576,423	446,731,810	32,566,224	5,353,776	484,651,810	(178,075,387)
<b>Section 211(a), Capital Account</b>									
National Government		22,344,520	7,377,032	29,721,552	44,685,839	-	5,980,338	50,666,177	(20,944,625)
Chuuk		61,747,200	16,814,464	78,561,664	91,190,525	11,901,321	-	103,091,846	(24,530,182)
Pohnpei		40,823,600	12,469,482	53,293,082	98,020,514	5,977,322	-	103,997,836	(50,704,754)
Yap		23,766,240	7,195,496	30,961,736	42,434,724	5,206,837	-	47,641,561	(16,679,825)
Kosrae		19,279,920	5,874,621	25,154,541	39,173,201	3,175,353	-	42,348,554	(17,194,013)
Sub Total		167,961,480	49,731,095	217,692,575	315,504,803	26,260,833	5,980,338	347,745,974	(130,053,399)
Subtotal Major Block Grant		401,900,000	122,368,998	524,268,998	762,236,613	58,827,057	11,334,114	832,397,784	(308,128,786)
Yap		160,000	-	160,000	160,000	-	-	160,000	-
<b>Section 213 (b), Yap Coast Guard Station</b>									
<b>Section 214, Energy Grant</b>									
National Government		1,200,600	388,194	1,588,794	2,406,479	-	299,722	2,706,201	(1,117,407)
Chuuk		5,698,800	1,842,612	7,541,412	12,909,341	1,509,319	-	14,418,660	(6,877,248)
Pohnpei		4,500,000	1,455,000	5,955,000	9,542,144	808,153	-	10,350,297	(4,395,297)
Yap		3,900,600	1,261,194	5,161,794	8,199,014	920,311	-	9,119,325	(3,957,531)
Kosrae		2,700,000	873,000	3,573,000	6,180,035	644,896	-	6,824,931	(3,251,931)
Total Section 214		18,000,000	5,820,000	23,820,000	39,237,013	3,882,679	299,722	43,419,414	(19,599,414)
Balance forward		420,060,000	128,188,998	548,248,998	801,633,626	62,709,736	11,633,836	875,977,198	(327,728,200)

See accompanying notes to schedule of expenditures of federal awards.

**FEDERATED STATES OF MICRONESIA NATIONAL GOVERNMENT AND SUBRECIPIENTS**

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, 1998

Grant Title	Government	Base Grant	Section 217 Inflation Adjustment	Total Cumulative Apportionment	Prior Year Expenditures and Transfers	Fiscal Year 1998		Total Program Expenditures and Transfers	Excess (Deficit) Apportionment Over Program Expenditures
						Subrecipients	National Government		
Compact Funding Summary balance forwarded		\$ 420,060,000	\$ 128,188,998	\$ 548,248,998	\$ 801,633,626	\$ 62,709,736	\$ 11,633,836	\$ 875,977,198	\$ (327,728,200)
Section 215 (a)(2), Communications-Annual	National Government	4,200,000	1,290,000	5,490,000	8,678,241	-	968,574	9,646,815	(4,156,815)
Section 215 (b)(2), Communication-One Time	National Government	6,000,000	1,320,000	7,320,000	7,173,118	-	-	7,173,118	146,882
Section 216 (a)(1), Marine Surveillance-Annual	National Government	3,633,000	-	3,633,000	5,253,688	-	501,644	5,755,332	(2,122,332)
Section 216 (b) Marine Surveillance-One Time	National Government	666,600	-	666,600	678,565	-	29,819	708,384	(41,784)
Section 216 (a)(2) Health and Medical Referral	National Government	881,860	-	881,860	1,042,406	-	246,398	1,288,804	(406,944)
	Chuuk	3,227,609	-	3,227,609	5,068,782	427,752	-	5,496,534	(2,268,925)
	Pohnpei	2,504,481	-	2,504,481	4,267,468	312,085	-	4,579,553	(2,075,072)
	Yap	1,419,796	-	1,419,796	2,372,355	282,066	-	2,654,421	(1,234,625)
	Kosrae	784,854	-	784,854	1,384,619	63,706	-	1,448,325	(663,471)
	Total section 216 (a)(2)	8,818,600	-	8,818,600	14,135,630	1,085,609	246,398	15,467,637	(6,649,037)
Balance forward		443,378,200	130,798,998	574,177,198	837,552,868	63,795,345	13,380,271	914,728,484	(340,551,286)

See accompanying notes to schedule of expenditures of federal awards.



**FEDERATED STATES OF MICRONESIA NATIONAL GOVERNMENT AND SUBRECIPIENTS**

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, 1998

Grant Title	Government	Base Grant	Section 217 Inflation Adjustment	Total Cumulative Apportionment	Prior Year Expenditures and Transfers	Fiscal Year 1998		Total Program Expenditures and Transfers	Excess (Deficit) Apportionment Over Program Expenditures
						Subrecipients	National Government		
Compact Funding Summary balance forwarded		\$ 443,378,200	\$ 130,798,998	\$ 574,177,198	\$ 837,552,868	\$ 63,795,345	\$ 13,380,271	\$ 914,728,484	\$ (340,551,286)
Section 216 (A)(3), Post Secondary Education	National Government	13,227,900	-	13,227,900	20,283,084	-	1,840,045	22,123,129	(8,895,229)
	Chuuk	-	-	-	836,273	-	-	836,273	(836,273)
	Pohnpei	-	-	-	1,171,524	223,525	-	1,395,049	(1,395,049)
	Yap	-	-	-	791,690	161,320	-	953,010	(953,010)
	Kosrae	-	-	-	624,840	4,362	-	629,202	(629,202)
		13,227,900	-	13,227,900	23,707,411	389,207	1,840,045	25,936,663	(12,708,763)
Section 221(b), Special Block Grant	National Government	2,205,000	-	2,205,000	2,874,386	-	314,198	3,188,584	(983,584)
	Chuuk	19,110,000	-	19,110,000	28,299,380	2,361,633	-	30,661,013	(11,551,013)
	Pohnpei	13,230,000	-	13,230,000	19,780,575	1,887,364	-	21,667,939	(8,437,939)
	Yap	8,330,000	-	8,330,000	11,731,192	1,645,723	-	13,376,915	(5,046,915)
	Kosrae	6,125,000	-	6,125,000	10,314,328	170,591	-	10,484,919	(4,359,919)
		49,000,000	-	49,000,000	72,999,861	6,065,311	314,198	79,379,370	(30,379,370)
Section 111 (b)(1) Special Development Fund	National Government	20,000,000	-	20,000,000	20,828,989	-	-	20,828,989	(828,989)
Section 212, Special Development	Chuuk	750,000	382,500	1,132,500	2,126,594	294,756	-	2,421,350	(1,288,850)
	Pohnpei	750,000	382,500	1,132,500	2,975,487	468,156	-	3,443,643	(2,311,143)
	Yap	750,000	382,500	1,132,500	842,308	1,925,963	-	2,768,271	(1,635,771)
	Kosrae	750,000	382,500	1,132,500	2,163,795	413,584	-	2,577,379	(1,444,879)
		3,000,000	1,530,000	4,530,000	8,108,184	3,102,459	-	11,210,643	(6,680,643)
Total Funding		\$ 528,606,100	\$ 132,328,998	\$ 660,935,098	\$ 963,197,313	\$ 73,352,322	\$ 15,534,514	\$ 1,052,084,149	\$ (391,149,051)

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, 1998

(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.

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. Environmental Protection Agency
- U.S. Federal Emergency Management Agency
- U.S. National Oceanic Atmospheric Administration
- U.S. Department of Transportation - Federal Aviation Administration

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.

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 any 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 Federal Financial Assistance. 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 federal financial assistance 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, 1998

2. Summary of Significant Accounting Policies, Continued

D. Subgrantees, Continued

National Government Subgrantees:

Federated States of Micronesia Development Bank

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, 1998	\$ <u>22,700,000</u>
Section 111 IDF Funds	Total funding available through December 31, 1997	\$ 27,173,579
	Amount of expenditures over revenues and other sources during year ended December 31, 1998	(11,657,689)
	Fund balance as of December 31, 1998	\$ <u>15,515,890</u>

FSM Telecommunications Corporation

	<u>Funds Received</u>	<u>Funds Expended</u>
Compact Section 215(a)(2) for operating assistance	\$ <u>882,000</u>	\$ <u>882,000</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 in a subrecipient capacity.

RUS Loan Funding (CFDA #10.851)

<u>Loan Proceeds Approved As of September 30, 1998</u>	<u>Loan Proceeds Received During FY 1998</u>	<u>Total Disbursement on Contracts During FY 1998</u>
\$ <u>40,195,300</u>	\$ <u>-</u>	\$ <u>46,965</u>

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Notes to Schedule of Expenditures of Federal Awards  
Year Ended September 30, 1998

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 in a direct capacity and separately satisfies its OMB Circular A-133 requirements.

State Subgrantees:

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 Federal Financial Assistance, as extracted from its audit reports, is as follows:

<u>Grantor Agency/Program</u>	<u>CFDA#</u>	<u>Fiscal Year 1998 Expenditures</u>
U.S. Department of the Interior:		
Compact of Free Association:		
Energy (214B)	15.875	\$ 499,500
Operations and Maintenance:		
OMIP-KOS-95-1, 2 <sup>nd</sup> Year	15.875	41,342
OMIP-KOS-96-1, 3 <sup>rd</sup> Year	15.875	<u>159,599</u>
Total expenditures		\$ <u>700,441</u>

The programs are received from the State of Kosrae in a subrecipient capacity. The aforementioned audit did not specify the existence of any questioned costs pertinent to the above expenditures. Funds passed through to the Kosrae Utilities Authority are included within the Schedule of Federal Financial Assistance of Kosrae State.

Pohnpei Utilities Corporation

The Pohnpei Utilities Corporation, a component unit - proprietary fund, is the recipient of various pass-through funds from Pohnpei State. Questioned costs or matters of noncompliance are included in the accompanying Federal Findings and Questioned Costs - Monitoring Subrecipients. The following is the Pohnpei Utilities Corporation's Schedule of Federal Financial Assistance, as extracted from the abovementioned audit reports:

(refer to page 135)

FEDERATED STATES OF MICRONESIA

Notes to Schedule of Expenditures of Federal Awards  
Year Ended September 30, 1998

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, 1998	Total Program Expenditures
<b>U.S. Department of the Interior:</b>					
Office of Territorial and					
International Affairs:					
<b>Compact of Free Association:</b>					
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	1,498,628	36,622	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>2,928,510</u>	<u>36,622</u>	<u>2,965,132</u>
<b>Operations and Maintenance Improvement</b>					
<b>Programs (OMIP):</b>					
Initialization of the PUC	15.875	430,250	430,249	-	430,249
Pohnpei Water, Sewerage, and Solid Waste Utilities Development, First-Year		810,000	773,377	36,622	809,999
Pohnpei Water, Sewerage, and Solid Waste Utilities Development, Second-Year		665,000	512,100	51,332	563,432
Pohnpei Water, Sewerage, and Solid Waste Utilities Development, Third-Year		443,500	46,182	53,532	99,714
Pohnpei Water, Sewerage, and Solid Waste Utilities Development, Fourth-Year		285,000	-	35,585	35,585
Pohnpei Power Generation and Distribution Second-Year		273,468	273,468	-	273,468
Pohnpei Power Generation and Distribution Third-Year		370,000	371,902	-	371,902
Pohnpei Power Generation and Distribution Fourth-Year		462,000	199,067	75,217	274,284
Pohnpei Power Generation and Distribution Fifth-Year		456,000	-	57,256	57,256
OMIP Bench		71,000	71,000	-	71,000
		<u>4,266,218</u>	<u>2,677,345</u>	<u>309,544</u>	<u>2,986,889</u>
<b>Technical Assistance:</b>					
PUC FSM-58	15.875	110,000	110,000	-	110,000
ALCO Repairs		25,000	25,000	-	25,000
		<u>135,000</u>	<u>135,000</u>	<u>-</u>	<u>135,000</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	879,824	206,197	1,086,021
Audit Grant	15.875	32,000	32,000	-	32,000
		<u>1,332,000</u>	<u>1,111,824</u>	<u>206,197</u>	<u>1,318,021</u>
<b>Trust Territory of the Pacific Islands (TTPI):</b>					
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>\$ 12,755,631</u>	<u>\$ 11,091,335</u>	<u>\$ 552,363</u>	<u>\$ 11,643,698</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, 1998

2. Summary of Significant Accounting Policies, Continued

D. Subgrantees, Continued

State Subgrantees, Continued

Pohnpei State Housing Authority

The Pohnpei State Housing Authority, a component unit - proprietary fund, is a subrecipient of various pass-through funds as explained hereunder. The following Schedule of Federal Financial Assistance is extracted from the Authority's audit reports. All material instances of noncompliance or questioned costs presented in those audit reports are contained in the accompanying Schedule of Findings and Questioned Costs.

<u>Grant Title</u>	<u>Grantor Agency</u>	<u>CFDA No.</u>	<u>Loans Outstanding as of Sept. 30, 1998</u>
Compact of Free Association: Capital Account Funds-Capital Projects, Section 211(A)	DOI-OTIA	15.875	\$ <u>4,585,500</u>
Total U.S. Department of the Interior			\$ <u>4,585,500</u>
Rural Services: Housing Preservation Grant	USDA	10.433	\$ <u>378,094</u>
Total U.S. Department of Agriculture			\$ <u>378,094</u>

Note: The Compact of Free Association funds are disbursed through the U.S. Department of the Interior (DOI), Office of Territorial and International Affairs (OTIA), to the FSM National Government which reallots such to the component States. Pohnpei State subsequently passed certain of these funds through to the Pohnpei State Housing Authority (PSHA). The Housing Preservation Grant (HPG) funds are received in a subgrantee capacity through the Pohnpei Farmers Home Administration Office.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Programs  
Selected for audit in accordance with  
OMB Circular A-133  
Year Ended September 30, 1998

<u>Grantor</u>	<u>Description</u>	<u>CFDA No.</u>	<u>Amount of 1998 Expenditures</u>
U.S. Dept. of the Interior:	Compact of Free Association: Program account related: 211(a) Capital Account Post Secondary Education	15.875	\$ 5,980,338 <u>1,840,045</u>
	Total Compact of Free Association excluding Compact Section 211(a) Current Account		7,820,383
U.S. Dept. of Labor	JTPA	17.250	473,686
U.S. Dept. of Education	Special Education Program	84.027	<u>1,160,585</u>
	Total program expenditures selected excluding Compact Section 211(a) Current Account		\$ <u>9,454,654</u>
	Total U.S. Federal Program expenditures excluding Compact Section 211(a) Current Account		\$ <u>14,993,359</u>
	% of Total U.S. Federal expenditures covered by major programs excluding Compact Section 211(a) Current Account		<u>63%</u>

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Summary of Expenditures of U.S. Federal Awards  
Year Ended September 30, 1998

<u>Grantor</u>	<u>Amount</u>
U.S. Department of Education	\$ 1,432,060
U.S. Department of Labor	582,854
U.S. Department of Agriculture	12,633
U.S. Environmental Protection Agency	14,622
U.S. Department of Health and Human Services	1,165,311
U.S. Federal Emergency Management Agency	70,233
U.S. National Oceanic Atmospheric Administration	665,699
U.S. Department of the Interior:	
Historical Preservation Grants	41,415
OTIA Technical Assistance	827,794
Compact of Free Association Funding excluding Section 211(a) Current Account	<u>10,180,738</u>
Total U.S. Federal Assistance excluding Section 211(a) Current Account	14,993,359
Compact of Free Association Section 211(a) Current Account	<u>5,353,776</u>
	\$ <u><u>20,347,135</u></u>



**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs  
Year Ended September 30, 1998

**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, none of which are considered to be material weaknesses.
3. Instances of noncompliance considered to be material to the financial statements were identified.
4. One reportable condition in internal control over compliance with requirements applicable to major federal award programs was identified, which is not considered to be a material weakness.
5. The Independent Auditors' Report on compliance with requirements applicable to major federal award programs expressed an unqualified 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 Labor	17.250
U.S. Department of Education	84.027

8. A threshold of \$449,801 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>
98-3	Cash with embassies	\$ -
98-4	Travel advance	\$ -
98-5	Revenue sharing payable	\$ -
98-6	Payroll	\$ -
98-7	Imprest funds with embassies & consulate offices	\$ -
98-8	Cash and equivalents	\$ -
98-9	Purchase orders	\$ -
98-10	Local taxes	\$ -
98-11	Local taxes – revenue sharing	\$ -

**Part III - Federal Award Findings and Questioned Cost Section**

<u>Reference Number</u>	<u>Findings</u>	<u>Questioned Costs</u>
98-1	Compact Capital Projects Fund	\$ 15,316
98-2	Monitoring of subrecipient's questioned costs	\$ -

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 1998

<u>Program</u>	<u>Reason for Questioned Costs</u>	<u>Questioned Costs</u>
 <u>Compact Capital Projects Fund</u>		
<u>Item No.</u> 98-1	<u>CFDA No.</u> 15.875	<u>Criteria:</u> The FSM National Government should ensure that it complies with the intent of the Compact treaty.
		\$ 15,316
		<u>Condition:</u> Purchase of supplies and materials for regular maintenance were charged as capital improvements.
	<u>CK#</u>	<u>Doc.#</u>
	155342	808501
	155342	808501
	154439	808434
	149125	802326
	155342	808501
		\$ 6,650
		3,483
		897
		539
		<u>3,747</u>
		<u>\$ 15,316</u>
		<u>Cause:</u> The cause of this condition is unknown.
		<u>Effect:</u> Noncompliance with the Compact treaty could result from this condition.
		<u>Recommendation:</u> We recommend that the FSM National Government comply with the intent of the Compact treaty.
		<u>\$ 15,316</u>

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 1998

<u>Program</u>	<u>Reason for Questioned Costs</u>	<u>Questioned Costs</u>
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**Monitoring of Subrecipient's Questioned Costs**

**Finding No. 98-2**

**Criteria:** The FSM National Government is required to resolve subrecipient questioned costs in a timely manner (within six months upon receipt of the subrecipient report).

**Condition:** Prior year questioned costs for subrecipients are still unresolved.

**Cause:** The cause of this condition is that the task force created to resolve questioned costs has not resolved subrecipient questioned costs.

**Effect:** There is no effect on the financial statements as a result of this condition.

**Prior Year Status:** Monitoring of subrecipient's questioned costs was reported in the FSM National Government Single Audit for fiscal year 1997.

**Recommendation:** We recommend that the FSM National Government resolve subrecipient questioned costs in a timely manner.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 1998

**Cash with Embassies**

**Finding No. 98-3**

**Criteria:** The FSM National Government should ensure that cash with Embassies and Consulate Offices are reconciled to the general ledger as of year end.

**Condition:** The general ledger balance is higher than the adjusted bank balance by \$157,451 at year end.

**Cause:** The cause of this condition is unknown.

**Effect:** The effect of this condition is overstatement of cash and equivalent.

**Recommendation:** We recommend that FSM National ensure that the general ledger account for cash with the Embassies and Consulate Office is reconciled with the adjusted bank balances.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 1998

**Travel Advance**

**Finding No. 98-4**

**Criteria:** Management should value its receivables to reflect net realizable value.

**Condition:** FSM National Government is maintaining travel advance receivables within its trial balance and reconciliations which date back as far as 1986. These receivables do not appear to be recoverable.

**Cause:** The cause of this condition is unknown.

**Effect:** The effect of this condition is not known as the amounts have been encumbered. However, real costs are being incurred in maintaining and reporting this information.

**Recommendation:** The travel advances should be aged and appropriate steps should be taken to follow-up on and write-off receivables appears uncollectible.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 1998

**Revenue Sharing Payable**

**Finding No. 98-5**

Criteria: The revenue sharing payable general ledger balance must be reconciled with the subsidiary records.

Condition: We found that the general ledger balance for revenue sharing payable to the States is lower than the subsidiary records by \$46,988 as of September 30, 1998.

Cause: The cause of this condition is unknown.

Effect: The effect of this condition is understatement of liabilities.

Recommendation: We recommend that the FSM National Government ensure that all general ledger accounts are properly reconciled at the end of each fiscal year.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 1998

**Payroll**

**Finding No. 98-6**

Criteria: Payroll expenditures should be recorded in the proper fiscal year.

Condition: Payroll expenditures amounting to \$104,016 for the 3 working days in pay period 21 were not accrued for at September 30, 1998.

Cause: The cause of this condition is unknown.

Effect: The effect of this condition is understatement of personnel expenditures.

Recommendation: We recommend that the FSM National Government ensure that proper accruals are made at the end of each fiscal year.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 1998

**Imprest Funds with Embassies and Consulate Offices**

**Finding No. 98-7**

**Criteria:** The FSM National Government should ensure that all imprest funds are reconciled to the general ledger at September 30, 1998.

**Condition:** We found that the imprest account general ledger balance is higher than the adjusted bank balance by \$69,910 as of September 30, 1998.

**Cause:** The cause of this condition is unknown.

**Effect:** The effect of this condition is an overstatement of cash and equivalents.

**Recommendation:** We recommend that the FSM National Government ensure that all imprest funds are reconciled to the general ledger.



**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 1998

**Cash and Equivalents**

**Finding No. 98-8**

**Criteria:** The FSM National Government should ensure that all cash accounts are reconciled to the general ledger.

**Condition:** The following cash accounts showed variances between the general ledger and the adjusted bank balances as of September 30, 1998.

<u>Account</u>	<u>Amount</u>
General Checking	\$ (2,402)
Yap Trust Fund	(10,038)
Chuuk Trust Fund	(107,213)
Kosrae Trust Fund	<u>7,328</u>
	\$ <u>(112,325)</u>

**Cause:** The cause of this condition is unknown.

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

**Recommendation:** We recommend that the FSM National Government ensure that all cash funds are reconciled to the general ledger.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 1998

**Purchase Orders**

**Finding No. 98-9**

Criteria: The prepaid purchase order account should be credited after prepaid goods and services are received.

Condition: We found that four prepaid purchase orders totaling \$190,199 out of 25 samples tested where goods were received prior to September 30, 1998 and were still listed in the prepaid purchase order balance.

Cause: The cause of the condition results from receiving reports that were not processed by the requisitions section and forwarded to the payables section for proper accounting treatment.

Effect: The prepaid purchase orders account is overstated and expenses understated by \$190,199.

Recommendation: Procedures should be followed to ensure that receiving reports are processed and forwarded to the payables section. We also recommend that the requisitions section regularly follow up with respective departments on outstanding prepaid purchase orders to ensure that receipt of goods and services is properly recognized and nonperforming vendors are contacted.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 1998

**Local Taxes**

**Finding No. 98-10**

Criteria: Significant fluctuations in revenue collections should be investigated for potential areas where tax laws are not adequately enforced.

Condition: For fiscal year 1998, import tax, fuel tax, and income tax revenues increased significantly by 56%, 53%, and 35% respectively, over fiscal year 1997 results. The reason for the significant increase has not been fully investigated.

Cause: The cause of the condition is unknown.

Effect: The effect of this condition is significant increases in revenue collection. Possible problems with revenue collections and or tax laws cannot be determined as a result of not fully investigating the cause of fluctuations.

Recommendation: We recommend that significant increases or decreases in tax revenue be investigated by tax authorities or by the Public Auditor so that possible revenue problems can be identified and corrective actions can be implemented.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 1998

**Local Taxes - Revenue Sharing**

**Finding No. 98-11**

**Criteria:** FSM National Government should ensure that the general ledger balances are properly reconciled with the subsidiary ledgers.

**Condition:** We found that the general ledger balance for local tax revenue is higher than the subsidiary ledger by \$337,799 as of September 30, 1998.

**Cause:** The cause of the condition is unknown.

**Effect:** The effect of this condition is a potential overstatement of local tax revenue.

**Recommendation:** We recommend that the FSM National Government ensure that general ledger balances are reconciled with subsidiary ledgers on a periodic basis.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 1998

**Local Findings - Employment Ceiling - FSM National Government**

98L-1. Criteria: The FSM National Government should ensure compliance with Public Law 10-24 Section 14 Subsection 1.

Condition: During testing of employment ceilings, one branch and one agency of the National Government exceeded the maximum numbers positions that may be hired.

<u>Branch/Agency</u>	<u>Excess</u>
Transportation	1
National Postal Service	4

Cause: The cause of the above condition is unknown.

Effect: Noncompliance with local laws and regulations results from this condition.

Recommendation: We recommend that employment ceilings be followed to comply with Public Law 10-24.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 1998

**Local Findings – Continuing Appropriation**

98L-2. Criteria: The FSM National Government should ensure that Compact funds are not over appropriated.

Condition: The Compact Capital Account fund has an unreserved deficit of \$3.3 million as of September 30, 1998.

Cause: The cause of the above condition is unknown.

Effect: There is no effect on the financial statements as a result of this condition.

Recommendation: We recommend that the FSM National Government ensure that Compact funds are not over appropriated.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 1998

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

**Administrative Requirements - Equipment Management**

Item No.    CFDA No.    Criteria:

98-4.            All            The Common Rule for Uniform Administrative Requirements for Federal Grants, Section 33(d)(2) requires that a physical inventory of property acquired with federal funds be performed at least every two years and that the inventory be reconciled to property records.

Condition: A physical inventory of property has not been performed in over two years.

Cause: The cause of this condition is unknown.

Effect: The effect is noncompliance with the Administrative Requirements over federal grants.

Prior Year Status: This condition was reported in the Chuuk State Government Single Audits for fiscal years 1996 and 1997.

Recommendation: We recommend that a physical inventory of property be taken and the results reconciled to the property records at least once every two years.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 1998

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

**98-5. Resolution of Payable to Grantor Agency**

Criteria: Findings from prior audit reports should be resolved.

Condition: The following findings from previous years' Single Audit Reports remain unresolved.

1. FY93 Federal Finding No. 1 – Reimbursement in excess of expenditures (CFDA #84.003) – Chuuk State, in fiscal year 1991, received cash of approximately \$311,292 in excess of expenditures incurred for its DOE Bilingual Education Program. This balance is still reflected as a liability on the State's books.
2. FY93 Federal Finding No. 2 - Reimbursement in excess of expenditures (CFDA #10.560) – Chuuk State. In fiscal year 1991, the State received cash of approximately \$277,320 in excess of expenditures incurred for its Food Services Program. The balance remains recorded as deferred revenue as of September 30, 1998. No additional expenditures were incurred for the program since fiscal year 1993.

Cause: The cause of this condition is unknown.

Effect: Lack of timely resolution of audit findings hinders the effectiveness of the Chuuk State's administrative controls over federal financial assistance.

Prior Year Status: The non-resolution of prior years' federal findings was reported in the Chuuk State Government Single Audit for fiscal year 1997.

Recommendation: Administrative control findings from previous Single Audit Reports should be satisfactorily resolved in a timely manner.



**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 1998

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

K98-1. TFAS  
Educational Grant-  
CFDA # 84.256, and  
Vocational Education  
CFDA#84.994

Criteria: Kosrae State must follow procedures to ensure compliance with applicable grantor imposed reporting requirements.

Condition: Required advance/reimbursement reports and performance reports were not available for inspection.

Cause: Personnel responsible for the above reports have not been fully trained with respect to applicable federal rules and regulations.

Effect: The effect of this condition is noncompliance with federal rules and regulations.

Recommendation: We recommend that the Department of Administration implement procedures whereby the Administrator for Finance and Budget reviews all federal activities for compliance.

NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 1998

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

K98-2. Compact Capital  
Projects Fund-  
CFDA # 15.875

Criteria: Kosrae State should ensure that Compact Capital Account funds are expended for allowable uses as set forth in the Compact treaty.

Condition: We were not able to determine how the sending of athletes to regional games qualifies as an allowable use of Compact Capital Account funds.

<u>APV #</u>	<u>Org. #</u>	
112454	6916	\$ 1,700
112409	6916	34,020
112660	6916	<u>22,360</u>
		<u>58,080</u>

Cause: Kosrae State considers sending of athletes to regional games as an allowable use.

Effect: The effect of this condition is potential noncompliance with the Compact treaty.

Recommendation: We recommend that Kosrae State ensure that expenditures comply with the Compact and its subsidiary agreements.

Total Questioned Costs \$ 58,080

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 1998

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

P98-3. Dept. of Health  
and Human Services/  
Community Health  
Grant/  
CFDA #93.224

Criteria: Adequate controls should be in place to ensure that program income is properly recorded as earned and collected in a timely manner.

Condition: Our review of procedures for collection of patient fees at the Pohnpei Community Health Center shows no assurance that all patient fees are billed and collected. The cash receipt forms in use were not prenumbered for greater accountability. In addition, no formal invoice was in use for billing patients. Responsibility for billing and collection was placed with the Department of Health Services and it appears that there were no formalized procedures for maintaining accounts receivable and ensuring collection of such accounts.

Cause: It appears that inadequate accounting forms in use and procedures in place is the underlying cause of the above condition.

Effect: Inadequate controls over program income results from the above condition.

Recommendation: We recommend that Pohnpei Community Health Center adopt new prenumbered cash receipt forms and prenumbered invoices for billing patients. In addition, procedures for recording and collecting accounts receivable should be formalized and implemented to ensure that all Community Health receivables are collected.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 1998

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

P98-4. Dept. of Health  
and Human Services /  
Community Health  
Grant/  
CFDA #93.224

Criteria: The Community Health Center should maximize its program income by charging for its services based on patients' ability to pay.

Condition: The DHHS Community Health Grant requires grantees to maximize non-grant revenue, in part by securing payments from clients in accordance with a sliding fee schedule determined based on each patient's ability to pay. The Pohnpei Community Health Center has not adopted a sliding fee schedule, but instead charges its patients using the fixed fee schedule for the Pohnpei State Department of Health Services.

Cause: Efforts by the former Board of Directors to adopt a sliding fee scale was discontinued when the Board was abolished in 1996 and operations of the Pohnpei Community Health Center transferred under the direction of the Department of Health Services.

Effect: Potential noncompliance with grant requirements exists as a result of the above condition.

Recommendation: We recommend that Pohnpei Community Health Center adopt a sliding scale fee schedule as required by the DHHS Community Health Grant or obtain from its grantor specific exemption from the sliding scale fee schedule.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 1998

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

**Subrecipient- Pohnpei State Housing Authority**

P98-5. Compact of  
Free Association/  
Capital Project  
Fund/CFDA  
#15.875

Criteria: Compact capital funds received in a subrecipient capacity should be expended in accordance with local laws and regulations.

Condition: Our review disclosed that the amount of \$24,000 was transferred from the revolving loan account to the warehouse and labor account used for operating and administrative expenses. Of this amount, \$13,000 was used to purchase two (2) vehicles in December, 1997 and \$11,000 was paid to a collection agency to help in loan collection. Moreover, PSHA's Board of Directors approved these transfers after the transfers were made.

\$ 24,000

Cause: The Executive Director approved the said transfers of funds and its subsequent disbursements prior to the Board's approval.

Effect: The above condition defeated the purpose of the loan funds being used exclusively for extending loans. Also, it resulted to unauthorized disbursements.

Recommendation: We recommend that PSHA immediately resolve this matter with the Pohnpei State Legislature and if possible, request Budget Office to allow PSHA share in the use of the Administrative cost. We also recommend that the PSHA Board should approve all major transfers and/or disbursements prior to effecting said transactions.

Prior Year Status: This was also reported in 1993 up to 1998 audit. A summary of the annual fund transfers is as follows:

Fiscal year 1993	\$ 23,714
Fiscal year 1994	47,518
Fiscal year 1995	35,266
Fiscal year 1996	15,182
Fiscal year 1997	20,738
Fiscal year 1998	<u>24,000</u>
	\$ <u>166,418</u>

Total Questioned Costs

\$ 24,000

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 1998

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

<u>Program</u>	<u>Reason for Questioned Costs</u>	<u>Questioned Costs</u>
<b><u>Administrative Requirements – Equipment Management</u></b>		
<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>
Y98-1	All	<p>The Common Rule for Uniform Administrative Requirements for Federal Grants, Section 33(d)(2) requires that a physical inventory of property acquired with federal funds be performed at least every two years and that the inventory be reconciled to property records.</p> <p><u>Condition:</u> A physical inventory of property has not been performed in over two years.</p> <p><u>Cause:</u> The cause of this condition is unknown.</p> <p><u>Effect:</u> The effect is noncompliance with the Administrative Requirements over federal grants.</p> <p><u>Recommendation:</u> We recommend that a physical inventory of property be taken and the results reconciled to the property records at least once every two years.</p> <p><u>Prior Year Status:</u> Noncompliance with the administrative requirements over federal grants was reported in the Single Audit of Yap State Government for fiscal year 1997.</p>

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 1998

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

<u>Program</u>	<u>Reason for Questioned Costs</u>	<u>Questioned Costs</u>
<b><u>Administrative Requirements – Equipment Management</u></b>		
<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>
Y98-2	All	<p>An updated property ledger by funding source should be maintained for all of Yap State Government.</p> <p><u>Condition:</u> The Division of Real and Personal Property Management (RPPM) maintains property cards. However, these records have not been updated in the accounting system.</p> <p><u>Cause:</u> The off-site terminal used by RPPM no longer works and no manual ledgers appear to have been prepared.</p> <p><u>Effect:</u> The effect is noncompliance with the Administrative Requirements over federal grants due to not being able to test the accuracy of fixed asset inventory ledgers.</p> <p><u>Recommendation:</u> We recommend that property ledgers be maintained on a timely basis, by funding source, in the General Fixed Assets Account Group.</p> <p><u>Prior Year Status:</u> Noncompliance with the administrative requirements over federal grants was reported in the Single Audit of Yap State Government for fiscal year 1996.</p>

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 1998

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

<u>Program</u>	<u>Reason for Questioned Costs</u>	<u>Questioned Costs</u>
<b><u>FEMA Matching Funds</u></b>		
<u>Item No.</u>	<u>CFDA No.</u>	<u>Criteria:</u>
Y98-3	83.516	<p>Certain Federal Emergency Management Agency (FEMA) grants are required to be matched by the recipient local government, either in the form of in-kind contributions or local appropriations. The State is responsible to ensure that local matching contributions are sufficiently documented in the accounting records and project files.</p> <p><u>Condition:</u> During fiscal year 1998, Yap State expended FEMA Hazard Mitigation Grants and Public Assistance grants which were required to be matched by local funds. We tested the State's compliance with the matching requirements and noted that accounting and other information relating to the State's matching contributions towards the FEMA grants were not sufficiently documented in the accounting records and project files. The 25% local matching contribution for Typhoon Fern Public Assistance Grants had not been transferred out to the FEMA Fund. In addition, because of inadequate project files, the State had difficulty providing evidence that the 50% in-kind contribution for the Hazard Mitigation grants had been met. These matters were satisfactorily resolved through audit and other adjustments.</p> <p><u>Cause:</u> The cause of the above condition is that the State did not ensure that records of matching funds were adequately documented in the accounting records.</p> <p><u>Effect:</u> Poor accounting records and project files increases the risk that Yap State may not meet its matching requirements for FEMA grants.</p> <p><u>Recommendation:</u> We recommend that the State ensure compliance with its local matching contribution by specifying in the accounting records the accounts to be used for the 25% local matching contributions of FEMA grants and ensure that every dollar of the FEMA grant expended is matched 25% by local funds. The State should also ensure that project files are adequately maintained to properly show evidence all required matching contributions have been met.</p>



**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 1998

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

<u>Program</u>	<u>Reason for Questioned Costs</u>	<u>Questioned Costs</u>
<b><u>Special Education - NonSupplanting</u></b>		

Item No.    CFDA No.    Criteria:

98-4            84.027A            Special Education IDEA Part B Funds cannot be used, except under certain limited circumstances, to reduce the level of funding for the education of children with disabilities by the local education agency (LEA) from local funds below the level of those expenditures for the preceding year.

Condition: No local funds were allocated in fiscal year 1998 for the special education program as compared to fiscal year 1997 when \$94,356 from CFSM funds were expended. The Special Education staff believes that although no local funds have been specifically allocated for the Special Education program in fiscal year 1998, the State has made in-kind contributions to the program in terms of the time spent by regular teachers on program students in the classrooms. However, these in-kind contributions have neither been quantified by Yap State, nor has the State clarified whether such contributions can be regarded as the local share of contributions to supplement Federal funds received for the Special Education Program.

Cause: The cause of the above condition is that Special Education has not clarified with the FSM National Government and the grantor agency how to document compliance with the nonsupplanting requirement of Special Education Funds.

Effect: The result of the above condition is that Yap State Special Education may not be maintaining the same level of local funding to meet the nonsupplanting requirements of the Special Education funds.

Recommendation: We recommend that Yap Special Education clarify with the FSM National Government and the grantor agency how it should document that it is meeting the nonsupplanting requirement and ensure that such documentation is maintained.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 1998

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

<u>Program</u>	<u>Reason for Questioned Costs</u>	<u>Questioned Costs</u>
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**Headstart – Procurement**

Item No.    CFDA No.    Criteria:

Y98-5        93.600        Federal Procurement Standards require evidence of price comparison from a number of sources for small purchases below bidding threshold of \$100,000.

Condition: Through our testing of disbursements it was found that the Federal requirement for competitive procurement was not met for the Headstart program. The specific items selected that do not have competitive procurement are detailed below:

<u>Check #</u>	<u>Check Date</u>	
19393	10/13/97	\$ 2,802
19418	10/21/97	1,500
19481	11/07/97	1,190
19519	11/18/97	1,350
19698	01/09/98	7,448
19962	03/26/98	4,081
19966	03/26/98	3,789
20166	06/11/98	3,823
20173	06/11/98	1,888
20421	08/11/98	3,961
20426	08/11/98	1,419
20524	09/10/98	3,404
20582	09/30/98	1,854
20583	09/30/98	<u>4,520</u>
		 \$ <u>43,029</u>

Cause: Yap CAP was unaware of the federal procurement standards for small purchases.

Effect: The effect of this condition is potential noncompliance with federal regulations that govern the grant and potential questioned costs of \$43,029. No actual questioned costs result from this finding as the State has six months from the issuance of this report to resolve this matter with Yap Community Action Program, its subrecipient.

Recommendation: It is recommended that all staff be made aware of the requirement and that formal procedures be adopted to ensure that evidence of compliance with the federal procurement standards be maintained on file.

**NATIONAL GOVERNMENT  
FEDERATED STATES OF MICRONESIA**

Unresolved Prior Years' Questioned Costs  
Year Ended September 30, 1998

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

	Questioned Costs Set Forth in Prior Audit Report <u>1997</u>	Questioned Costs Resolved in Fiscal Year <u>1998</u>	Questioned Costs at <u>September 30, 1998</u>
Unresolved Questioned Costs FY 95	\$ 112,372	\$ (112,372) (1)	\$ -
Unresolved Questioned Costs FY 96	548,688	(33,168) (2)	515,520
Unresolved Questioned Costs FY 98	<u>-</u>	<u>-</u>	<u>15,316</u>
	<u>\$ 661,060</u>	<u>\$ -</u>	<u>\$ 530,836</u>

- (1) Findings have been reported to federal agencies for in excess of the two year threshold or the questioned costs were forgiven under the laws of the Compact of Free Association and its subsidiary agreements.
- (2) \$13,400 were reimbursed by Yap State General Fund; and \$19,768 of questioned costs were substantiated to be appropriate "sole-source" purchases.



**GOVERNMENT OF THE  
FEDERATED STATES OF MICRONESIA  
Department of Finance and Administration**

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Secretary of Finance  
&  
Administration

October 30, 1999

Simao Iehsi  
Deloitte and Touche  
PO Box 753  
Kolonia, Pohnpei 96941

Dear Mr. Iehsi:

This is to document our responses to the findings and questioned costs in the FSM National Government, Single Audit for fiscal year 1998.

**Finding 98-1 Compact Capital Projects Fund**

We will obtain the FSM Attorney General's legal opinion on this finding and resolve by April 30, 2000.

**Finding 98-2 Monitoring of Subrecipient Questioned Cost**

The Secretary of Finance and Administration will call a meeting of the task force created by Presidential Order 17 to resolve the findings and questioned costs.

**Finding 98-3 Cash with Embassies**

The reconciliation manager will correct this finding in the subsequent year.

**Finding 98-4 Travel Advance**

The Secretary of Finance and Administration will call a meeting of the task force created by Presidential Order 17 to address this finding.

**Finding 98-5 Revenue Share Payable**

The Secretary of Finance and Administration will call a meeting of the task force created by Presidential Order 17 to address this finding.

**Finding 98-6 Payroll**

The payroll manager will record this accrual in the subsequent year and ensure that fiscal year 1999 payroll expenses are properly recorded.

**Finding 98-7 Imprest Funds with Embassies and Consulate Offices**

We recognize the problem and have closed most of the imprest funds. The funds will not be utilized until they are reconciled to the general ledger. The financial management specialist will be assigned the task of reconciling the imprest account general ledger balance to the bank balance, which will be completed by April 30, 2000.

**Finding 98-8 Cash and Equivalents**

The reconciliation manager will correct this finding by April 30, 2000.

**Finding 98-9 Purchase Orders**

The Assistant Secretary of Accounting Division will ensure that this type of finding does not reoccur.

**Finding 98-10 Local Taxes**

The increase in the FY98 revenue collection was the effect of the new tax law that was implemented.

**Finding 98-11 Local Taxes- Revenue Sharing**

The Secretary of Finance will call a meeting of the task force created by Presidential Order 17 to resolve this finding.

**Finding 98I-1 Local Findings- Employment Ceiling- FSM National Government**

The Secretary of Finance will call a meeting of the task force created by Presidential Order 17 to address this finding.

**Finding 98L-2 Local Findings- Continuing Appropriations**

The Secretary of Finance will call a meeting of the task force created by Presidential Order 17 to address this finding.

Should our responses require additional detail, please do not hesitate to contact me.

Sincerely,

  
John Ehsa