

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT

GENERAL PURPOSE FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION

YEAR ENDED SEPTEMBER 30, 1988

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT

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AND ADDITIONAL INFORMATION
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Memorandum totals and other balances as of September 30, 1987, have not been audited. These balances have been extracted from the comprehensive annual financial report of the Federated States of Micronesia National Government for the year ended September 30, 1987, and are presented in the accompanying financial statements for comparative purposes only. The comprehensive annual financial report for the year ended September 30, 1987, was subjected to audit procedures to the extent as described in our qualified opinion in our report dated February 27, 1988

January 25, 1989



Certified Public Accountants

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT



Combined Balance Sheet - All Fund Types and Account Groups, Continued
September 30, 1988
(With comparative totals as of September 30, 1987)

Fiduciary Funds Expendable Trust Funds	Account Groups		Totals (Memorandum Only)	
	General Fixed Assets	General Long-Term Debt	1988	1987
\$ 40,000	\$ -	\$ -	\$ 1,793,647	\$ 1,401,267
-	-	-	11,446,853	9,892,662
670,955	-	-	29,601,788	20,452,523
-	-	-	5,663,936	350,493
-	-	-	370,676	901,543
20,095	-	-	1,007,368	1,284,793
-	-	-	2,206,846	2,112,493
-	-	-	509,432	1,212,724
213,440	-	-	6,077,828	7,169,823
-	-	-	637,464	368,877
-	-	-	170,858	86,969
-	-	-	191,602	85,992
-	-	-	4,045,716	814,564
-	-	421,892	421,892	364,406
-	3,108,648	-	8,322,338	3,995,101
<u>\$944,490</u>	<u>\$3,108,648</u>	<u>\$421,892</u>	<u>\$72,468,244</u>	<u>\$50,494,230</u>
=====	=====	=====	=====	=====
\$ -	\$ -	\$ -	\$ -	\$ 501,269
38,137	-	-	1,232,056	1,990,882
543	-	-	570,132	315,745
-	-	-	238,334	427,074
-	-	-	6,077,828	7,169,823
-	-	-	6,218,057	1,599,351
-	-	-	625,587	116,325
-	-	421,892	421,892	364,406
-	-	-	1,569,410	4,395,374
-	-	-	145,974	15,542
<u>38,680</u>	<u>-</u>	<u>421,892</u>	<u>17,099,270</u>	<u>16,895,791</u>
-	3,108,648	-	16,146,001	8,341,274
905,810	-	-	4,942,820	3,710,878
-	-	-	1,049,381	481,076
-	-	-	10,102,596	13,410,474
-	-	-	7,180,843	12,971,819
-	-	-	15,947,333	(5,317,082)
<u>905,810</u>	<u>3,108,648</u>	<u>-</u>	<u>55,368,974</u>	<u>33,598,439</u>
<u>\$944,490</u>	<u>\$3,108,648</u>	<u>\$421,892</u>	<u>\$72,468,244</u>	<u>\$50,494,230</u>
=====	=====	=====	=====	=====

See accompanying notes to combined financial statements.

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT

Combined Statement of Revenues, Expenditures and
Changes in Fund Balance
All Governmental Fund Types and Expendable Trust Funds
Year ended September 30, 1988
(With comparative totals for the year ended September 30, 1987)

	Governmental Fund Types			Fiduciary Fund Expendable Trust Funds	Totals (Memorandum Only)	
	General Fund	Special Revenue Funds	Capital Projects Funds		1988	1987
Revenues:						
U.S. federal contributions (including DOI)	\$ -	\$ 1,845,525	\$5,702,795	\$ -	\$ 7,548,320	\$ 7,515,971
Compact funds	6,508,512	15,841,804	2,791,488	-	25,141,804	20,718,280
Other	13,961,721	834,125	-	567,638	15,363,484	10,690,044
Total revenues	<u>20,470,233</u>	<u>18,521,454</u>	<u>8,494,283</u>	<u>567,638</u>	<u>48,053,608</u>	<u>38,924,295</u>
Expenditures:						
Executive branch	7,236,296	5,406,226	6,124,119	408,597	19,175,238	15,375,668
Judicial branch	576,100	-	-	-	576,100	630,252
Boards and commissions	1,018,673	-	-	-	1,018,673	1,319,317
Legislative branch	1,924,600	-	-	-	1,924,600	1,811,519
Office of the Public Auditor	292,097	-	-	-	292,097	274,034
Other National Government programs	969,247	-	-	-	969,247	905,757
Other legislative appropriations	2,187,364	-	-	-	2,187,364	3,812,169
Other	346,650	-	-	-	346,650	290,103
Total expenditures	<u>14,551,027</u>	<u>5,406,226</u>	<u>6,124,119</u>	<u>408,597</u>	<u>26,489,969</u>	<u>24,418,819</u>
Revenues in excess of expenditures	<u>5,919,206</u>	<u>13,115,228</u>	<u>2,370,164</u>	<u>159,041</u>	<u>21,563,639</u>	<u>14,505,476</u>
Other sources (uses):						
Operating transfers in (out) (note 5)	<u>(1,034,038)</u>	<u>(4,530,699)</u>	<u>(3,000,000)</u>	<u>-</u>	<u>(8,564,737)</u>	<u>(1,073,754)</u>
Total other sources (uses), net	<u>(1,034,038)</u>	<u>(4,530,699)</u>	<u>(3,000,000)</u>	<u>-</u>	<u>(8,564,737)</u>	<u>(1,073,754)</u>
Excess (deficiency) of revenues and other sources over expendi- tures and other uses	4,885,168	8,584,529	(629,836)	159,041	12,998,902	13,431,722
Fund balance, beginning of year	7,878,952	10,807,917	2,753,423	746,769	22,187,061	8,755,337
Adjustment to beginning fund balance	-	-	-	-	-	2
Fund balance, end of year	<u>\$12,764,120</u>	<u>\$19,392,446</u>	<u>\$2,123,587</u>	<u>\$905,810</u>	<u>\$35,185,963</u>	<u>\$22,187,061</u>

See accompanying notes to combined financial statements.

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT
GENERAL FUND

Statement of Revenues, Expenditures and Changes in Fund
Balance - Budget and Actual, Budgetary Basis
Year ended September 30, 1988

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Compact grants	\$ 6,335,300	\$ 6,508,512	\$ 173,212
Locally derived taxes	4,050,000	4,629,721	579,721
Fishing rights fees	3,500,000	7,732,920	4,232,920
Postal revenues	450,000	393,703	(56,297)
Interest on investments	600,000	942,905	342,905
Business fees and fines	125,000	34,615	(90,385)
Penalties and interest on delinquent taxes	-	171,746	171,746
Other	<u>20,000</u>	<u>56,111</u>	<u>36,111</u>
Total revenues	<u>15,080,300</u>	<u>20,470,233</u>	<u>5,389,933</u>
Expenditures:			
Executive branch	8,157,179	7,433,144	724,035
Judicial branch	719,355	628,985	90,370
Boards and commissions	1,086,574	1,031,749	54,825
Legislative branch	2,151,066	1,996,720	154,346
Office of the Public Auditor	352,150	296,232	55,918
Other National Government programs	1,299,065	1,171,464	127,601
Other legislative appropriations	4,314,330	2,148,510	2,165,820
Unfunded expenditures	<u>-</u>	<u>346,650</u>	<u>(346,650)</u>
Total expenditures	<u>18,079,719</u>	<u>15,053,454</u>	<u>3,026,265</u>
Revenues in excess of (less than) expenditures	<u>(2,999,419)</u>	<u>5,416,779</u>	<u>8,416,198</u>
Other sources (uses):			
FSM intergovernmental transfers	22,560	22,560	-
Operating transfers (out)	<u>(1,092,073)</u>	<u>(1,073,708)</u>	<u>18,365</u>
Total other sources (uses)	<u>(1,069,513)</u>	<u>(1,051,148)</u>	<u>18,365</u>
Excess of revenues and other sources over expenditures and other uses	<u>(4,068,932)</u>	4,365,631	8,434,563
Unreserved fund balance, beginning of year	2,823,984	2,823,984	-
Other changes in unreserved fund balance:			
Increase in reserve for related assets	-	(604,778)	(604,778)
Decrease in reserve for continuing appropriations	-	1,620,720	1,620,720
Excess of prior year encumbrances charged against current year expenditures	-	194,317	194,317
Encumbrances included in reserve for related assets	<u>-</u>	<u>(352,322)</u>	<u>(352,322)</u>
Unreserved fund balance, end of year	<u>\$(1,244,948)</u> =====	<u>\$8,047,552</u> =====	<u>\$9,292,500</u> =====

See accompanying notes to combined financial statements.

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT
SPECIAL REVENUE FUNDS

Statement of Revenues, Expenditures and Changes in Fund
Balance - (Deficit) - Budget and Actual, Budgetary Basis
Year ended September 30, 1988

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Compact base grants	\$15,841,804	\$15,841,804	\$ -
U.S. Federal contribution	1,644,728	1,644,728	-
Other	<u>-</u>	<u>834,125</u>	<u>834,125</u>
Total revenues	<u>17,486,532</u>	<u>18,320,657</u>	<u>834,125</u>
Expenditures (budgetary basis):			
Executive branch	<u>20,594,353</u>	<u>5,667,404</u>	<u>14,926,949</u>
Total expenditures	<u>20,594,353</u>	<u>5,667,404</u>	<u>14,926,949</u>
Excess (deficiency) of revenues over expenditures	(3,107,821)	12,653,253	15,761,074
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	<u>(4,530,699)</u>	<u>(4,530,699)</u>	<u>-</u>
Total other financing sources (uses)	<u>(4,530,699)</u>	<u>(4,530,699)</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(7,638,520)	8,122,554	15,761,074
Unreserved fund balance, (deficit), beginning of year	(3,056,371)	(3,056,371)	-
Other changes in unreserved fund balance:			
Decrease in reserve for related assets	-	-	-
Decrease in reserve for continuing appropriations	<u>-</u>	<u>4,639,356</u>	<u>4,639,356</u>
Unreserved fund balance, (deficit), end of year	<u>\$(10,694,891)</u> =====	<u>\$ 9,705,539</u> =====	<u>\$20,400,430</u> =====

See accompanying notes to combined financial statements.

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT

Combined Statement of Revenues, Expenses and Changes in
Fund Equity - Proprietary Fund Types
Year ended September 30, 1988
(With comparative totals for the year ended September 30, 1987)

	Internal Service	Enterprise Funds	Totals	
			1988	1987
Revenues:				
Charges for goods and services	\$26,626	\$ 3,323,816	\$ 3,350,442	\$2,337,066
Rental income/interest income	-	418,818	418,818	289,725
Other	-	17,932	17,932	7,985
	<u>26,626</u>	<u>3,760,566</u>	<u>3,787,192</u>	<u>2,634,776</u>
Total revenues				
Operating expenses:				
Personnel services	-	247,846	247,846	199,519
Supplies and materials	-	15,982	15,982	18,238
Other	-	704,201	704,201	415,852
Depreciation	-	28,250	28,250	30,150
Cost of sales	43,375	3,192,468	3,235,843	2,711,719
	<u>43,375</u>	<u>4,188,747</u>	<u>4,232,122</u>	<u>3,375,478</u>
Total operating expenses				
Operating income (loss)	<u>(16,749)</u>	<u>(428,181)</u>	<u>(444,930)</u>	<u>(740,702)</u>
Non-operating revenues:				
Interest income	-	117,502	117,502	100,519
Transfers in from General Fund and other sources	-	1,372,000	1,372,000	1,073,754
Miscellaneous	-	(41,192)	(41,192)	13,056
	<u>-</u>	<u>1,448,310</u>	<u>1,448,310</u>	<u>1,187,329</u>
Total non-operating revenues				
Net income	<u>(16,749)</u>	<u>1,020,129</u>	<u>1,003,380</u>	<u>446,627</u>
Retained earnings, beginning of year	69,522	2,964,108	3,033,630	2,058,676
Adjustment to retained earnings, beginning of year (note 7)	<u>-</u>	<u>-</u>	<u>-</u>	<u>528,328</u>
Retained earnings, end of year	<u>\$52,773</u>	<u>\$ 3,984,237</u>	<u>\$ 4,037,010</u>	<u>3,033,631</u>
Contributed capital, beginning of year	\$36,473	\$ 5,505,071	\$ 5,541,544	\$5,980,898
Current year additions	-	7,498,817	7,498,817	106,473
Current year adjustments	<u>(3,008)</u>	<u>-</u>	<u>(3,008)</u>	<u>(545,828)</u>
Contributed capital, end of year	<u>\$33,465</u>	<u>\$13,003,888</u>	<u>\$13,037,353</u>	<u>\$5,541,543</u>

See accompanying notes to combined financial statements.

Combined Statement of Changes in Financial Position
Proprietary Fund Types
Year ended September 30, 1988
(With comparative totals for the year ended September 30, 1987)

	Internal Service	Enterprise	Totals	
			1988	1987
Sources of working capital:				
Operations:				
Net income(loss)	\$(16,749)	\$1,020,129	\$1,003,380	\$ 446,627
Depreciation and other not requiring working capital	-	445,506	445,506	228,844
Working capital provided (used) by operations	(16,749)	1,465,635	1,448,886	675,471
Prior period adjustments	-	-	-	328,172
Contributions from CFSM	-	7,498,817	7,498,817	106,473
Total sources of working capital	<u>(16,749)</u>	<u>8,964,452</u>	<u>8,947,703</u>	<u>1,110,116</u>
Uses of working capital:				
Acquisition of plant, property and equipment	-	4,500,411	4,500,411	459,911
Adjustments	(3,008)	-	(3,008)	108,840
Distribution of EDLF contributions	-	448,532	448,532	-
Total uses of working capital	<u>(3,008)</u>	<u>4,948,943</u>	<u>4,945,935</u>	<u>568,751</u>
Net increase (decrease) in working capital	<u>\$(13,741)</u>	<u>\$4,015,509</u>	<u>\$4,001,768</u>	<u>\$ 541,365</u>
Increase (decrease) in elements of working capital:				
Cash	\$ -	\$ 379,944	\$ 379,944	\$ (255,976)
Time certificates of deposit	-	(343,506)	(343,506)	53,743
Investments	-	448,532	448,532	-
Loans receivable - EDLF	-	94,353	94,353	344,327
Accounts receivable	-	(305,950)	(305,950)	311,847
Prepaid expenses	-	153,771	153,771	88,288
Advances	-	6,257	6,257	(25,078)
Interfund receivable	(18,939)	-	(18,939)	75,000
Deferred charges	-	83,889	83,889	86,969
Interest receivable	-	(33,106)	(33,106)	(1,627)
Inventory	3,008	108,618	111,626	85,992
Restricted assets:				
Investments	-	2,924,985	2,924,985	(169,473)
Interest receivable	-	31,850	31,850	11,790
Loans receivable	-	274,317	274,317	232,235
Accounts payable	2,190	(109,023)	(106,833)	68,583
Salaries and wages payable	-	7,257	7,257	8,472
Payroll taxes payable	-	(8,062)	(8,062)	(1,713)
Other accrued expenses	-	302,638	302,638	(349,119)
Accrued leave payable	-	(1,255)	(1,255)	(22,895)
Net increase (decrease) in working capital	<u>\$(13,741)</u>	<u>\$4,015,509</u>	<u>\$4,001,768</u>	<u>\$ 541,365</u>

See accompanying notes to combined financial statements.

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT

Statement of Changes in General Fixed Asset Account Group
Year ended September 30, 1988
(With comparative totals for the year ended September 30, 1987)

	<u>1988</u>	<u>1987</u>
Balance, beginning of year	\$2,836,204	\$2,653,288
Current year additions	292,838	225,611
Current year deletions	<u>(20,394)</u>	<u>(42,695)</u>
Balance, end of year	<u>\$3,108,648</u> =====	<u>\$2,836,204</u> =====

See accompanying notes to combined financial statements.

Notes to Combined Financial Statements
September 30, 1988

(1) Significant Accounting Policies

- A. Basis of Presentation. The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and as in Audits of State and Local Governmental Units issued by the American Institute of Certified Public Accountants. The accompanying statements include all fund types and material authorities of the Federated States of Micronesia National Government.
- B. Fund Structure and Basis of Accounting. The accompanying financial statements are structured into three categories of funds and two Account Groups. The fund categories include governmental funds, proprietary funds, and fiduciary funds. The Account Groups include General Fixed Assets and General Long-Term Debt.

The Federated States of Micronesia National Government governmental funds include:

1. The General Fund - used to account for all financial transactions not accounted for in another fund;
2. Special Revenue Funds - used to account for specific revenues earmarked to finance particular programs and activities;
3. Capital Projects Funds - used to account for the acquisition or construction of all major governmental general fixed assets.

All of the governmental funds are presented on the modified accrual basis of accounting. In accordance with the modified accrual basis, revenues are recognized when they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the current period. Expenditures are recorded at the time liabilities are incurred except:

- a. Inventories generally are considered expenditures at acquisition.
- b. Prepayments usually are not recorded.

Notes to Combined Financial Statements, Continued

(1) Significant Accounting Policies, Continued

Encumbrance accounting is utilized for budgetary control purposes. Encumbrances outstanding at year-end are reported as reservations of fund balance and will be funded as expenditures in the ensuing year. Encumbrances remain reservations of fund balance until becoming expended or cancelled.

The proprietary fund includes:

1. Enterprise Funds which are used to account for the operations of National Government agencies, which are designed to be self-sufficient and which render services to the general public on a user charge basis.
2. The Internal Service Fund is the Supply Stock revolving fund of FSM National Government created into law per Public Law No. 4-74 for the departments use and for the government to benefit from discounted prices of supplies and other items available from volume purchasing.

The proprietary funds are accounted for on the accrual basis of accounting.

The fiduciary funds include the Expendable Trust Funds which are used to account for assets held by the National Government as trustee. Expendable Trust Funds are accounted for on the modified accrual basis of accounting.

C. Fixed Assets and Long-Term Liabilities Account Groups

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds and expendable trust funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spending resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available resources" during a period.

Fixed assets used in governmental fund type operations (general fixed assets), are accounted for in the General Fixed Assets Account Group rather than in governmental funds.

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT

Notes to Combined Financial Statements, Continued

(1) Significant Accounting Policies, Continued

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. Depreciation is not charged against the general fixed assets.

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

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

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

- D. Budgetary Process. The 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, which went into effect November 3, 1986, approval of all CFSM laws is vested with the President of the Federated States of Micronesia.

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

Unencumbered funds at year-end revert to the unappropriated surplus of the General Fund. Unencumbered appropriations normally lapse at the end of each fiscal year unless they are designated by the FSM Congress as representing continuing appropriations.

Notes to Combined Financial Statements, Continued

(1) Significant Accounting Policies, Continued

- E. Receivables. Receivables in the National Government's governmental and fiduciary funds primarily consist of taxes and federal revenues. Since few governmental fund revenues are susceptible to accrual prior to receipt, most taxes, licenses, fees, permits and similar revenues are recognized primarily on the cash basis. At September 30, 1988, the National Government had rendered tax assessments in the amount of \$56,049 for delinquent taxes. If collected, one-half of these receivables will accrue as revenue to the National Government; the other one-half accrues to the collecting State Government. However, due to the uncertainty of collection, these amounts have not been reflected within the accompanying financial statements.

Additionally, for the general fund general receivables, the amount stated on the balance sheet is net of an allowance for doubtful accounts of \$678,239 in 1988 and \$605,976 in 1987.

For the Student Loan Fund, an Expendable Trust Fund, it is the policy of the National Government to reserve all loans until collection occurs since applicable loan terms are such that it is difficult to estimate when repayments may occur. As of September 30, 1988, \$1,788,027 was the outstanding balance of loans. Additionally \$1,788,027 was reserved for these student loans.

- F. Interfund Transactions. The National Government basically has two types of potential interfund transactions, as follows:
1. Operating appropriations/subsidies are accounted for as operating transfers in the funds involved.
 2. Equity contributions are accounted for as equity transfers (additions to or deductions from beginning governmental fund balances or proprietary fund contributed capital).
- G. Fixed Assets and Depreciation. Governmental general fixed assets are carried in the General Fixed Assets Account Group. No depreciation is provided for on these assets. Assets are stated at cost or estimated cost. Substantially all fixed assets of the National Government are equipment, furniture and fixtures, and vehicles. Enterprise Fund fixed assets are stated at cost. They are being depreciated principally on a straight-line basis over estimated useful lives ranging from 20 to 50 years for Buildings and Leasehold Improvements and 5 to 10 years for substantially all other asset categories. Fixed assets for Enterprise funds as of September 30, 1988, are as follows:

Notes to Combined Financial Statements, Continued

(1) Significant Accounting Policies, Continued

<u>Total</u>	<u>FSM Tele- Communica- tions Corp.</u>	<u>FSM Development Bank</u>	<u>FSM Coconut Development Authority</u>	
Buildings & leasehold improvements	\$ -	\$ -	\$ 14,633	\$ 14,633
Furniture & fixtures	-	95,593	13,378	108,971
Vehicles	-	37,881	6,000	43,881
Equipment & machinery	-	-	10,290	10,290
General support assets	1,086,869	-	-	1,086,869
Central office assets	3,500,929	-	-	3,500,929
Terminal equipment	725,140	-	-	725,140
Cable and wiring facilities	91,265	-	-	91,265
	<u>5,404,203</u>	<u>133,474</u>	<u>44,301</u>	<u>5,581,978</u>
Less accumulated depreciation	(877,554)	(91,740)	(32,106)	(1,001,400)
Construction in progress	<u>633,112</u>	<u>-</u>	<u>-</u>	<u>633,112</u>
Property, plant and equipment	<u>\$5,159,761</u>	<u>\$ 41,734</u>	<u>\$ 12,195</u>	<u>\$5,213,690</u>

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

1. Actual expenditures are charges which represent the total of all current year liabilities incurred which were attributable to the operations of the respective functional areas; such liabilities may represent liquidations of either current or prior year encumbrances.
2. In contrast, budgetary expenditures represent current charges against appropriations; current charges consist of all current year liquidated and unliquidated encumbrances and, when viewed in relation to respective budgets, provide the principal means of evaluating current year operating performance and management stewardship. For each functional reporting/service area, budgetary expenditures are determined by subtracting both current year liquidations of prior year encumbrances and unliquidated prior year encumbrances from the combined total of current year actual expenditures and all unliquidated encumbrances.

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT

Notes to Combined Financial Statements, Continued

(1) Significant Accounting Policies, Continued

The effects of current year liquidations of prior year encumbrances by liabilities less than the respective encumbrances, and the effects of current year cancellations of prior year encumbrances are reported together as a separate line item entitled "net encumbrance adjustments". This item of the budgetary financial statements is found under "other changes in unreserved fund balance" as its underlying components have no effect on current operating performance, the measurement of which is the primary purpose of the budgetary financial statements.

- J. Fund Balance Reserves and Designations. The National Government's fund balance reserves represent those portions of fund balance (1) not appropriable for expenditures 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. Reserve for encumbrances, contracts, and continuing appropriations are examples of the latter. Reserves for related assets for the general fund as of September 30, 1988, are as follows:

Imprest cash fund	\$ 88,220
Petty cash fund	4,061
Transition Receivable	229,591
Revolving Funds - FSM States	<u>425,420</u>
Total	<u>\$747,292</u> =====

- 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. Investments are generally carried at the lower of cost or market.

(2) 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 Secretary of Finance for the FDA.

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT

Notes to Combined Financial Statements, Continued

(2) Investments, Continued

The National Government and each of the Federated States 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 fund, 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 and Equivalents- Cash equivalents - The manager may engage in all normally accepted short-term investment practices including, but not limited to: U.S. Treasury and Agency securities, bankers' acceptances, certificates of deposit, commercial paper and repurchase agreements using any of the foregoing as collateral. The following restrictions apply:

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT

Notes to Combined Financial Statements, Continued

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

II. Other Funds

Other invested funds include the CFSM Capital Relocation Grant and Fishing Rights fees.

As of September 30, 1988, fishing rights fees of \$5,335,251 plus reinvested earnings are invested long-term by Atlanta/Sosnoff Capital Corporation; the balance of the fees and the Capital Relocation Grant are invested short-term by Hawaiian Trust Company, Ltd. (HTCo).

As of September 30, 1988, TCD's of the enterprise funds were all invested in banks within Pohnpei State, each of which is FDIC insured.

During fiscal year 1988, a transfer of \$450,000 was made from the Fishing Fees investment fund to the Health Insurance fund. This amount approximates premiums collected from employee deductions deposited in the General Fund during fiscal year 1987. These funds are invested short-term by Hawaiian Trust Company, Ltd. (HTCo).

III. Enterprise funds

The FSM Development Bank an Enterprise fund, has acquired 60,000 shares of the stock of a bank within the FSM. The investment of \$600,000 is accounted for on the equity method since the investment constitutes a 36% share. During the year ended September 30, 1988, a loss on the investment of \$151,468 was recorded recognizing the 36% share of the investee's operating results.

Notes to Combined Financial Statements, Continued

(2) Investments, Continued

As of September 30, 1988, the details of the National Government's funds which are invested are as follows:

Compact Funds:

<u>Cash and Equivalents</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Commercial paper, Treasury Notes, HTCo Automated cash management (ACM) [Market Value Approximates Cost]	\$ 3,933,662	\$ 3,933,662
 <u>Investments</u>		
Common Stock	<u>18,936,932</u>	<u>18,823,703</u>
Total Compact Funds	<u>22,870,594</u>	<u>22,757,365</u>

Other Funds:

<u>Cash and Equivalents</u>		
Banker's acceptances, corporate and bank notes, TCD's, HTCo. and ACM.	8,664,930	8,681,154
 <u>Investments</u>		
Common Stock	<u>6,870,220</u>	<u>6,991,611</u>
Total Other Funds	<u>15,535,150</u>	<u>15,672,765</u>
Total cash and investments governmental and fiduciary fund types	<u>\$38,405,744</u> =====	<u>\$38,430,130</u> =====

Reconciliation of cash and investments to
combined balance sheet:

Cash in bank general and fiduciary funds	\$ 1,298,513
Time certificate of deposit general fund	7,953,975
Total investment governmental and fiduciary funds	<u>29,153,256</u>
	<u>\$38,405,744</u> =====

Notes to Combined Financial Statements, Continued

(3) Commitments and Contingencies

1. Sick Leave. It is the policy of the National Government to record the cost of sick leave when leave is actually taken and a liability is actually incurred. The accumulated estimated amount of unused sick leave at September 30, 1988, was \$635,058.
2. Federal Grants. The National Government participates in a number of federally assisted grant programs and other various Department of the Interior grants. These programs are subject to financial and compliance audits to ascertain if Federal laws and guidelines have been followed. Currently, \$6,960 in cumulative questioned costs exist for the operation of fiscal year 1987-88 grants. If these costs are ultimately disallowed, the General Fund will be charged for the necessary reimbursement to the grantor agencies.
3. Litigation. The National Government is party to several legal proceedings arising from governmental operations. Claims are filed with the Attorney General. Approved claims are paid from appropriations to the affected government agency. At September 30, 1988, there existed several unapproved claims. The Attorney General of the National Government represents that the ultimate resolution of these claims is undeterminable, but should not have a material impact on the accompanying financial statements.
4. Leases. The National Government has entered into house lease agreements varying from one to five years. The future lease payments are estimated at \$598,990 annually.
5. Construction Contract. The National Government has contracted with a construction firm to design and build the National Government Capitol complex. Approximately \$2,200,000 of the contract remains outstanding as of September 30, 1988. This balance is substantially encumbered within the Capital Projects Funds as of that date.

(4) Continuing Appropriations

At September 30, 1988, the General Fund reflected the following as continuing appropriations:

Truk Typhoon Relief	\$ 6,465
Truk State Projects	1,041,835
Pohnpei State Projects	150,983
Yap State Projects	332,436
Kosrae State Projects	460,570
Cooperative and Credit Union	<u>3,431</u>
	<u>\$1,995,720</u>
	=====

Notes to Combined Financial Statements, Continued

(4) Continuing Appropriations, Continued

Capital Projects Funds

Continuing appropriations for the Capital Project Funds as of September 30, 1988, are as follows:

OTIA/TTPI

FSM Capital & CCM Campus	<u>\$ 568,923</u>
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Compact Capitol Projects

Public Defender's Office	57,102
Pest and Disease Survey	41,425
Livestock Project	7,164
Local Catch	29
Fish Poisoning	93
Supreme Court	40,000
Investment Development	50,177
Truk Cold Storage	50,000
Yap Outer Island P. L. 5-75	57,637
Truk Court House Construction	<u>202,000</u>

Sub-Total	<u>505,627</u>
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CFSM Capital Projects

Finance warehouse	29,908
Staff housing	238,849
Capital wells	<u>39,213</u>

Sub-Total	<u>307,970</u>
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Total Capital Projects	<u>\$1,382,520</u> =====
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Special Revenue Funds

Continuing appropriations for Special Revenue Funds as of September 30, 1988, are as follows:

<u>Post secondary education scholarship grants:</u>	<u>P.L.5-3</u>	<u>P.L.5-28</u>	<u>TOTAL</u>
Pohnpei	\$49,783	\$431,228	\$481,011
Kosrae	<u>-</u>	<u>192,181</u>	<u>192,181</u>
Sub-Total	<u>\$49,783</u>	<u>\$623,409</u>	<u>\$673,192</u>

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT

Notes to Combined Financial Statements, Continued

(4) Continuing Appropriations, Continued

Communications one-time (PL 5-3):

FSM Telecommunications Corp. - Building	\$ 279,547
FSM Telecommunications Corp. - Equipment	3,969
FSM Telecommunications Corp. - HUB building	1,610,217
FSM Telecommunications Corp. - Earth stations	380,000
FSM Telecommunications Corp. - Switches and others	428,151
FSM Telecommunications Corp. - Telephone System	<u>427,527</u>
Sub-Total	<u>3,129,411</u>
Total Special Revenue	<u>\$3,802,603</u> =====

(5) Transfers Out/In

Net transfers for the year ended September 30, 1988, consisted of the following:

General fund transfers out:

Copra Subsidy	\$ (250,000)
Coconut Development Authority	(108,100)
Maritime Operations Revolving Fund	(321,500)
FSM Development Bank	(264,248)
Disaster Relief Fund	(100,000)
Vocational Rehab. Matching Fund	(12,750)
	<u>(1,056,598)</u>

General fund transfers in:

Passport Revolving Fund	<u>22,560</u>
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Net general fund transfers (out)	<u>\$(1,034,038)</u> =====
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Compact Capital Projects transfers out:

FSM Development Bank	<u>\$(3,000,000)</u> =====
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Special revenue transfers (out)/in:

One-Time & annual Communications transfers out to FSM Telecommunications Fund	\$(4,942,389)
Vocational Rehabilitation Matching Transfer In from General fund	12,750
Passport Revolving transfer out to general fund	(22,560)
Maritime Operations Revolving transfer in from general fund	321,500
Disaster Relief Fund Transfer in from General Fund	<u>100,000</u>

Net Special Revenue transfers (out)	<u>\$(4,530,699)</u> =====
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Notes to Combined Financial Statements, Continued

(6) Due to/from other funds

As of September 30, 1988, 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	\$3,121,547	\$ 133,485
Special Revenue Funds:		
Transition	36,936	-
Federal grants direct	1,161,776	1,592,091
OTIA	-	45,931
Federal grants TTPI	302,089	-
Maritime Operations	-	219,805
Passport	-	41,850
Disaster Relief	-	100,000
Section 214	11,799	-
Section 215 (a)	38,354	-
Section 215 (b)	-	1,754,368
Section 216 (a)(1)	207,048	-
Section 216 (a)(2)	59,900	-
Section 216 (a)(3)	278,518	-
Section 216 (b)	62,510	-
Section 221	31,650	-
Capital Projects Funds:		
Compact	765,701	-
OTIA/TTPI	-	1,606,359
CFSM	-	314,438
Expendable Trust Funds:		
Health insurance	-	102,154
Student loan fund	-	111,286
Internal Service Fund	-	56,061
Total	<u>\$6,077,828</u> =====	<u>\$6,077,828</u> =====

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT

Notes to Combined Financial Statements, Continued

(7) Adjustments to Beginning Fund Balances

The 1987 financial statements of the FSM Development Bank, the FSM Telecommunications Corporation and the FSM Coconut Development Authority (Enterprise Funds) reflect prior period adjustments as follows, to properly record revenues recognized (net of expenses) in the applicable fiscal year.

	<u>1987</u>
FSM Development Bank	\$(108,840)
FSM Telecommunications Corporation	(147,434)
FSM Coconut Development Authority	<u>784,602</u>
	\$ 528,328
	=====

(8) Enterprise Funds

A. Audit Reports

The Federated States of Micronesia (FSM) Public Auditor performed audits of the following Enterprise Funds as of September 30, 1988, and for the year then ended. A description of these Enterprise Funds, the date of the audit report and the type of opinion given follows:

<u>Fund</u>	<u>Report Date</u>	<u>Opinion</u>
Coconut Development Authority	November 30, 1988	Unqualified
FSM Development Bank	January 12, 1989	Unqualified
Telecommunications Corporation	January 15, 1989	Unqualified

B. Segment Data

Key financial data for material enterprise funds, as of and for the year ended September 30, 1988, is as follows:

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT

Notes to Combined Financial Statements, Continued

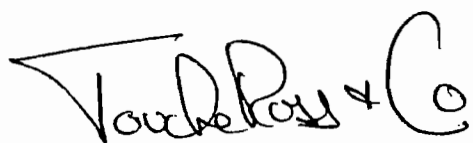
(8) Enterprise Funds, Continued

	<u>Coconut Development Authority</u>	<u>FSM Develop- ment Bank</u>	<u>FSM Telecommunica- tions Corp.</u>
Total assets	\$699,406 =====	\$7,909,877 =====	\$8,928,500 =====
Total equity	\$699,209 =====	\$7,868,977 =====	\$8,419,899 =====
1988 net earnings	\$206,739 =====	\$ 6,474 =====	\$ 808,916 =====
1988 non-operating revenue from FSM Congress appro- priations and other contributions	\$355,952 =====	\$ 264,248 =====	\$ 751,800 =====
Receivables, net	\$ 77,210 =====	\$2,254,617 =====	\$ 828,245 =====
Restricted assets	\$ - =====	\$4,045,716 =====	\$ - =====
Allowance for doubtful accounts	\$147,358 =====	\$ 848,068 =====	\$ 231,455 =====

AUDITOR'S REPORT ON
ADDITIONAL INFORMATION

The additional information presented in the following pages, which has been taken primarily from accounting and other records of the National Government of the Federated States of Micronesia, has been subjected to the tests and other auditing procedures in accordance with generally accepted auditing standards and Office of Management and Budget Circular A-128, issued pursuant to the Single Audit Act of 1984, P.L. 98-502, applied in our audit of the general purpose financial statements taken as a whole. The accompanying additional information as listed in Section III of the Table of Contents, is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Federated States of Micronesia National Government. Such information has been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, in our opinion, except for the matter set forth in our report dated January 25, 1989, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

January 25, 1989



Certified Public Accountants

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT

Combining Schedule of Expenditures by Account -
All Governmental Fund Types and Expendable Trust Funds
Year ended September 30, 1988
(With comparative totals as of September 30, 1987)

	Governmental Fund Types			Fiduciary	Totals	
	General Fund	Special Revenue Funds	Capital Projects Funds	Funds Expendable Trust Funds	1988	1987
Expenditures:						
Personnel	\$ 6,403,803	\$ 126,760	\$ 90,742	\$ 24,530	\$ 6,645,835	\$ 7,103,785
Travel	1,607,343	39,426	31,145	3,788	1,681,702	2,035,555
Contractual services, contribu- tions and subsidies	1,196,231	496,765	640,233	13,000	2,346,229	3,211,633
Equipment, machinery, furniture and fixtures	791,841	27,738	-	773	820,352	1,070,227
Communications	488,641	-	-	-	488,641	307,937
Supplies and materials	2,055,653	-	-	365,382	2,421,035	985,371
Office/house rent/lease	865,582	-	-	-	865,582	663,109
Bad debts	72,263	-	-	-	72,263	457,740
Construction-in-progress	-	-	5,014,374	-	5,014,374	5,027,209
Scholarship	-	2,391,913	-	-	2,391,913	-
National Gov't Direct Assist.	-	2,083,672	-	-	2,083,672	-
Other	1,069,670	239,952	347,625	1,124	1,658,371	3,556,253
Total expenditures	<u>\$14,551,027</u>	<u>\$5,406,226</u>	<u>\$6,124,119</u>	<u>\$408,597</u>	<u>\$26,489,969</u>	<u>\$24,418,819</u>

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT
GENERAL FUND

Statement of Revenues And Transfers In
Year ended September 30, 1988
(With comparative totals for the year ended September 30, 1987)

	<u>1988</u>	<u>1987</u>
Compact funding current:		
Base amount	\$ 5,248,800	\$ 5,248,800
Inflation adjustment	<u>1,259,712</u>	<u>1,154,736</u>
	<u>6,508,512</u>	<u>6,403,536</u>
Locally derived taxes:		
Import	1,038,689	775,443
Fuel	85,375	78,823
Income tax, individuals, net of tax refunds	1,830,582	1,555,445
Gross receipts tax, businesses	<u>1,675,075</u>	<u>1,414,573</u>
	<u>4,629,721</u>	<u>3,824,284</u>
Investment income:		
Realized gain on sale of equities	160,251	421,475
Realized loss on sale of equities	(873,864)	(279,220)
Dividends and interest income	<u>1,656,518</u>	<u>1,434,458</u>
	<u>942,905</u>	<u>1,576,713</u>
Fees, licenses and other income:		
Fishing rights fees	7,732,920	3,845,449
Postal collections	393,703	345,994
Penalties and interest on delinquent taxes	171,746	218,172
Business license and firearms fees	34,615	33,399
Other miscellaneous income	<u>56,111</u>	<u>144,441</u>
	<u>8,389,095</u>	<u>4,587,455</u>
Total revenues before operating transfers	20,470,233	16,391,988
Operating transfer in from Passport Revolving Fund	<u>22,560</u>	<u>13,958</u>
Total revenues and transfers in	<u>\$20,492,793</u>	<u>\$16,405,946</u>
	=====	=====

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT
GENERAL FUND

Statement of Expenditures by Function and Department
Year ended September 30, 1988
(With comparative totals for the year ended September 30, 1987)

	<u>1988</u>	<u>1987</u>
Executive Branch:		
President's Office	\$ 516,876	\$ 445,773
Public Defender	353,321	355,765
Office of Health Services	74,111	370,816
Office of Education	65,831	268,838
Department of Human Resources	407,882	-
Department of Resources and Development	374,771	374,636
Office of the Attorney General	768,394	792,857
Public Information	35,885	187,238
Department of Finance	1,218,654	1,346,355
Personnel and MTAP	218,148	305,834
Office of Administrative Services	830,761	-
Planning and Statistics	484,943	381,207
Budget Office	344,182	336,797
External Affairs and LNO's	1,379,511	1,252,663
Transportation	<u>163,026</u>	<u>105,477</u>
Total Executive Branch	<u>7,236,296</u>	<u>6,524,256</u>
Judicial Branch	<u>576,100</u>	<u>570,252</u>
Boards and Commissions:		
Board of Education	6,996	29,565
Commission on Future Political Status and Transition	98,000	433,600
Environmental Protection Board	5,098	12,396
FSM Banking Board	18,896	8,464
Micronesian Maritime Authority	244,674	242,371
FSM Postmaster	445,826	402,448
Foreign Investment Board	7,952	16,067
College of Micronesia Board of Regents	118,890	133,352
FSM Medical License Board	991	13,275
National Fisheries Corporation	<u>71,350</u>	<u>27,779</u>
Total Boards and Commissions	<u>1,018,673</u>	<u>1,319,317</u>

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT
GENERAL FUND

Statement of Expenditures by Function and Department, Continued
The year ended September 30, 1988
(With comparative totals for the year ended September 30, 1987)

	<u>1988</u>	<u>1987</u>
Legislative Branch:		
Office of the Speaker	\$ 794,139	\$ 683,764
Congress Staff	882,924	1,051,795
Delegation Offices	66,882	60,163
Committees	-	14,166
Legislature Conferences	46,483	1,631
Official Representation	67,685	-
Congress Monetization Programs	66,487	-
	<u>1,924,600</u>	<u>1,811,519</u>
Office of the Public Auditor	<u>292,097</u>	<u>274,034</u>
National Government Programs:		
Aid to non-public schools	100,000	50,000
Vocational agriculture	-	30,000
Joint air task force	1,347	24,341
Contributions	80,500	72,000
Monetization project	16,727	191,767
War claims task force	-	20,733
State judiciary	151,989	86,293
T-3 program	180,799	159,288
Congressional election	-	196,758
MS Caroline Is. typhoon relief	-	9,999
Coop. and credit union development	8,439	17,777
Presidential inauguration	-	27,433
Emergency student airlift	-	20,368
National census	7,685	-
Micronesian Newsletter	6,555	-
Staff Upgrading Program	98,488	-
South Pacific Festival	55,368	-
Micronesian Regional Tourism	1,800	-
Truk Recreation Programs	3,000	-
1986 National Census	1,303	-
Joint Law Enforcement	<u>255,247</u>	<u>-</u>
Total National Government Programs	<u>969,247</u>	<u>906,757</u>

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT
GENERAL FUND

Statement of Expenditures by Function and Department, Continued
The year ended September 30, 1988
(With comparative totals for the year ended September 30, 1987)

	<u>1988</u>	<u>1987</u>
Other Legislative Appropriations:		
1987 Census Program	\$ -	\$ 78,503
Leprosy Prevention	449	14,971
Mobil Oil investigating group	-	7,757
Publication of FSM Code	3,065	847
Maritime matters task force	1,733	87,099
Apartment damages by MTAP students	-	40,498
Micro Legal Service operation	-	120,000
Investment of Compact funds group	2,851	26,675
A/G security services and other costs	-	59,250
State projects:		
Truk	1,023,390	1,355,816
Pohnpei	442,705	1,095,390
Yap	263,953	444,059
Kosrae	141,426	246,379
Law enforcement - States	-	65,672
Medical and dental supplies	-	148,361
Matching funds - Kosrae	10,356	20,892
National criminal code	4,415	-
CCM Cafeteria and Equipment	1,790	-
Truk Typhoon Relief	<u>291,231</u>	<u>-</u>
Total Legislative Appropriations	<u>2,187,364</u>	<u>3,812,169</u>
 Other expenditures:		
Bad debts	72,263	149,130
Investment fees	173,562	127,825
Expenditures against prior year encumbrances	<u>100,825</u>	<u>13,148</u>
Total other expenditures	<u>346,650</u>	<u>290,103</u>
Total General Fund expenditures before operating transfers	<u>\$14,551,027</u> =====	<u>\$15,508,407</u> =====

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT
GENERAL FUND



Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual, Budgetary Basis
Year ended September 30, 1988

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Compact grants	\$ 6,335,300	\$ 6,508,512	\$ 173,212
Locally derived taxes	4,050,000	4,629,721	579,721
Fishing rights fees	3,500,000	7,732,920	4,232,920
Postal revenues	450,000	393,703	(56,297)
Interest on investments	600,000	942,905	342,905
Business fees and fines	125,000	34,615	(90,385)
Penalties and interest on delinquent taxes	-	171,746	171,746
Others	<u>20,000</u>	<u>56,111</u>	<u>36,111</u>
Total revenues	<u>15,080,300</u>	<u>20,470,233</u>	<u>5,389,933</u>
Expenditures (budgetary basis) by department;			
Executive Branch:			
Office of the President:			
Administrative	421,100	399,959	21,141
Disaster Office	29,800	22,080	7,720
Public Information	181,872	132,319	49,553
State/Local Affairs office	<u>26,839</u>	<u>2,490</u>	<u>24,349</u>
Total	<u>659,611</u>	<u>556,848</u>	<u>102,763</u>
Department of External Affairs:			
Administrative	262,277	251,998	10,279
Micronesian relations	13,500	11,304	2,196
International affairs	177,176	177,991	(815)
LNO Guam	109,100	101,479	7,621
LNO Honolulu	75,700	75,700	-
Washington Representative office	244,700	259,700	(15,000)
LNO Japan	254,493	254,035	458
U.S. relations	<u>266,964</u>	<u>259,129</u>	<u>7,835</u>
Total	<u>1,403,910</u>	<u>1,391,336</u>	<u>12,574</u>
Department of Social Services:			
Office of Health Services:			
Administration	64,000	55,070	8,930
Medical referrals - Guam	6,000	5,941	59
Medical referrals - Honolulu	<u>15,025</u>	<u>13,358</u>	<u>1,667</u>
Sub-total	<u>85,025</u>	<u>74,369</u>	<u>10,656</u>

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT
GENERAL FUND

Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual, Budgetary Basis, Continued
Year ended September 30, 1988

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Office of Education:			
Administration	27,700	25,644	2,056
Program Development Research	21,100	19,060	2,040
Student services - Honolulu	3,000	3,000	-
Post Secondary Development	<u>21,200</u>	<u>18,825</u>	<u>2,375</u>
Sub-total	<u>73,000</u>	<u>66,529</u>	<u>6,471</u>
Total	<u>158,025</u>	<u>140,898</u>	<u>17,127</u>
Department of Resources and Development:			
Administration - R & D	86,443	81,572	4,871
Labor	87,255	82,315	4,940
Energy	8,000	5,585	2,415
Commerce & industry	70,800	67,023	3,777
Agriculture	94,800	73,490	21,310
Marine resources	<u>82,650</u>	<u>71,318</u>	<u>11,332</u>
Total	<u>429,948</u>	<u>381,303</u>	<u>48,645</u>
Department of Transportation:			
Administration	\$ 124,281	\$ 105,164	\$ 19,117
Marine division	71,700	56,746	14,954
Aviation	<u>65,600</u>	<u>37,347</u>	<u>28,253</u>
Total	<u>261,581</u>	<u>199,257</u>	<u>62,324</u>
Department of Finance:			
Administration	173,313	164,941	8,372
Accounting	228,100	220,176	7,924
ADP	256,700	225,646	31,054
Revenue	595,750	508,171	87,579
Supply	27,000	20,008	6,992
Investment Management	<u>143,350</u>	<u>125,777</u>	<u>17,573</u>
Total	<u>1,424,213</u>	<u>1,264,719</u>	<u>159,494</u>
Office of the Attorney General:			
Administration - Immigration	214,700	200,840	13,860
Administration - Attorney General	169,000	142,824	26,176
Truk security and investigation	95,674	87,952	7,722
Law	110,000	102,787	7,213
Litigation	57,800	44,333	13,467
DSI administration	<u>210,957</u>	<u>207,352</u>	<u>3,605</u>
Total	<u>858,131</u>	<u>786,088</u>	<u>72,043</u>

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT
GENERAL FUND

Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual, Budgetary Basis, Continued
Year ended September 30, 1988

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Office of the Public Defender:			
Public defender	452,688	352,670	100,018
Kosrae public defender	1,200	1,200	-
Truk public defender	2,000	1,375	625
Yap public defender	400	414	(14)
Total	<u>456,288</u>	<u>355,659</u>	<u>100,629</u>
Office of Budget:			
Administration	142,800	134,759	8,041
Management	51,000	49,162	1,838
Budget preparation	57,000	45,487	11,513
Grant management	86,400	83,019	3,381
Internal auditor	39,800	29,408	10,392
Total	<u>377,000</u>	<u>341,835</u>	<u>35,165</u>
Office of Planning and Statistics:			
Administration	86,266	86,190	76
Planning	64,697	61,909	2,788
Statistics	101,928	93,004	8,924
Construction review	293,475	268,052	25,423
Total	<u>546,366</u>	<u>509,155</u>	<u>37,211</u>
Office of Administrative Services:			
Administration	39,385	39,081	304
Personnel	55,850	54,736	1,114
Library Services	26,500	25,082	1,418
Training	56,016	54,358	1,658
Supply & Housing	666,155	664,042	2,113
Total	<u>843,906</u>	<u>837,299</u>	<u>6,607</u>
Office of Human Resources:			
Administration	28,300	27,418	882
Health	177,400	147,079	30,321
Education	184,000	183,803	197
Medical Referral Coord. Guam	16,000	15,640	360
Medical Referral Coord. Honolulu	43,000	42,525	475
Student Services Honolulu	1,000	1,003	(3)
Student Services Guam	1,000	763	237
Total	<u>450,700</u>	<u>418,231</u>	<u>32,469</u>

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT
GENERAL FUND

Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual, Budgetary Basis, Continued
Year ended September 30, 1988

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Office of Personnel:			
Administration	40,000	35,512	4,488
Training	18,900	18,576	324
Housing	<u>188,350</u>	<u>160,374</u>	<u>27,976</u>
Total	<u>247,250</u>	<u>214,462</u>	<u>32,788</u>
Office of Public Information	<u>40,250</u>	<u>36,054</u>	<u>4,196</u>
Total Executive Branch	<u>8,157,179</u>	<u>7,433,144</u>	<u>724,035</u>
Judicial Branch:	<u>719,355</u>	<u>628,985</u>	<u>90,370</u>
Boards and Commissions:			
Commission on Future Political Status and Transition	98,000	98,000	-
Micronesia Maritime Authority	277,400	262,647	14,753
College of Micronesia Board of Regents	118,890	118,890	-
FSM Banking Board	35,084	23,725	11,359
FSM Board of Education	18,000	5,231	12,769
Foreign Investment Board	11,000	8,117	2,883
Postal Services	443,100	438,929	4,171
Environmental Protection Board	6,000	4,286	1,714
FSM Medical Licensure Board	6,500	991	5,509
National Fisheries Corporation	<u>72,600</u>	<u>70,933</u>	<u>1,667</u>
Total Boards and Commissions	<u>1,086,574</u>	<u>1,031,749</u>	<u>54,825</u>
Legislative Branch:			
Office of the Speaker	843,946	808,826	35,120
Congress staff	1,015,904	917,119	98,785
Delegation offices	88,000	78,741	9,259
Official Representation	70,000	67,685	2,315
Legislature Conferences	57,200	48,637	8,563
Monetization Program	<u>76,016</u>	<u>75,712</u>	<u>304</u>
Total Legislative Branch	<u>2,151,066</u>	<u>1,996,720</u>	<u>154,346</u>
Public Auditor	<u>352,150</u>	<u>296,232</u>	<u>55,918</u>

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT
GENERAL FUND



Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual, Budgetary Basis, Continued
Year ended September 30, 1988

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Other National Government Programs:			
Micronesian Regional Tourism	5,000	5,000	-
Aid to non-public schools	100,000	100,000	-
Contributions	80,500	80,500	-
Micronesian Voice Newsletter	6,555	6,555	-
Staff Upgrading Program	150,000	119,662	30,338
Coop. and credit union dev.	12,222	8,750	3,472
Truk Recreational Program	10,000	10,000	-
Yap Youth Activities	10,000	10,000	-
Judiciary - Kosrae State	30,000	30,000	-
Judiciary - Pohnpei State	70,000	70,000	-
Judiciary - Truk State	70,000	64,898	5,102
Judiciary - Yap State	30,000	30,000	-
T-3 program	191,000	193,525	(2,525)
Joint law Enforcement	377,388	376,956	432
South Pacific Arts Festival	56,400	55,368	1,032
National Census	100,000	10,250	89,750
	<u>1,299,065</u>	<u>1,171,464</u>	<u>127,601</u>
Other Legislative Appropriations:			
Congressional Election - Truk State	20,657	20,657	-
Congressional Election - Yap State	15,327	15,327	-
Truk Typhoon Relief	300,000	293,535	6,465
Public projects - Kosrae	606,865	146,295	460,570
Public projects - Pohnpei	622,606	314,948	307,658
Public projects - Truk	2,054,540	1,012,705	1,041,835
Public projects - Yap	585,765	253,329	332,436
Matching development fund - Kosrae	67,570	67,116	454
Matching Development Fund Truk	41,000	24,598	16,402
	<u>4,314,330</u>	<u>2,148,510</u>	<u>2,165,820</u>
Other expenditures	-	346,650	(346,650)
	<u>18,079,719</u>	<u>15,053,454</u>	<u>3,026,265</u>
Revenues in excess (less than) expenditures	<u>(2,999,419)</u>	<u>\$ 5,416,779</u>	<u>\$ 8,416,198</u>
Operating transfers in (out):			
FSM Development Bank	(264,248)	(264,248)	-
Maritime operations revolving fund	(321,500)	(321,500)	-
Vocational Rehabilitation Matching	(20,000)	(12,750)	7,250
Coconut Development Authority	(386,325)	(375,210)	11,115
Disaster Relief Fund	(100,000)	(100,000)	-
Passport Revolving Fund	22,560	22,560	-
	<u>(1,069,513)</u>	<u>(1,051,148)</u>	<u>18,365</u>

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT
GENERAL FUND

Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual, Budgetary Basis, Continued
Year ended September 30, 1988

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Excess of revenues and other sources over expenditures and other uses	(4,068,932)	4,365,631	8,434,563
Unreserved fund balance, beginning of year	2,823,984	2,823,984	-
Other changes in unreserved fund balance:			
Increase in reserve for related asset	-	(604,778)	(604,778)
Decrease in reserve for continuing appropriations	-	1,620,720	1,620,720
Net encumbrance adjustments	-	194,317	194,317
Encumbrances included in reserves for related assets	-	(352,322)	(352,322)
Unreserved fund balance, end of year	\$(1,244,948)	\$8,047,552	\$ 9,292,500

SPECIAL REVENUE FUNDS
SEPTEMBER 30, 1988

Specific revenues have been earmarked to finance certain activities of the Government. These revenues are accounted for in the special revenue funds. The special revenue funds accounted for as of September 30, 1988, 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 to the 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.

TTPI Federal Grants and Federal and Other Direct Assistance Funds - These funds account for drawdowns and disbursements related to the grants awarded to the National Government as subgrantee of the TTPI or as a primary grantee in the instance of direct awards.

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 accrue to this fund.

Passport Revolving Fund - This fund was established by 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.

Compact Grants

Compact grants 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. The FSM Government receives \$3,000,000 annually commencing on the first anniversary of the Compact.

B. Section 215

1. (a) 2 - The Communications Annual contribution is 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 FSM Compact.

2. b (2) - The 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 - The Marine Surveillance Annual Contribution is restricted for the surveillance and enforcement of FSM Maritime Zone. The FSM National Government receives \$519,000 annually through 2002.

2. (a) 2 - The Health and Medical Contribution is restricted for health and medical programs including referrals to hospital and treatment centers. The FSM received \$125,980 in 1988, and will receive \$125,980 annually for thirteen years.

3. (a) 3 - The 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 1988, and will receive \$1,889,700 annually for thirteen years.

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

D. Section 221

1. (b) - The Special Block Grants Fund is restricted for education and health care. The FSM Government received \$315,000 in 1988, and will receive \$315,000 annually for thirteen years.

E. Special Development Fund Section 111 (b)(1) - This contribution is to assist in funding special economic development projects within the FSM. The FSM Government received \$12 million during the first full fiscal year following the effective date of the Compact and \$8 million during the third full fiscal year following the effective date of the Compact.

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT
SPECIAL REVENUE FUNDS

Combining Balance Sheet
September 30, 1988
(With comparative totals as of September 30, 1987)

<u>Assets</u>	<u>Non-Compact</u>	<u>Compact</u>	<u>Totals</u>	
			<u>1988</u>	<u>1987</u>
Cash	\$ -	\$ 1,709,663	\$ 1,709,663	\$ 486,197
Investments	-	16,140,885	16,140,885	10,800,089
Receivable from:				
Dept. of the Interior (DOI) grants	370,675	-	370,675	574,672
Federal agencies, TTG	326,871	-	326,871	326,871
Federal agencies, direct	5,151,976	-	5,151,976	-
Due from other funds	1,999,677	1,754,368	3,754,045	698,430
Advances to FSM States	75,620	-	75,620	820,553
Dividends and interest receivable	-	167,299	167,299	58,343
Other receivables	1,078	-	1,078	-
 Total assets	 <u>\$7,925,897</u>	 <u>\$19,772,215</u>	 <u>\$27,698,112</u>	 <u>\$13,765,155</u>
 <u>Liabilities and Fund Balance</u>				
Liabilities:				
Accounts payable	\$ 557,984	\$ 43,056	\$ 601,040	\$ 339,285
Accrued payroll	4,627	1,831	6,458	3,387
Due to other funds	1,500,801	689,779	2,190,580	1,346,988
Due to FSM States	4,990,379	-	4,990,379	80,000
Advances from DOI/TTG/other agency	517,209	-	517,209	1,187,578
 Total liabilities	 <u>7,571,000</u>	 <u>734,666</u>	 <u>8,305,666</u>	 <u>2,957,238</u>
Fund balance:				
Reserved for encumbrances	5,284,922	599,382	5,884,304	5,422,329
Continuing appropriations	-	3,802,603	3,802,603	8,441,959
Unreserved	(4,930,025)	14,635,564	9,705,539	(3,056,371)
 Total fund balance	 <u>354,897</u>	 <u>19,037,549</u>	 <u>19,392,446</u>	 <u>10,807,917</u>
 Total liabilities and fund balance	 <u>\$7,925,897</u>	 <u>\$19,772,215</u>	 <u>\$27,698,112</u>	 <u>\$13,765,155</u>

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT
SPECIAL REVENUE FUNDS

Combining Statement of Revenues, Expenditures and Changes in Fund Balance
The year ended September 30, 1988
(With comparative totals for the year ended September 30, 1987)

	<u>Non-Compact</u>	<u>Compact</u>	<u>Totals</u>	
			<u>1988</u>	<u>1987</u>
Revenues:				
Dept. of the Interior grants	\$ 315,032	\$ -	\$ 315,032	\$ 391,661
U.S. Federal contributions	1,530,493	-	1,530,493	2,029,978
Compact grants:				
Base amount	-	15,649,780	15,649,780	10,116,280
Inflation adjustment	-	192,024	192,024	1,452,000
Other contributions	225,397	-	225,397	70,357
Sales of goods and services	142,383	-	142,383	121,523
Interest earnings & dividends	-	466,345	466,345	-
	<u>2,213,305</u>	<u>16,308,149</u>	<u>18,521,454</u>	<u>14,181,799</u>
Total revenues				
Expenditures:				
Executive branch	<u>2,493,340</u>	<u>2,912,886</u>	<u>5,406,226</u>	<u>3,045,057</u>
	<u>2,493,340</u>	<u>2,912,886</u>	<u>5,406,226</u>	<u>3,045,057</u>
Total expenditures				
Revenues over (under) expenditures	(280,035)	13,395,263	13,115,228	11,136,742
Other sources (uses):				
Transfer/General Fund	<u>411,690</u>	<u>(4,942,389)</u>	<u>(4,530,699)</u>	<u>(473,058)</u>
	<u>411,690</u>	<u>(4,942,389)</u>	<u>(4,530,699)</u>	<u>(473,058)</u>
Excess (deficiency) of revenue and other sources over expenditures and other uses	131,655	8,452,874	8,584,529	10,663,684
Fund balance, beginning of year	223,242	10,584,675	10,807,917	144,231
Adjustment to beginning fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>2</u>
Fund balance, end of year	<u>\$ 354,897</u>	<u>\$19,037,549</u>	<u>\$19,392,446</u>	<u>\$10,807,917</u>

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT
SPECIAL REVENUE FUNDS

Combining Statement of Revenues, Expenditures by Account and
Changes in Fund Balance
The year ended September 30, 1988
(With comparative totals for the year ended September 30, 1987)

	<u>Non-Compact</u>	<u>Compact</u>	<u>Totals</u>	
			<u>1988</u>	<u>1987</u>
Revenues:				
Dept. of the Interior grants	\$ 315,032	\$ -	\$ 315,032	\$ 391,661
U.S. Federal contributions	1,530,493	-	1,530,493	2,029,978
Compact grants:				
Base amount	-	15,649,780	15,649,780	10,116,280
Inflation adjustment	-	192,024	192,024	1,452,000
Other contributions	225,397	-	225,397	70,357
Sales of goods and services	142,383	-	142,383	121,523
Interest earnings & dividends	-	466,345	466,345	-
	<u>2,213,305</u>	<u>16,308,149</u>	<u>18,521,454</u>	<u>14,181,799</u>
Expenditures:				
Personnel	70,330	56,430	126,760	733,864
Travel	-	39,426	39,426	348,916
Contractual services, contributions and subsidies	136,601	360,164	496,765	621,220
Capital asset purchases	5,785	21,953	27,738	44,048
Scholarship related assistance to States and College of Micronesia	-	2,391,913	2,391,913	-
National Government Direct Assistance	2,083,672	-	2,083,672	-
Other	196,952	43,000	239,952	1,297,009
	<u>2,493,340</u>	<u>2,912,886</u>	<u>5,406,226</u>	<u>3,045,057</u>
Revenues over (under) expenditures	(280,035)	13,395,263	13,115,228	11,136,742
Other sources (uses):				
Transfer/General Fund	411,690	(4,942,389)	(4,530,699)	(473,058)
Excess (deficiency) of revenue and other sources over expenditures and other uses	131,655	8,452,874	8,584,529	10,663,684
Fund balance, beginning of year	223,242	10,584,675	10,807,917	144,231
Adjustment to beginning fund balance	-	-	-	2
Fund balance, end of year	<u>\$ 354,897</u>	<u>\$19,037,549</u>	<u>\$19,392,446</u>	<u>\$10,807,917</u>

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT
SPECIAL REVENUE FUNDS - NON-COMPACT



Combining Balance Sheet
September 30, 1988
(With comparative totals as of September 30, 1987)

Assets	Disaster Relief Fund	Transition Fund	Maritime Operations Revolving Fund	TTPJ Federal Grants Fund	Federal and Other Direct Assistance Fund	OTIA Technical Assistance and Operations and Maintenance	Passport Revolving Fund	Totals	
								1988	1987
Receivables from:									
Department of the Interior (DOI) grants	\$ -	\$229,591	\$ -	\$ -	\$ -	\$141,084	\$ -	\$ 370,675	\$ 574,672
Federal agencies - TTG	-	-	-	326,871	-	-	-	326,871	326,871
Federal agencies, direct	-	-	-	-	5,151,976	-	-	5,151,976	-
Advances to States	-	-	-	-	75,620	-	-	75,620	820,553
Due from other funds	100,000	-	219,805	-	1,592,091	45,931	41,850	1,999,677	698,430
Other receivables	-	-	-	-	1,078	-	-	1,078	-
Total assets	<u>\$100,000</u>	<u>\$229,591</u>	<u>\$219,805</u>	<u>\$326,871</u>	<u>\$6,820,765</u>	<u>\$187,015</u>	<u>\$41,850</u>	<u>\$7,925,897</u>	<u>\$2,420,526</u>
 <u>Liabilities and Fund Balance</u>									
Liabilities:									
Accounts payable	\$ -	\$ -	\$ 3,554	\$ 24,547	\$ 489,168	\$ 38,865	\$ 1,850	\$ 557,984	\$ 339,285
Due to other funds	-	36,936	-	302,089	1,161,776	-	-	1,500,801	587,034
Accrued payroll	-	-	1,354	235	3,038	-	-	4,627	3,387
Advances from other grantors	-	192,655	-	-	324,554	-	-	517,209	1,187,578
Payable to States	-	-	-	-	4,842,229	148,150	-	4,990,379	80,000
Total liabilities	<u>-</u>	<u>229,591</u>	<u>4,908</u>	<u>326,871</u>	<u>6,820,765</u>	<u>187,015</u>	<u>1,850</u>	<u>7,571,000</u>	<u>2,197,284</u>
Fund balance:									
Reserve for encumbrances	-	-	23,997	-	4,746,249	507,777	6,899	5,284,922	5,377,767
Continuing appropriations	-	-	-	-	-	-	-	-	-
Unreserved	100,000	-	190,900	-	(4,746,249)	(507,777)	33,101	(4,930,025)	(5,154,525)
Total fund balance	<u>100,000</u>	<u>-</u>	<u>214,897</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,000</u>	<u>354,897</u>	<u>223,242</u>
Total liabilities and fund balance	<u>\$100,000</u>	<u>\$229,591</u>	<u>\$219,805</u>	<u>\$326,871</u>	<u>\$6,820,765</u>	<u>\$187,015</u>	<u>\$41,850</u>	<u>\$7,925,897</u>	<u>\$2,420,526</u>

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT
SPECIAL REVENUE FUNDS - NON-COMPACT

Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Year ended September 30, 1988
(With comparative totals for the year ended September 30, 1987)

	Disaster Relief Fund	Transition Fund	Maritime Operations Revolving Fund	TPI Federal Grants Fund	Federal and Other Direct Assistance Fund	OTIA Technical Assistance and Operations and Maintenance	Passport Revolving Fund	Totals	
								1988	1987
Revenues:									
Department of the Interior grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$315,032	\$ -	\$ 315,032	\$ 391,66
U.S Federal contributions	-	-	-	-	1,530,493	-	-	1,530,493	2,029,97
Other contributions	-	-	-	-	225,397	-	-	225,397	70,35
Sales of goods and services	-	-	81,087	-	-	-	61,296	142,383	121,52
Total revenues	<u>-</u>	<u>-</u>	<u>81,087</u>	<u>-</u>	<u>1,755,890</u>	<u>315,032</u>	<u>61,296</u>	<u>2,213,305</u>	<u>2,613,51</u>
Expenditures:									
Executive Branch	-	-	370,932	-	1,768,640	315,032	38,736	2,493,340	2,985,65
Total expenditures	<u>-</u>	<u>-</u>	<u>370,932</u>	<u>-</u>	<u>1,768,640</u>	<u>315,032</u>	<u>38,736</u>	<u>2,493,340</u>	<u>2,985,65</u>
Revenues over (under) expenditures	-	-	(289,845)	-	(12,750)	-	22,560	(280,035)	(372,13)
Other sources (uses):									
Transfer/General Fund	100,000	-	321,500	-	12,750	-	(22,560)	411,690	451,14
Excess (deficiency) of revenue and other sources over expenditures and other uses	100,000	-	31,655	-	-	-	-	131,655	79,00
Fund balance (deficit), beginning of year	-	-	183,242	-	-	-	40,000	223,242	144,23
Adjustment to beginning fund balance	-	-	-	-	-	-	-	-	-
Fund balance (deficit), end of year	<u>\$100,000</u>	<u>\$ -</u>	<u>\$214,897</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$40,000</u>	<u>\$ 354,897</u>	<u>\$ 223,24</u>

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT
SPECIAL REVENUE FUNDS - NON-COMPACT



Combining Statement of Revenues, Expenditures by Account
and Changes in Fund Balance
Year ended September 30, 1988
(With comparative totals for the year ended September 30, 1987)

	Disaster Relief Fund	Transition Fund	Maritime Operations Revolving Fund	TTP1 Federal Grants Fund	Federal and Other Direct Assistance Fund	OTIA Technical Assistance and Operations and Maintenance	Passport Revolving Fund	Totals	
								1988	1987
Revenues:									
Department of the Interior grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$315,032	\$ -	\$ 315,032	\$ 391,661
U.S Federal contributions	-	-	-	-	1,530,493	-	-	1,530,493	2,029,978
Other contributions	-	-	-	-	225,397	-	-	225,397	70,357
Sales of goods and services	-	-	81,087	-	-	-	61,296	142,383	121,523
Total revenues	-	-	81,087	-	1,755,890	315,032	61,296	2,213,305	2,613,519
Expenditures:									
Personnel	-	-	70,330	-	-	-	-	70,330	733,864
Travel	-	-	-	-	-	-	-	-	342,221
Contractual services, contributions and subsidies	-	-	136,601	-	-	-	-	136,601	572,006
Capital asset purchases	-	-	3,950	-	-	-	1,835	5,785	44,048
National Gov't. Direct Assist.	-	-	-	-	1,768,640	315,032	-	2,083,672	-
Other	-	-	160,051	-	-	-	36,901	196,952	1,293,513
Total expenditures	-	-	370,932	-	1,768,640	315,032	38,736	2,493,340	2,985,652
Revenues over (under) expenditures	-	-	(289,845)	-	(12,750)	-	22,560	(280,035)	(372,133)
Other sources (uses):									
Transfer/General Fund	100,000	-	321,500	-	12,750	-	(22,560)	411,690	451,142
Excess (deficiency) of revenue and other sources over expenditures and other uses	100,000	-	31,655	-	-	-	-	131,655	79,009
Fund balance (deficit), beginning of year	-	-	183,242	-	-	-	40,000	223,242	144,231
Adjustment to beginning fund balance	-	-	-	-	-	-	-	-	2
Fund balance (deficit), end of year	\$100,000	\$ -	\$214,897	\$ -	\$ -	\$ -	\$ 40,000	\$ 354,897	\$ 223,242

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT
SPECIAL REVENUE FUNDS - COMPACT



Combining Balance Sheet
September 30, 1988

<u>Assets</u>	Communications Annual Section 215 (a) 2	Communications One Time Section 215 (b) 2	Marine Surveillance Annual Section 216 (a) 1	Marine Surveillance One Time Section 216 (b)	Post Secondary Education Section 216 (a) 3	Health and Medical Section 216 (a) 2	Special Block Grant Section 221 (b)	Energy Compact Section 214	Special Development Fund	Total
Cash	\$28,701	\$ 65,844	\$ 544,414	\$ 5,434	\$1,121,138	\$132,147	\$542,315	\$58,882	\$ 6,233,808	\$ 8,732,688
Investments	7,333	1,287,096	527,280	720,622	331,890	127,990	-	-	6,115,654	9,117,866
Receivables from:										
Dividends and interest	2,320	22,103	4,665	3,054	12,977	1,132	3,124	1,041	116,883	167,297
Due from other funds	-	1,754,368	-	-	-	-	-	-	-	1,754,368
Total assets	\$38,354	\$3,129,411	\$1,076,359	\$729,110	\$1,466,005	\$261,269	\$545,439	\$59,923	\$12,466,345	\$19,772,211
 <u>Liabilities and Fund Balance</u>										
Liabilities:										
Accounts payable	\$ -	\$ -	\$ 30,175	\$ -	\$ -	\$ 6,500	\$ 6,381	\$ -	\$ -	\$ 43,056
Due to other funds	38,354	-	207,048	62,510	278,518	59,900	31,650	11,799	-	689,779
Accrued payroll	-	-	265	-	-	-	1,566	-	-	1,831
Total liabilities	38,354	-	237,488	62,510	278,518	66,400	39,597	11,799	-	734,664
Fund balance:										
Reserved for encumbrances	-	-	54,640	-	514,335	3,000	27,407	-	-	599,382
Continuing appropriations	-	3,129,411	-	-	673,152	-	-	-	-	3,802,563
Unreserved	-	-	784,231	666,600	-	191,869	478,435	48,124	12,466,345	14,635,604
Total fund balance	-	3,129,411	838,871	666,600	1,187,487	194,869	505,842	48,124	12,466,345	19,037,549
Total liabilities and fund balance	\$38,354	\$3,129,411	\$1,076,359	\$729,110	\$1,466,005	\$261,269	\$545,439	\$59,923	\$12,466,345	\$19,772,211

Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Year ended September 30, 1988

	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	Total
Revenues:										
Compact grants:										
Base amount	\$600,000	\$ -	\$519,000	\$ -	\$1,889,700	\$125,980	\$315,000	\$200,100	\$12,000,000	\$15,649,780
Inflation adjustment	144,000	-	-	-	-	-	-	48,024	-	192,024
Interest earnings and dividends	-	-	-	-	-	-	-	-	466,345	466,345
Total revenues	<u>744,000</u>	<u>-</u>	<u>519,000</u>	<u>-</u>	<u>1,889,700</u>	<u>125,980</u>	<u>315,000</u>	<u>248,124</u>	<u>12,466,345</u>	<u>16,308,149</u>
Expenditures:										
Executive branch	-	-	139,724	-	2,391,913	57,091	124,158	200,000	-	2,912,886
Total expenditures	<u>-</u>	<u>-</u>	<u>139,724</u>	<u>-</u>	<u>2,391,913</u>	<u>57,091</u>	<u>124,158</u>	<u>200,000</u>	<u>-</u>	<u>2,912,886</u>
Revenues over (under) expenditures	744,000	-	379,276	-	(502,213)	68,889	190,842	48,124	12,466,345	13,395,263
Other sources (uses):										
Transfer out	(751,800)	(4,190,589)	-	-	-	-	-	-	-	(4,942,389)
Excess (deficiency) of revenue and other sources over expend- itures and other uses	(7,800)	(4,190,589)	379,276	-	(502,213)	68,889	190,842	48,124	12,466,345	8,452,874
Fund balance, beginning of year	<u>7,800</u>	<u>7,320,000</u>	<u>459,595</u>	<u>666,600</u>	<u>1,689,700</u>	<u>125,980</u>	<u>315,000</u>	<u>-</u>	<u>-</u>	<u>10,584,675</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$3,129,411</u>	<u>\$838,871</u>	<u>\$666,600</u>	<u>\$1,187,487</u>	<u>\$194,869</u>	<u>\$505,842</u>	<u>\$ 48,124</u>	<u>\$12,466,345</u>	<u>\$19,037,549</u>

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT
SPECIAL REVENUE FUNDS - COMPACT



Combining Statement of Revenues, Expenditures by Account and Changes in Fund Balance
Year ended September 30, 1988

	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	Total
Revenues:										
Compact grants:										
Base amount	\$600,000	\$ -	\$519,000	\$ -	\$1,889,700	\$125,980	\$315,000	\$200,100	\$12,000,000	\$15,649,780
Inflation adjustment	144,000	-	-	-	-	-	-	48,024	-	192,024
Interest earnings and dividends	-	-	-	-	-	-	-	-	466,345	466,345
Total revenues	<u>744,000</u>	<u>-</u>	<u>519,000</u>	<u>-</u>	<u>1,889,700</u>	<u>125,980</u>	<u>315,000</u>	<u>248,124</u>	<u>12,466,345</u>	<u>16,308,149</u>
Expenditures:										
Personnel	-	-	6,521	-	-	-	49,909	-	-	56,430
Travel	-	-	13,599	-	-	-	25,827	-	-	39,426
Contractual services, contributions and subsidies	-	-	108,745	-	-	47,269	4,150	200,000	-	360,164
Capital assets	-	-	5,686	-	-	-	16,267	-	-	21,953
Scholarship related assistance to States and College of Micronesia	-	-	-	-	2,391,913	-	-	-	-	2,391,913
Other	-	-	5,173	-	-	9,822	28,005	-	-	43,000
Total expenditures	<u>-</u>	<u>-</u>	<u>139,724</u>	<u>-</u>	<u>2,391,913</u>	<u>57,091</u>	<u>124,158</u>	<u>200,000</u>	<u>-</u>	<u>2,912,886</u>
Revenues over (under) expenditures	744,000	-	379,276	-	(502,213)	68,889	190,842	48,124	12,466,345	13,395,263
Other sources (uses):										
Transfer out	(751,800)	(4,190,589)	-	-	-	-	-	-	-	(4,942,389)
Excess (deficiency) of revenue and other sources over expend- itures and other uses	(7,800)	(4,190,589)	379,276	-	(502,213)	68,889	190,842	48,124	12,466,345	8,452,874
Fund balance, beginning of year	<u>7,800</u>	<u>7,320,000</u>	<u>459,595</u>	<u>666,600</u>	<u>1,689,700</u>	<u>125,980</u>	<u>315,000</u>	<u>-</u>	<u>-</u>	<u>10,584,675</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$3,129,411</u>	<u>\$838,871</u>	<u>\$666,600</u>	<u>\$1,187,487</u>	<u>\$194,869</u>	<u>\$505,842</u>	<u>\$ 48,124</u>	<u>\$12,466,345</u>	<u>\$19,037,549</u>

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT

CAPITAL PROJECTS FUNDS
SEPTEMBER 30, 1988

Appropriations or grants earmarked to finance capital projects of the Government 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 Department of the Interior, Office of Territorial and International Affairs. These grants originated from U.S. Congressional appropriations of the U. S. Department of the Interior. Project costs, upon completion are accounted for in the General Fixed Assets Account Group, as are completed projects from other funding sources.

CFSM Capital Projects 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.

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT
CAPITAL PROJECTS FUNDS

Combining Balance Sheet
September 30, 1988
(With comparative totals as of September 30, 1987)

<u>Assets</u>	<u>Compact Capital Projects</u>	<u>OTIA/TTPI Capital Projects</u>	<u>CFSM Capital Projects</u>	<u>Totals</u>	
				<u>1988</u>	<u>1987</u>
Cash and equivalents	\$ 71,018	\$ -	\$ -	\$ 71,018	\$ 51,005
Investments	2,488,155	-	-	2,488,155	2,787,775
Accrued interest	17,926	-	-	17,926	18,378
Due from other funds	<u>-</u>	<u>1,606,359</u>	<u>314,438</u>	<u>1,920,797</u>	<u>4,088,309</u>
Total assets	<u>\$2,577,099</u>	<u>\$1,606,359</u>	<u>\$314,438</u>	<u>\$4,497,896</u>	<u>\$6,945,467</u>
<u>Liabilities and Fund Balance</u>					
Liabilities:					
Accounts payable	\$ 2,249	\$ 34,848	\$ -	\$ 37,097	\$ 576,508
Accrued payroll	-	2,101	-	2,101	
Advances from TTPI/OTIA	-	1,569,410	-	1,569,410	3,207,796
Due to other funds	<u>765,701</u>	<u>-</u>	<u>-</u>	<u>765,701</u>	<u>407,740</u>
Total liabilities	<u>767,950</u>	<u>1,606,359</u>	<u>-</u>	<u>2,374,309</u>	<u>4,192,044</u>
Fund balance:					
Reserve for encumbrances	36,147	2,510,628	50	2,546,825	6,994,220
Reserve for continuing appropriation	505,626	568,924	307,970	1,382,520	913,420
Unreserved fund balance	<u>1,267,376</u>	<u>(3,079,552)</u>	<u>6,418</u>	<u>(1,805,758)</u>	<u>(5,154,217)</u>
Total fund balance	<u>1,809,149</u>	<u>-</u>	<u>314,438</u>	<u>2,123,587</u>	<u>2,753,423</u>
Total liabilities and fund balance	<u>\$2,577,099</u>	<u>\$1,606,359</u>	<u>\$314,438</u>	<u>\$4,497,896</u>	<u>\$6,945,467</u>

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT
CAPITAL PROJECTS FUNDS

Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Year ended September 30, 1988
(With comparative totals for the year ended September 30, 1987)

	<u>Compact Capital Projects</u>	<u>OTIA/TTPI Capital Projects</u>	<u>CFSM Capital Projects</u>	<u>Totals</u>	
				<u>1988</u>	<u>1987</u>
Revenue:					
Department of the Interior grants	\$ -	\$5,281,470	\$ -	\$5,281,470	\$4,861,572
TTPI grants	-	421,325	-	421,325	232,760
Capital Compact funds:					
Base	2,251,200	-	-	2,251,200	2,251,200
Inflation adjustments	<u>540,288</u>	<u>-</u>	<u>-</u>	<u>540,288</u>	<u>495,264</u>
Total revenues	<u>2,791,488</u>	<u>5,702,795</u>	<u>-</u>	<u>8,494,283</u>	<u>7,840,796</u>
Program expenditures:					
Executive Branch	421,324	5,702,795	-	6,124,119	5,161,090
Supreme Court	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,000</u>
Total expenditures	<u>421,324</u>	<u>5,702,795</u>	<u>-</u>	<u>6,124,119</u>	<u>5,221,090</u>
Revenues in excess of expenditures	<u>2,370,164</u>	<u>-</u>	<u>-</u>	<u>2,370,164</u>	<u>2,619,706</u>
Other sources (uses):					
Operating transfers in	-	-	-	-	-
Operating transfers out	<u>(3,000,000)</u>	<u>-</u>	<u>-</u>	<u>(3,000,000)</u>	<u>(200,000)</u>
Total other sources (uses)	<u>(3,000,000)</u>	<u>-</u>	<u>-</u>	<u>(3,000,000)</u>	<u>(200,000)</u>
Excess (deficiency) of revenues over expenditures and other sources	(629,836)	-	-	(629,836)	2,419,706
Fund balance, beginning of year	<u>2,438,985</u>	<u>-</u>	<u>314,438</u>	<u>2,753,423</u>	<u>333,717</u>
Fund balance, end of year	<u>\$1,809,149</u> =====	<u>\$ -</u> =====	<u>\$314,438</u> =====	<u>\$2,123,587</u> =====	<u>\$2,753,423</u> =====

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT
CAPITAL PROJECTS FUNDS

Combining Statement of Revenues, Expenditures by Account
and Changes in Fund Balance
Year ended September 30, 1988
(With comparative totals for the year ended September 30, 1987)

	<u>Compact Capital Projects</u>	<u>OTIA/TTPI Capital Projects</u>	<u>CFSM Capital Projects</u>	<u>Totals</u>	
				<u>1988</u>	<u>1987</u>
Revenue:					
Department of the Interior grants	\$ -	\$5,281,470	\$ -	\$5,281,470	\$4,861,572
TTPI grants		421,325	-	421,325	232,760
Capital Compact funds:					
Base	2,251,200	-	-	2,251,200	2,251,200
Inflation adjustments	<u>540,288</u>	<u>-</u>	<u>-</u>	<u>540,288</u>	<u>495,264</u>
Total revenues	<u>2,791,488</u>	<u>5,702,795</u>	<u>-</u>	<u>8,494,283</u>	<u>7,840,796</u>
Program expenditures:					
Personnel	509	90,233	-	90,742	31,011
Travel	26,305	4,840	-	31,145	26,165
Contractual services, contributions and subsidies	80,307	559,926	-	640,233	16,926
Other	314,203	33,422	-	347,625	119,779
Construction in progress	<u>-</u>	<u>5,014,374</u>	<u>-</u>	<u>5,014,374</u>	<u>5,027,209</u>
Total expenditures	<u>421,324</u>	<u>5,702,795</u>	<u>-</u>	<u>6,124,119</u>	<u>5,221,090</u>
Revenues in excess of expenditures	<u>2,370,164</u>	<u>-</u>	<u>-</u>	<u>2,370,164</u>	<u>2,619,706</u>
Other sources (uses):					
Operating transfers in	-	-	-	-	-
Operating transfers out	<u>(3,000,000)</u>	<u>-</u>	<u>-</u>	<u>(3,000,000)</u>	<u>(200,000)</u>
Total other sources (uses)	<u>(3,000,000)</u>	<u>-</u>	<u>-</u>	<u>(3,000,000)</u>	<u>(200,000)</u>
Excess (Deficiency) of revenues over expenditures and other sources	(629,836)	-	-	(629,836)	2,419,706
Fund balance, beginning of year	<u>2,438,985</u>	<u>-</u>	<u>314,438</u>	<u>2,753,423</u>	<u>333,717</u>
Fund balance, end of year	<u>\$1,809,149</u>	<u>\$ -</u>	<u>\$314,438</u>	<u>\$2,123,587</u>	<u>\$2,753,423</u>

ENTERPRISE FUNDS
SEPTEMBER 30, 1988

The enterprise funds are used to account for the operations of certain agencies which provide goods or services to the general public on a user charge basis. The National Government's enterprise operations are described below.

Coconut Development Authority was established by Congress in order 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 (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 telecommunication services, except radio and television broadcasting, throughout the FSM and with points outside of 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 the 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 are not 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 Bank is a special financial institution to provide loans for 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 and the prior Trust Territory Economic Development Loan Fund.

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT
ENTERPRISE FUNDS

Combining Balance Sheet
September 30, 1988
(With comparative totals as of September 30, 1987)

<u>Assets</u>	FSM Tele- Communications Corp.	FSM Development Bank	FSM Coconut Development Authority	<u>Totals</u>	
				1988	1987
Cash and equivalents	\$ 296,953	\$ 150,671	\$ 47,510	\$ 495,134	\$ 115,190
Time certificates of deposit	2,170,000	964,157	358,721	3,492,878	3,079,259
Investments	-	448,532	-	448,532	308,593
General receivables, net	828,245	47,771	77,210	953,226	1,224,207
Loans receivable, net	-	2,206,846	-	2,206,846	2,112,493
Other receivables and prepaids	298,576	4,450	3,633	306,659	220,851
Deferred charges	170,858	-	-	170,858	86,969
Advances	4,107	-	42,000	46,107	39,850
Restricted assets	-	4,045,716	-	4,045,716	814,564
Inventory	-	-	158,137	158,137	49,519
Fixed assets, net of accumulated depreciation	<u>5,159,761</u>	<u>41,734</u>	<u>12,195</u>	<u>5,213,690</u>	<u>1,158,897</u>
Total assets	<u><u>\$8,928,500</u></u>	<u><u>\$7,909,877</u></u>	<u><u>\$699,406</u></u>	<u><u>\$17,537,783</u></u>	<u><u>\$9,210,392</u></u>
<u>Liabilities and Fund Equity</u>					
Liabilities:					
Accounts payable	\$ 188,007	\$ 11,457	\$ 177	\$ 199,641	\$ 566,479
Accrued payroll and others	278,793	29,423	-	308,216	132,933
Deferred credits	41,801	-	-	41,801	41,801
Total liabilities	<u>508,601</u>	<u>40,880</u>	<u>177</u>	<u>549,658</u>	<u>741,213</u>
Fund equity:					
Contributed capital	4,190,589	8,238,182	575,117	13,003,888	5,505,070
Retained earnings (loss)	4,229,310	(369,185)	124,112	3,984,237	2,964,109
Total fund equity	<u>8,419,899</u>	<u>7,868,997</u>	<u>699,229</u>	<u>16,988,125</u>	<u>8,469,179</u>
Total liabilities and fund equity	<u><u>\$8,928,500</u></u>	<u><u>\$7,909,877</u></u>	<u><u>\$699,406</u></u>	<u><u>\$17,537,783</u></u>	<u><u>\$9,210,392</u></u>

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT
ENTERPRISE FUNDS

Combining Statement of Revenues, Expenses and Changes in Fund Equity
Year ended September 30, 1988
(With comparative totals for the year ended September 30, 1987)

	FSM Tele- Communications Corp.	FSM Development Bank	FSM Coconut Development Authority	Totals	
				1988	1987
Revenues:					
Charges for goods & services	\$2,736,656	\$ -	\$ 587,160	\$ 3,323,816	\$2,337,066
Rental income/interest income	-	418,818	-	418,818	289,725
Other	13,506	4,426	-	17,932	7,985
Total operating revenues	<u>2,750,162</u>	<u>423,244</u>	<u>587,160</u>	<u>3,760,566</u>	<u>2,634,776</u>
Operating expenses:					
Personnel services	-	200,165	47,681	247,846	199,519
Supplies and materials	-	7,934	8,048	15,982	18,238
Other	-	386,130	318,071	704,201	415,852
Depreciation	-	23,724	4,526	28,250	30,150
Cost of sales	2,815,486	-	376,982	3,192,468	2,706,241
Total expenses	<u>2,815,486</u>	<u>617,953</u>	<u>755,308</u>	<u>4,188,747</u>	<u>3,370,000</u>
Operating income (loss)	<u>(65,324)</u>	<u>(194,709)</u>	<u>(168,148)</u>	<u>(428,181)</u>	<u>(735,224)</u>
Non-operating revenues (expenses):					
Transfers in	751,800	264,248	355,952	1,372,000	998,754
Miscellaneous	2,938	(63,065)	18,935	(41,192)	13,056
Interest income	117,502	-	-	117,502	100,519
Total non-operating revenues (expense)	<u>872,240</u>	<u>201,183</u>	<u>374,887</u>	<u>1,448,310</u>	<u>1,112,329</u>
Net income	<u>806,916</u>	<u>6,474</u>	<u>206,739</u>	<u>1,020,129</u>	<u>377,105</u>
Retained earnings (deficit), beginning of year	3,422,394	(375,659)	(82,627)	2,964,108	2,058,676
Adjustment of retained earnings, beginning of year	-	-	-	-	528,328
Retained earnings (deficit), end of year	<u>\$4,229,310</u>	<u>\$ (369,185)</u>	<u>\$ 124,112</u>	<u>\$ 3,984,237</u>	<u>2,964,109</u>
Contributed capital, beginning of year	\$ -	\$4,929,954	\$575,117	\$5,505,071	\$5,980,898
Additions	4,190,589	3,308,228	-	7,498,817	70,000
Adjustments	-	-	-	-	(545,828)
Contributed capital, end of year	<u>\$4,190,589</u>	<u>\$8,238,182</u>	<u>\$ 575,117</u>	<u>\$13,003,888</u>	<u>\$5,505,070</u>

FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT
ENTERPRISE FUNDS

Combining Statement of Changes in Financial Position
Year ended September 30, 1988
(With comparative totals for the year ended September 30, 1987)

	FSM Tele- Communications Corp.	FSM Development Bank	FSM Coconut Development Authority	Totals	
				1988	1987
Sources of working capital:					
Operations:					
Net income	\$ 806,916	\$ 6,474	\$206,739	\$1,020,129	\$ 377,105
Depreciation and other not requiring working capital	416,110	23,724	5,672	445,506	228,844
Working capital provided by operations	1,223,026	30,198	212,411	1,465,635	605,949
Prior period adjustments	-	-	-	-	328,172
Contributions from CFSM and others	4,190,589	3,308,228	-	7,498,817	70,000
Total sources of working capital	5,413,615	3,338,426	212,411	8,964,452	1,004,121
Uses of working capital:					
Acquisition of plant, property and equipment	4,472,915	24,347	3,149	4,500,411	459,911
Prior period adjustments	-	-	-	-	108,840
Acquisition of investment	-	448,532	-	448,532	-
Total uses of working capital	4,472,915	472,879	3,149	4,948,943	568,751
Net increase in working capital	\$ 940,700	\$2,865,547	\$209,262	\$4,015,509	\$ 435,370
Increase (decrease) in elements of working capital:					
Cash	\$ 226,616	\$ 148,574	\$ 4,754	\$ 379,944	\$ (255,976)
Time certificates of deposit	600,000	(993,634)	50,128	(343,506)	53,743
Investments	-	448,532	-	448,532	-
Loans receivable - EDF	-	94,353	-	94,353	344,327
Accounts receivable	(339,543)	(1,041)	34,634	(305,950)	311,847
Prepaid expenses	158,696	(4,925)	-	153,771	88,288
Advances	1,366	-	4,891	6,257	(25,078)
Deferred charges	83,889	-	-	83,889	86,969
Interest receivable	11,576	(45,971)	1,289	(33,106)	(1,627)
Inventory	-	-	108,618	108,618	49,519
Restricted assets:					
Investments	-	2,924,985	-	2,924,985	(169,473)
Interest receivable	-	31,850	-	31,850	11,790
Loans receivable	-	274,317	-	274,317	232,235
Accounts payable	(112,135)	(1,836)	4,948	(109,023)	74,061
Salaries and wages payable	8,317	(1,060)	-	7,257	8,472
Payroll taxes payable	(6,954)	(1,108)	-	(8,062)	(1,713)
Other accrued expenses	310,542	(7,904)	-	302,638	(349,119)
Accrued leave payable	(1,670)	415	-	(1,255)	(22,895)
Net increase in working capital	\$ 940,700	\$2,865,547	\$209,262	\$4,015,509	\$ 435,370

EXPENDABLE TRUST FUNDS
SEPTEMBER 30, 1988

Special funds which are administered by the FSM National Government in a fiduciary capacity are accounted for as Trust Funds. The expendable trust funds for which the National Government bears responsibility at September 30, 1988, are as follows:

Health Insurance Fund - Employees of the participating Governments (FSM, Federated State Governments, College of Micronesia) contribute to the fund to provide payment of certain eligible medical expenses. The Governments also pay contributions to the Fund on behalf of their employees.

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 are restricted to \$4,000 per annum and \$16,000 in total to an undergraduate (\$32,000 for a professional or graduate student). Loans bear interest at 3%-4%. The standard loan term is ten years and nine months after the completion of school or the early withdrawal therefrom.

FEDERATED STATES OF MICRONESIA
 NATIONAL GOVERNMENT
 EXPENDABLE TRUST FUNDS



Combining Balance Sheet
 September 30, 1988
 (With comparative totals as of September 30, 1987)

<u>Assets</u>	Health	Student	<u>Totals</u>	
	Insurance Fund	Loan Fund	1988	1987
Cash and equivalents	\$710,955	\$ -	\$ 710,955	\$ 207,733
General receivables	20,095	-	20,095	20,095
Due from other funds	102,154	111,286	213,440	553,355
Loans	-	1,788,027	1,788,027	1,788,027
Allowance for loan reserves	-	(1,788,027)	(1,788,027)	(1,788,027)
Total assets	\$833,204	\$ 111,286	\$ 944,490	\$ 781,183
	=====	=====	=====	=====

Liabilities and Fund Balance

Liabilities:				
Accounts payable	\$ 38,137	\$ -	\$ 38,137	\$ 34,324
Accrued payable	543	-	543	90
Total liabilities	38,680	-	38,680	34,414
Fund balance	794,524	111,286	905,810	746,769
Total liabilities and fund balance	\$833,204	\$ 111,286	\$ 944,490	\$ 781,183
	=====	=====	=====	=====

FEDERATED STATES OF MICRONESIA
 NATIONAL GOVERNMENT
 EXPENDABLE TRUST FUNDS



Combining Statement of Revenues, Expenditures and
 Changes in Fund Balance
 Year ended September 30, 1988
 (With comparative totals for the year ended September 30, 1987)

	Health Insurance Fund	Student Loan Fund	Totals	
			<u>1988</u>	<u>1987</u>
Revenues:				
Interest income	\$ 13,222	\$ -	\$ 13,222	\$ 15,399
Member contributions	522,435	-	522,435	494,313
Loan repayments	<u>-</u>	<u>31,981</u>	<u>31,981</u>	<u>-</u>
Total revenues	<u>535,657</u>	<u>31,981</u>	<u>567,638</u>	<u>509,712</u>
Expenditures:				
Provision for doubtful accounts	-	-	-	308,610
Insurance claims	363,061	-	363,061	300,563
Administrative expense	<u>45,536</u>	<u>-</u>	<u>45,536</u>	<u>36,092</u>
Total expenditures	<u>408,597</u>	<u>-</u>	<u>408,597</u>	<u>645,265</u>
Revenues greater than (less than) expenditures	127,060	31,981	159,041	(135,553)
Transfers-in	<u>-</u>	<u>-</u>	<u>-</u>	<u>300,000</u>
Revenues and transfers-in in excess of expenditures	127,060	31,981	159,041	164,447
Fund balance, beginning of year	<u>667,464</u>	<u>79,305</u>	<u>746,769</u>	<u>582,322</u>
Fund balance, end of year	<u>\$794,524</u>	<u>\$111,286</u>	<u>\$905,810</u>	<u>\$746,769</u>