

**STATE OF YAP
FEDERATED STATES OF MICRONESIA**

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

SEPTEMBER 30, 1992

**STATE OF YAP
FEDERATED STATES OF MICRONESIA
YEAR ENDED SEPTEMBER 30, 1992**

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**STATE OF YAP
FEDERATED STATES OF MICRONESIA
GENERAL PURPOSE FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
YEAR ENDED SEPTEMBER 30, 1992**

**INDEPENDENT AUDITORS' REPORT**

Honorable Petrus Tun
Governor, State of Yap
Federated States of Micronesia

We have audited the accompanying general purpose financial statements of the State of Yap, as of September 30, 1992, and for the year then ended. These general purpose financial statements are the responsibility of the management of Yap State. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

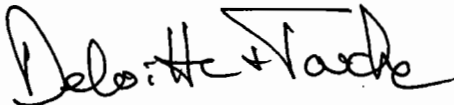
The general purpose financial statements referred to above do not include the Yap Economic Development Authority, a Proprietary Fund Type - Enterprise Fund, which, in our opinion, should be included to conform with generally accepted accounting principles. In the prior year the Yap Economic Development Authority represented 78%, 99%, 60%, and 77% of the Proprietary Fund type - Enterprise Funds assets, liabilities, revenues, and expenses, respectively (see note 15). The financial statements of the Gagil-Tomil Water Authority (GTWA), which represents 3% and 1% of the assets and operating revenues, respectively, of the Proprietary Fund Type - Enterprise Funds in the accompanying general purpose financial statements, were compiled by the Yap State Public Auditor. As we are unable to perform adequate audit procedures on GTWA financial records, we are not in a position and are unable to express an opinion on the fairness of these financial statements as of September 30, 1992.

Due to absence of original cost data to support the carrying value of contributed fixed assets of the Yap State Fishing Authority, we are not able to express an opinion on those statements which comprise 91% of the Proprietary Fund Type - Enterprise Funds total assets. Additionally, the State has not recorded the original cost of infrastructure relating to the Southern Yap Water Authority as assets for that fund. We are therefore unable to express an opinion on those statements.

The State has not adequately updated its General Fixed Assets Account Group during the year ended September 30, 1992, nor were we able to apply sufficient alternative procedures to assure ourselves as to the correctness of the balances set forth in the accompanying general purpose financial statements. Accordingly, a statement of changes in general fixed assets has not been included within the accompanying general purpose financial statements.

In our opinion, except for the Proprietary Fund Type - Enterprise Funds and the General Fixed Assets Account Group, upon which we are unable to express an opinion because of the matters specified in the foregoing paragraphs, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the State of Yap, as of September 30, 1992, and the results of its operations and the cash flows of its Proprietary Fund Type-Internal Service Fund for the year then ended, in conformity with generally accepted accounting principles.

December 18, 1992



Certified Public Accountants

STATE OF YAP
FEDERATED STATES OF MICRONESIA
Combined Balance Sheet - All Fund Types and Account Groups
September 30, 1992
(With comparative totals as of September 30, 1991)

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	
	General Fund	Special Revenue Funds	Capital Project Funds	Enterprise Funds	Internal Service Fund	Expendable Trust Fund	General Fixed Assets	General Long-Term Debt	1992	1991
Assets										
Cash and equivalents (Note 1)	\$ 2,121,326	\$ 278,951	\$ -	\$ 257,528	\$ -	\$179,374	\$ -	\$ -	\$ 2,837,179	\$ 4,209,455
Investments (Notes 1 and 10)	68,287,416	-	8,488,228	-	-	-	-	-	76,775,644	81,590,517
Receivables, net (Notes 1 and 2):										
Other governments	-	14,471	-	-	-	-	-	-	14,471	172,171
Federal agencies	-	-	283,703	-	-	-	-	-	283,703	264,714
Dept. of Interior - TTPI	-	-	1,284,545	-	-	-	-	-	1,284,545	691,973
Federal and other - FSM Gov't.	21,231	1,298,008	90,932	-	-	-	-	-	1,410,171	949,778
General	243,981	-	-	821,085	4,995	-	-	-	1,070,061	1,013,855
Loans	12,457,384	-	2,000,000	-	-	-	-	-	14,457,384	12,110,765
Due from other funds (Note 6)	2,257,254	787,497	-	21,813	42,790	9,461	-	-	3,118,815	3,399,499
Advances (Notes 2)	15,915	107,400	11,014	-	-	1,747	-	-	136,076	123,177
Inventory of supplies, at cost (Notes 1 and 3)	200,368	-	-	116,520	202,969	-	-	-	519,857	1,368,125
Prepayments	5,152	-	-	13,705	-	-	-	-	18,857	1,014,748
Investment in fixed assets, net of accumulated depreciation (Notes 1 and 4)	-	-	-	4,468,055	-	-	64,042,409	-	68,510,464	81,796,870
Amount to be provided for retirement of long-term debt (Notes 1 and 5)	-	-	-	-	-	-	-	64,676,236	64,676,236	71,490,113
Other assets	-	-	-	-	-	-	-	-	-	3,218,402
Total assets	\$85,610,027	\$2,486,327	\$12,158,422	\$5,698,706	\$250,754	\$190,582	\$64,042,409	\$64,676,236	\$235,113,463	\$263,414,162
Liabilities and Fund Equity										
Liabilities:										
Accounts payable	\$ 941,252	\$ 258,946	\$ 251,088	\$ 86,088	\$ -	\$ 4,600	\$ -	\$ -	\$ 1,541,974	\$ 3,067,704
Accrued payroll and others	293,778	20,689	7,602	-	153	86	-	476,236	798,544	970,092
Due to other funds (Note 6)	7,474	1,049,228	2,096,033	-	-	-	-	-	3,152,735	3,399,499
Deferred revenue	-	189,301	-	-	-	-	-	-	189,301	897,034
Notes payable (Note 5)	-	-	-	-	-	-	-	64,200,000	64,200,000	85,413,500
Land acquisition claims payable	122,602	90,000	-	-	-	-	-	-	212,602	323,645
Other liabilities	-	-	-	4,600	-	-	-	-	4,600	794,646
Total liabilities	1,365,106	1,608,164	2,354,723	90,688	153	4,686	-	64,676,236	70,099,756	94,866,120
Contingent liabilities and commitments (Notes 8 and 9)	-	-	-	-	-	-	-	-	-	651,908
Minority interest	-	-	-	-	-	-	-	-	-	651,908
Fund equity:										
Contributed capital	-	-	-	5,275,975	-	-	-	-	5,275,975	9,267,363
Investment in general fixed assets	-	-	-	-	-	-	64,042,409	-	64,042,409	63,542,819
Retained earnings:										
Unreserved	-	-	-	332,043	-	-	-	-	332,043	(1,487,599)
Fund balance:										
Reserved for:										
Related assets (Note 5)	64,667,036	501,327	-	-	202,969	-	-	-	65,371,332	71,992,529
Loans	12,457,384	-	2,000,000	-	-	-	-	-	14,457,384	11,500,000
Investment diminution	271	-	-	-	-	-	-	-	271	-
Encumbrances	535,605	406,246	1,656,397	-	5,612	3,843	-	-	2,607,703	5,270,069
Continuing appropriations (Note 14)	288,116	30,060	4,321,383	-	-	-	-	-	4,639,559	3,151,071
Unreserved	6,296,509	(59,470)	1,825,919	-	42,020	182,053	-	-	8,287,031	4,659,882
Total fund equity	84,244,921	878,163	9,803,699	5,608,018	250,601	185,896	64,042,409	-	165,013,707	167,896,134
Total liabilities and fund equity	\$85,610,027	\$2,486,327	\$12,158,422	\$5,698,706	\$250,754	\$190,582	\$64,042,409	\$64,676,236	\$235,113,463	\$263,414,162

See accompanying notes to combined financial statements.

STATE OF YAP
FEDERATED STATES OF MICRONESIA
Combined Statement of Revenues, Expenditures and Changes in Fund Balance -
All Governmental Fund Types and Fiduciary Fund Type
Year Ended September 30, 1992
(With comparative totals for the year ended September 30, 1991)

	Governmental Fund Types			Fiduciary	Totals	
	General	Special	Capital	Expendable	(Memorandum Only)	
	Fund	Revenue Funds	Projects Funds	Trust Fund	1992	1991
Revenues:						
Compact	\$ 6,762,110	\$2,634,966	\$4,160,866	\$ -	\$13,557,942	\$15,238,363
Taxes and licenses	1,395,358	-	-	-	1,395,358	1,365,000
Federal contributions	-	971,973	81,956	-	1,053,929	857,163
Dept. of the Interior - TTPI	-	-	592,572	-	592,572	1,907,660
Congress of the Federated States of Micronesia (CFSM) grants	-	421,117	2,221,367	-	2,642,484	885,025
Revenue sharing (FSM)	1,215,220	-	-	-	1,215,220	1,012,996
Interest income	1,385,184	-	-	14,989	1,400,173	1,135,995
Other	1,415,357	59,858	-	32,692	1,507,907	1,313,367
Total revenues	12,173,229	4,087,914	7,056,761	47,681	23,365,585	23,715,569
Expenditures:						
General government	1,464,812	41,289	-	-	1,506,101	1,416,408
Health services	1,594,674	742,714	-	-	2,337,388	1,686,987
Education	1,599,851	1,204,655	-	-	2,804,506	2,953,744
Economic development	635,477	193,424	179,243	-	1,008,144	902,633
Public safety	536,364	111,263	-	-	647,627	620,607
Public works and utilities	1,184,806	1,055,966	4,486,505	-	6,727,277	9,313,324
Community affairs	456,151	1,010,590	-	-	1,466,741	765,447
Boards and commissions	258,319	-	-	-	258,319	246,521
Transportation	1,667,601	2,317	-	-	1,669,918	1,184,320
Other	67,100	31,163	55,946	35,391	189,600	394,502
Total expenditures	9,465,155	4,393,381	4,721,694	35,391	18,615,621	19,484,493
Revenues over (under) expenditures	2,708,074	(305,467)	2,335,067	12,290	4,749,964	4,231,076
Other sources (uses):						
Bond management fees	-	-	-	-	-	(315,950)
Investment income	5,901,086	-	-	-	5,901,086	1,556,483
Operating transfers in (Note 7)	-	1,290,552	4,010,110	-	5,300,662	11,000
Bond proceeds	-	-	-	-	-	71,000,000
Bond payments (Note 5)	(6,525,044)	(1,067,461)	(4,010,110)	-	(11,602,615)	-
Operating transfers out (Note 7)	(5,415,738)	(76,424)	(17,800)	-	(5,509,962)	(1,046,200)
Total other sources (uses), net	(6,039,696)	146,667	(17,800)	-	(5,910,829)	71,205,333
Excess (deficiency) of revenues and other sources over expenditures and other uses	(3,331,622)	(158,800)	2,317,267	12,290	(1,160,865)	75,436,409
Fund balance, beginning of year	87,576,543	1,036,963	7,486,432	173,606	96,273,544	20,837,135
Fund balance, end of year	\$84,244,921	\$ 878,163	\$9,803,699	\$ 185,896	\$95,112,679	\$96,273,544

See accompanying notes to combined financial statements.

STATE OF YAP
FEDERATED STATES OF MICRONESIA
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - General Fund and Special Revenue Funds
Year Ended September 30, 1992

	General Fund			Special Revenue Funds			Totals (Memorandum Only)		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
			Favorable			Favorable			Favorable
			(Unfavorable)			(Unfavorable)			(Unfavorable)
Revenues:									
Current account compact funds	\$ 6,713,110	\$ 6,762,110	\$ 49,000	\$ -	\$ -	\$ -	\$ 6,713,110	\$ 6,762,110	\$ 49,000
Other compact funds	-	-	-	2,537,286	2,634,966	97,680	2,537,286	2,634,966	97,680
Taxes and licenses	844,000	1,395,358	551,358	-	-	-	844,000	1,395,358	551,358
Federal contributions	-	-	-	241,300	971,973	730,673	241,300	971,973	730,673
Congress of the Federated States of Micronesia (CFSM) grants	-	-	-	127,200	421,117	293,917	127,200	421,117	293,917
Revenue sharing (FSM)	705,300	1,215,220	509,920	-	-	-	705,300	1,215,220	509,920
Interest income	565,200	1,385,184	819,984	-	-	-	565,200	1,385,184	819,984
Other	1,253,500	1,415,357	161,857	231,500	59,858	(171,642)	1,485,000	1,475,215	(9,785)
Total revenues	10,081,110	12,173,229	2,092,119	3,137,286	4,087,914	950,628	13,218,396	16,261,143	3,042,747
Expenditures - budgetary basis:									
General government	1,476,575	1,425,008	51,567	43,702	41,204	2,498	1,520,277	1,466,212	54,065
Health services	1,430,186	1,581,755	(151,569)	728,268	708,654	19,614	2,158,454	2,290,409	(131,955)
Education	1,717,176	1,494,115	223,061	1,473,373	1,204,025	269,348	3,190,549	2,698,140	492,409
Economic development	823,695	761,652	62,043	271,078	203,687	67,391	1,094,773	965,339	129,434
Public safety	530,000	538,169	(8,169)	127,957	126,142	1,815	657,957	664,311	(6,354)
Public works and utilities	1,357,500	1,136,130	221,370	909,164	1,097,822	(188,658)	2,266,664	2,233,952	32,712
Community affairs	518,702	439,433	79,269	1,038,057	1,010,523	27,534	1,556,759	1,449,956	106,803
Boards and commissions	321,450	268,600	52,850	-	-	-	321,450	268,600	52,850
Transportation	1,596,174	1,654,142	(57,968)	-	2,317	(2,317)	1,596,174	1,656,459	(60,285)
Other	205,400	69,474	135,926	-	31,163	(31,163)	205,400	100,637	104,763
Total expenditures	9,976,858	9,368,478	608,380	4,591,599	4,425,537	166,062	14,568,457	13,794,015	774,442
Revenues over (under) expenditures	104,252	2,804,751	2,700,499	(1,454,313)	(337,623)	1,116,690	(1,350,061)	2,467,128	3,817,189
Other sources (uses):									
Bond payments	(1,722,429)	(6,525,044)	(4,802,615)	(1,067,461)	(1,067,461)	-	(2,789,890)	(7,592,505)	(4,802,615)
Investment income	-	5,901,086	5,901,086	-	-	-	-	5,901,086	5,901,086
Operating transfers in (out)	(5,415,738)	(5,415,738)	-	1,214,128	1,214,128	-	(4,201,610)	(4,201,610)	-
Total other sources, net (uses)	(7,138,167)	(6,039,696)	1,098,471	146,667	146,667	-	(6,991,500)	(5,893,029)	1,098,471
Excess (deficiency) of revenues and other sources over expenditures and other uses	(7,033,915)	(3,234,945)	3,798,970	(1,307,646)	(190,956)	1,116,690	(8,341,561)	(3,425,901)	4,915,660
Fund balance - unreserved, beginning of year	1,767,630	1,767,630	-	662,873	662,873	-	2,430,503	2,430,503	-
Less: Change in reserves for:									
- Related assets	-	7,122,524	7,122,524	-	(501,327)	(501,327)	-	6,621,197	6,621,197
- Loans	-	(957,384)	(957,384)	-	-	-	-	(957,384)	(957,384)
- Investment diminution	-	(271)	(271)	-	-	-	-	(271)	(271)
- Continuing appropriations and others	1,598,955	1,598,955	-	(30,060)	(30,060)	-	1,568,895	1,568,895	-
Fund balance - unreserved, end of year	\$(3,667,330)	\$ 6,296,509	\$ 9,963,839	\$(674,833)	\$ (59,470)	\$ 615,363	\$(4,342,163)	\$ 6,237,039	\$10,579,202

See accompanying notes to combined financial statements.

STATE OF YAP
FEDERATED STATES OF MICRONESIA
Combined Statement of Revenues, Expenses, and Changes in Fund Equity -
All Proprietary Fund Types
Year Ended September 30, 1992
(With comparative totals for the year ended September 30, 1991)

	<u>Proprietary Fund Types</u>		<u>Totals</u> <u>(Memorandum Only)</u>	
	<u>Internal</u> <u>Service</u>	<u>Enterprise</u>	<u>1992</u>	<u>1991</u>
Operating revenues:				
Charges for services	\$ -	\$1,055,353	\$1,055,353	\$2,967,692
Rental income	28,937	442,134	471,071	368,213
Stock issues	16,247	-	16,247	25,521
Other	<u>10,762</u>	<u>26,139</u>	<u>36,901</u>	<u>92,552</u>
Total operating revenues	<u>55,946</u>	<u>1,523,626</u>	<u>1,579,572</u>	<u>3,453,978</u>
Operating expenses:				
Cost of sales	-	-	-	2,909,617
Personnel services	3,176	318,812	321,988	245,356
Supplies and materials	66,634	1,122,802	1,189,436	736,621
Printing and reproduction	95	-	95	-
Contractual services/commissions	7,795	47,239	55,034	372,098
Travel	165	2,425	2,590	96,437
Capital acquisitions	21,980	-	21,980	10,881
Depreciation	-	406,919	406,919	731,087
Other	<u>5,507</u>	<u>76,186</u>	<u>81,693</u>	<u>1,309,932</u>
Total operating expenses	<u>105,352</u>	<u>1,974,383</u>	<u>2,079,735</u>	<u>6,412,029</u>
Operating loss	<u>(49,406)</u>	<u>(450,757)</u>	<u>(500,163)</u>	<u>(2,958,051)</u>
Non-operating revenues:				
Intergovernmental contributions				
- FSM	-	5,410	5,410	412,266
Intergovernmental contributions				
- General Fund	-	191,500	191,500	335,200
- Capital Projects Funds	-	17,800	17,800	-
Add depreciation on fixed assets acquired by grants that reduces contributed capital	<u>-</u>	<u>235,770</u>	<u>235,770</u>	<u>163,464</u>
Total non-operating revenues	<u>-</u>	<u>450,480</u>	<u>450,480</u>	<u>910,930</u>
Net loss	<u>(49,406)</u>	<u>(277)</u>	<u>(49,683)</u>	<u>(2,047,121)</u>
Minority share of loss	-	-	-	495,908
Prior period adjustment	-	-	-	1
Fund equity, beginning of year	300,007	5,824,066	6,124,073	9,035,172
Inventory adjustment	-	-	-	66,960
Contributed capital decrease for the year, net of increase of \$20,000 for 1992, and increase net of \$87,129 decrease for 1991	<u>-</u>	<u>(215,771)</u>	<u>(215,771)</u>	<u>528,851</u>
Fund equity, end of year	<u>\$250,601</u>	<u>\$5,608,018</u>	<u>\$5,858,619</u>	<u>\$8,079,771</u>

See accompanying notes to combined financial statements

STATE OF YAP
FEDERATED STATES OF MICRONESIA
Combined Statement of Cash Flows
Proprietary Fund Types
Year Ended September 30, 1992

(With comparative totals for the year ended September 30, 1991)

	<u>Proprietary Fund Types</u>		<u>Totals</u> <u>(Memorandum Only)</u>	
	<u>Internal</u>			
	<u>Service</u>	<u>Enterprise</u>	<u>1992</u>	<u>1991</u>
<u>Cash flows from operating activities:</u>				
Net loss	\$(49,406)	\$ (277)	\$ (49,683)	\$(2,033,139)
Adjustments to reconcile net loss to net cash used for operating activities:				
Transfers in	-	(209,300)	(209,300)	(335,200)
Doubtful debt expense	-	-	-	5,000
Depreciation	-	171,149	171,149	731,087
Book loss on asset disposal	-	-	-	138,145
	<u>(49,406)</u>	<u>(38,428)</u>	<u>(87,834)</u>	<u>(1,494,107)</u>
<u>Change in assets and liabilities:</u>				
Due from other funds	57,627	(571)	57,056	3,921,788
General receivables (gross)	(4,995)	(515,635)	(520,630)	(480,401)
Inventory of supplies	-	96,648	96,648	(971,915)
Prepaid expenses	-	(13,705)	(13,705)	(968,445)
Accounts payable - trade	(3,379)	53,280	49,901	2,929,624
Accounts payable - others	-	-	-	(3,226,757)
Accrued payroll	153	-	153	-
	<u>49,406</u>	<u>(379,983)</u>	<u>(330,577)</u>	<u>1,203,894</u>
Cash used by operating activities	<u>-</u>	<u>(418,411)</u>	<u>(418,411)</u>	<u>(290,213)</u>
<u>Cash flows from non-capital financing activities:</u>				
Contributed capital received and transfers-in	<u>-</u>	<u>229,300</u>	<u>229,300</u>	<u>864,051</u>
Cash provided by non-capital financing activities	<u>-</u>	<u>229,300</u>	<u>229,300</u>	<u>864,051</u>
<u>Cash flows from capital and related financing activities:</u>				
Acquisition of fixed assets	-	(100,752)	(100,752)	(5,802,286)
Write down of fixed assets	-	-	-	1,147,816
Issue of notes payable	-	-	-	5,013,500
Cash provided (used) by capital and related financing activities	<u>-</u>	<u>(100,752)</u>	<u>(100,752)</u>	<u>359,030</u>
<u>Cash flows from investing activities:</u>				
Purchase of stock	<u>-</u>	<u>-</u>	<u>-</u>	<u>(200,000)</u>
Net increase (decrease) in cash and cash equivalents	-	(289,863)	(289,863)	732,868
Cash and equivalents - beginning of year	<u>-</u>	<u>547,391</u>	<u>547,391</u>	<u>82,917</u>
Cash and equivalents - end of year	<u>\$ -</u>	<u>\$ 257,528</u>	<u>\$ 257,528</u>	<u>\$ 815,785</u>

See accompanying notes to combined financial statements

STATE OF YAP
FEDERATED STATES OF MICRONESIA
Notes to Combined Financial Statements
September 30, 1992

(1) Significant Accounting Policies

A. Basis of Presentation

The accompanying general purpose financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Government Accounting Standards Board (GASB) except for the omission of the Yap Economic Development Authority as discussed in Note 15. The accompanying statements include all fund types and account groups as accounted for by the State of Yap. In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities.

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

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

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

STATE OF YAP
FEDERATED STATES OF MICRONESIA
Notes to Combined Financial Statements, Continued
September 30, 1992

(1) Significant Accounting Policies, Continued

A. Basis of Presentation, Continued

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

Yap State Transportation and Construction Authority, (an Enterprise Fund) has not been included in the accompanying general purpose financial statements due to the enabling legislation for this authority being repealed. (See Note 12).

B. Fund Structure and Basis of Accounting

The accompanying general purpose financial statements are structured into three categories of funds and two account groups. The fund categories include governmental, proprietary and fiduciary funds. The Account Groups include General Fixed Assets and General Long-Term Debt.

The State of Yap's governmental funds include:

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

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

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

STATE OF YAP
FEDERATED STATES OF MICRONESIA
Notes to Combined Financial Statements, Continued
September 30, 1992

(1) Significant Accounting Policies, Continued

B. Fund Structure and Basis of Accounting, 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. If an encumbrance is subsequently cancelled, the funds revert to the applicable unreserved fund balance unless otherwise required by law.

The proprietary funds are accounted for on the accrual basis of accounting. In accordance with the accrual basis, revenues are recognized when earned and expenses are recognized as incurred. At September 30, 1992, the State's proprietary funds include the following:

1. The Enterprise Funds account for the operations of State agencies which were designed to be self-sufficient and which render services to the general public or other governmental agencies on a user charge basis; and,
2. The Internal Service Funds account for various stock and medical supply operations of State agencies which render services to other State agencies on a cost reimbursement basis.

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

C. Fixed Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds and expendable trust funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spending resources".

STATE OF YAP
FEDERATED STATES OF MICRONESIA
Notes to Combined Financial Statements, Continued
September 30, 1992

(1) Significant Accounting Policies, Continued

C. Fixed Assets and Long-Term Liabilities, Continued

Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available resources" during a period.

Fixed assets used in governmental fund type operations (general fixed assets), are accounted for in the General Fixed Assets Account Group rather than in governmental funds. The State follows a policy of capitalizing infrastructure costs. However, applicable additions have not been inventoried and added to the General Fixed Assets Account Group and eligible interest expense is not capitalized.

Depreciation is not charged on general fixed assets. However, depreciation is charged on proprietary fund fixed assets and is provided over the estimated useful lives of the assets through use of the straight line method. (See Note 4 for a breakdown of fixed assets and the related estimated useful life).

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

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

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

STATE OF YAP
FEDERATED STATES OF MICRONESIA
Notes to Combined Financial Statements, Continued
September 30, 1992

(1) Significant Accounting Policies, Continued

C. Fixed Assets and Long-Term Liabilities, Continued

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

D. Budgetary Process

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

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

E. Receivables

Receivables in the State's governmental funds primarily consist of taxes and federal revenues. Since few government fund revenues are susceptible to accrual prior to receipt, most taxes, licenses, fees, permits and similar revenues are recognized primarily on the cash basis. Federal receivables include those funds which are earned, primarily from the FSM National Government administered federal grants and U.S. Department of the Interior operating and special grants, which have yet to be reimbursed by the applicable grantor.

STATE OF YAP
FEDERATED STATES OF MICRONESIA
Notes to Combined Financial Statements, Continued
September 30, 1992

(1) Significant Accounting Policies, Continued

F. Interfund Transactions

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

1. The majority of the State's financial operations are centrally administered, and this administration is facilitated by the use of a "pooled" cash account; for practical purposes, cash is primarily maintained in a single bank account which is considered to be an asset of the State's general fund. As a result of this cash pooling practice, cash transactions normally include entries which adjust the relative balances of affected funds' interfund asset/liability accounts; each fund's interfund balance therefore represents a net interest in the State's actual cash. Interest earned on the "pooled" funds benefits the General Fund.
2. Operating appropriations/subsidies are accounted for as operating transfers in the funds involved.
3. Equity contributions are accounted for as equity transfers (additions to or deductions from beginning governmental fund balances or proprietary fund contributed capital).

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

G. Inventories

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

H. Fund Balance Reserves and Designations

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

STATE OF YAP
FEDERATED STATES OF MICRONESIA
Notes to Combined Financial Statements, Continued
September 30, 1992

(1) Significant Accounting Policies, Continued

I. Totals - Memorandum Only

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

J. Deposits in Banks

State law requires that cash held in foreign banks must be with banks which have total assets in excess of one billion dollars. There is no such requirement for local banks. At September 30, 1992, the State had deposits as follows:

	<u>Cost</u>
General Fund:	
Time certificates of deposit with banks which are FDIC members.	\$1,600,000
All other cash in checking and savings accounts with FDIC insured banks.	521,326
	<u>\$2,121,326</u>
Expendable Trust Fund:	
Bank of Hawaii	\$ 179,374
Special Revenue Funds:	
Hawaiian Trust Co.	\$ 278,951
Enterprise Funds:	
Cash on hand	\$ 663
Time certificates of deposit with Bank of Hawaii	105,239
Checking and savings accounts with Bank of Hawaii	151,626
	<u>\$ 257,528</u>

Of the above cash, \$300,000 is covered by FDIC and the balance exceeds insurable amounts. The State does not require collateralization of its deposits by its banks. Therefore, the amounts which exceed FDIC insurable limitations are characterized as uncollateralized.

STATE OF YAP
FEDERATED STATES OF MICRONESIA
Notes to Combined Financial Statements, Continued
September 30, 1992

(1) Significant Accounting Policies, Continued

K. Cash and Equivalents

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

- L. Investments are generally recorded at the lower of cost or market. Investments in the equity of companies are carried at cost if less than twenty percent of the companies' total equity, on the equity method if greater than twenty percent and less than fifty percent, and on a consolidated basis if greater than fifty percent. (See Note 10)

M. Actual Expenditures Contrasted with Budgetary Expenditures

1. Actual expenditures are charges which represent the total of all current year liabilities incurred which were attributable to operations, such liabilities may represent liquidations of either current year 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. Budgetary expenditures are determined by subtracting both current year liquidations of prior year encumbrances and unliquidated prior year encumbrances from the combined total of current year. When reviewed in relation to respective budgets, budgetary expenditures provide the principal means of evaluating current year operating performance and management stewardship.

STATE OF YAP
FEDERATED STATES OF MICRONESIA
Notes to Combined Financial Statements, Continued
September 30, 1992

(2) Receivables, Advances and Loans

A summary of receivables, advances, loans and the corresponding allowance for doubtful accounts for the General Fund as of September 30, 1992 (with comparative totals as of September 30, 1991), is summarized below:

<u>Source</u>	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Balance</u>	
			<u>1992</u>	<u>1991</u>
FSM Government:				
FSM Revenue Sharing	\$ 21,231	\$ -	\$ 21,231	\$ 75,449
General:				
Utilities	\$ 367,142	\$249,258	\$ 117,884	216,095
Taxes	174,924	120,738	54,186	87,462
Reimbursable	74,204	2,293	71,911	52,516
Other	-	-	-	582,333
	<u>\$ 616,270</u>	<u>\$372,289</u>	<u>\$ 243,981</u>	<u>\$ 1,013,855</u>
Advances:				
Travel/payroll	\$ 70,849	\$ 54,934	\$ 15,915	\$ 21,009
Loans:				
- Yap Purse Seiner Corp.	\$ -	\$ -	\$ -	\$ 6,400,000
- Industria De Pesca	1,600,000	-	1,600,000	1,600,000
- Yap Fishing Corporation	<u>10,857,384</u>	<u>-</u>	<u>10,857,384</u>	<u>3,500,000</u>
	<u>\$12,457,384</u>	<u>\$ -</u>	<u>\$12,457,384</u>	<u>\$11,500,000</u>

The loans to both Yap Purse Seiner Corporation (YPSC) and Industria De Pesca, a California Corporation, were appropriated under Yap State Law No. 2-96. The YPSC loans were cancelled and replaced by a promissory note from Yap Fishing Corporation (YFC) to Yap State Government for \$6,400,000 as of September 28, 1992. This note is due and payable on or before June 11, 2004, however it is subordinated to the Overseas Private Investment Corporation (OPIC), a U.S. Corporation, debt held by YFC. (Refer Note 15). The loan to Industria De Pesca of \$1,600,000 was paid in full on October 6, 1992.

The \$3,500,000 loan to YFC, was appropriated under Yap State Law No. 3-15. This loan was paid in full on October 6, 1992.

STATE OF YAP
FEDERATED STATES OF MICRONESIA
Notes to Combined Financial Statements, Continued
September 30, 1992

(2) Receivables, Advances and Loans, Continued

Yap State Government also appropriated \$1,000,000 as a revolving line of credit under Yap State Law No. 3-8 for the use of YFC. As of September 30, 1992, \$957,384 had been utilized by YFC. In a subsequent agreement dated August 21, 1992, the terms of the original line of credit agreement were changed to an interest rate of 6% and a termination date of September 30, 2004.

A summary of receivables, advances and the corresponding allowance for doubtful accounts for the Special Revenue Funds as of September 30, 1992 (with comparative totals as of September 30, 1991), is summarized below:

<u>Source</u>	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Balance</u>	
			<u>1992</u>	<u>1991</u>
Other governments	<u>\$ 14,471</u>	<u>\$ -</u>	<u>\$ 14,471</u>	<u>\$ -</u>
Federal agencies and CFSM	<u>\$1,349,554</u>	<u>\$51,546</u>	<u>\$1,298,008</u>	<u>\$1,034,781</u>
Advances - travel/payroll	<u>\$ 113,081</u>	<u>\$ 5,681</u>	<u>\$ 107,400</u>	<u>\$ 91,254</u>

A summary of receivables, advances and the corresponding allowance for doubtful accounts for the Capital Projects Funds as of September 30, 1992 (with comparative totals as of September 30, 1991), is summarized below:

<u>Source</u>	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Balance</u>	
			<u>1992</u>	<u>1991</u>
Federal agencies	<u>\$ 283,703</u>	<u>\$ -</u>	<u>\$ 283,703</u>	<u>\$ 264,714</u>
Department of the Interior - TTPI	<u>\$1,284,545</u>	<u>\$ -</u>	<u>\$1,284,545</u>	<u>\$ 691,973</u>
CFSM Grants	<u>\$ 90,932</u>	<u>\$ -</u>	<u>\$ 90,932</u>	<u>\$ 87,168</u>
Advances - travel	<u>\$ 11,014</u>	<u>\$ -</u>	<u>\$ 11,014</u>	<u>\$ 10,914</u>
Loan - YEDA	<u>\$2,000,000</u>	<u>\$ -</u>	<u>\$2,000,000</u>	<u>\$ -</u>

STATE OF YAP
FEDERATED STATES OF MICRONESIA
Notes to Combined Financial Statements, Continued
September 30, 1992

(2) Receivables, Advances and Loans, Continued

The \$2,000,000 loan to the Yap Economic Development Authority (YEDA) was originally appropriated by the FSM Congress, FSM Public Law No. 7-39 and amended by FSM Public Law No. 7-83, to create the Yap State Public Projects Fund. As appropriated, the funds were loaned to YEDA which subsequently loaned the funds to YFC. The loan to YEDA is due on March 20, 2004 with no interest to be paid on the loan. The subsequent loan from YEDA to YFC is subordinated to the OPIC, a U.S. Corporation, debt held by YFC. (Refer Note 15).

A summary of receivables and the corresponding allowance for doubtful accounts for the Enterprise Funds as of September 30, 1992 (with comparative totals as of September 30, 1991), is summarized below:

Source	Gross Amount	Allowance for Doubtful Accounts	Net Balance	
			1992	1991
General:				
Trade	\$ 664,811	\$ 57,093	\$ 607,718	\$ 416,372
Employees	7,377	-	7,377	84,703
Other	205,990	-	205,990	109,690
	<u>\$ 878,178</u>	<u>\$ 57,093</u>	<u>\$ 821,085</u>	<u>\$ 610,765</u>

(3) Inventory of Supplies

The General Fund inventory consists of road materials prepaid in fiscal year 1986 and received in 1987. The contract for the road was let in fiscal year 1989 and a portion of the road materials were used in the construction. A remaining balance of the materials exists as of September 30, 1992, and is being offered for sale at approximately half cost in the amount \$200,368. The Internal Service Fund's inventory consists of general stores and medical supplies of \$202,969.

STATE OF YAP
FEDERATED STATES OF MICRONESIA
Notes to Combined Financial Statements, Continued
September 30, 1992

(4) Investment in Fixed Assets

A summary of general fixed assets accounted for in the General Fixed Assets Account Group as of September 30, 1992 and 1991, follows:

	<u>Estimated Useful Life</u>	<u>1992</u>	<u>1991</u>
Land	-	\$ 1,822,614	\$ 1,822,614
Infrastructure	20-50 years	41,645,543	41,645,543
Outer-island capital assets	5-10 years	1,804,550	1,804,550
All others - equipment, vehicles and machinery	5-10 years	<u>18,769,702</u>	<u>18,270,112</u>
		<u>\$64,042,409</u>	<u>\$ 63,542,819</u>

A summary of fixed assets accounted for in the Enterprise Funds as of September 30, 1992 and 1991, follows:

	<u>Estimated Useful Life</u>	<u>1992</u>	<u>1991</u>
Buildings	3-25 years	\$1,683,853	\$ 1,614,894
Dock	40 years	2,003,000	2,005,933
Fleet	3-10 years	1,135,828	15,017,548
Refrigeration and cold storage equipment	2-10 years	503,653	493,325
Other equipment	2-25 years	395,835	345,818
Motor vehicles	3-10 years	<u>549,795</u>	<u>481,603</u>
		6,271,964	19,959,121
Less accumulated depreciation		<u>(1,803,909)</u>	<u>(1,705,070)</u>
		<u>\$4,468,055</u>	<u>\$18,254,051</u>

STATE OF YAP
FEDERATED STATES OF MICRONESIA
Notes to Combined Financial Statements, Continued
September 30, 1992

(5) Changes in Long-Term Debt

The change in long-term debt for the fiscal years ended September 30, 1992 and 1991, was as follows:

	<u>1992</u>	<u>1991</u>
Balance, beginning of year	\$71,490,113	\$ 490,113
Issuance of Medium-Term Notes	-	71,000,000
Payments made on Medium-Term Notes	(6,800,000)	-
Decrease in accrued annual leave	<u>(13,877)</u>	<u>-</u>
Balance, end of year	<u>\$64,676,236</u>	<u>\$71,490,113</u>

During fiscal year 1991, the State borrowed \$71,000,000 under a medium-term note program sponsored by the Federated States of Micronesia, as a whole. Repayment of the debt will be made through a pledge of applicable Compact of Free Association revenues to be recognized as revenues in subsequent years. The bonds are repayable substantially on a quarterly basis corresponding to the drawdowns of applicable Compact revenues received from the U.S. Government. Interest on the notes is at rates between 7.05% - 9.20%. The State has invested the note proceeds for purposes of arbitrage.

Payments of principal and interest are entrusted to Citibank, N.A., as Trustee. The FSM has pledged, as security for payments by the Trustee, a first priority lien on, and security interest in, substantially all of Yap's Compact of Free Association payments from the U.S. Government.

Upon receipt of Compact payments, the Trustee is responsible for withdrawal of amounts necessary for payments of principal and interest. Various other restrictive covenants exist and are detailed in the Trust Agreement dated January 4, 1991. Management is of the opinion that it has complied with such covenants thru September 30, 1992. Interest paid on the bonds was \$4,802,615 in the fiscal year ended September 30, 1992.

The bonds are taxable. Under the guidelines imposed by the borrowing, the amount of the investments, at market value, must equal or exceed the amount of the outstanding notes plus accrued interest.

STATE OF YAP
FEDERATED STATES OF MICRONESIA
Notes to Combined Financial Statements, Continued
September 30, 1992

(5) Changes in Long-Term Debt, Continued

Any shortfall restricts the State's general fund unreserved fund balance equal to the amount of the shortfall. As a result, the amount of the investment which may be withdrawn and utilized by the State is that amount which corresponds to the Compact drawdown apportionments plus related earnings, provided that the investment balance exceeds the outstanding debt plus accrued interest. As of September 30, 1992, there is no shortfall as the related investment balance was \$65,596,527 and there was no accrued interest at that date so the reserve of fund balance is equal to the outstanding debt principal balance of \$64,200,000. This amount is included in the reserve for related assets of the General Fund fund balance.

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1993	\$ 5,900,000	\$ 5,430,295	\$11,330,295
1994	6,600,000	4,966,295	11,566,295
1995	7,200,000	4,413,600	11,613,600
1996	7,700,000	3,786,048	11,486,048
1997	6,100,000	3,160,211	9,260,211
Thereafter	<u>30,700,000</u>	<u>6,396,529</u>	<u>37,096,529</u>
Total	<u>\$64,200,000</u>	<u>\$28,152,978</u>	<u>\$92,352,978</u>

(6) Interfund Receivables and Payables

As of September 30, 1992, interfund receivables and payables resulting from various interfund transactions are as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$2,257,254	\$ 7,474
Special Revenue Funds:		
Compact Programs	696,830	-
Federal Grants	-	598,258
Other U.S. Grants	-	150,414
Non-U.S. Grants	-	10,002
CFSM Grants	-	290,554
Traditional Award	90,667	-
Capital Projects Funds:		
Compact Capital Projects	-	502,619
TTPI Capital Projects	-	1,227,842
CFSM Capital Projects	-	63,013
Other U.S. Capital Projects	-	282,535
Other Capital Projects	-	20,024
Enterprise Funds	21,813	-
Expendable Trust Fund	9,461	-
Internal Service Fund	42,790	-
	<u>\$3,118,815</u>	<u>\$3,152,735</u>

STATE OF YAP
FEDERATED STATES OF MICRONESIA
Notes to Combined Financial Statements, Continued
September 30, 1992

(6) Interfund Receivables and Payables, Continued

The reported interfund balances do not agree by \$33,920 due to the noninclusion of YEDA's financial statements (Refer Note 15).

(7) Transfers In/Out

Material General Fund transfers out for the year ended September 30, 1992, are as follows:

	<u>Transfer Out</u>	<u>Transfer In</u>
Transfers to Enterprise Funds:		
Yap Fishing Authority	\$ 50,000	\$ -
Public Transportation System	141,500	-
Transfer to Special Revenue Funds:		
For bond payments	1,067,461	-
Set-up Traditional Award Fund	90,667	-
Matching for FEMA grants	56,000	-
Transfer to Capital Projects Funds:		
For bond payments	<u>4,010,110</u>	<u>-</u>
	<u>\$5,415,738</u>	<u>\$ -</u>

Material Special Revenue Funds transfers in/out for the year ended September 30, 1992, are as follows:

	<u>Transfer Out</u>	<u>Transfer In</u>
Transfers from General Fund:		
For bond payments	\$ -	\$1,067,461
Matching for FEMA grants	-	56,000
Traditional Award Fund	-	90,667
Transfers to/from other		
Special Revenue Funds:		
CFSM FEMA matching	76,424	-
Matching for FEMA grants	<u>-</u>	<u>76,424</u>
	<u>\$ 76,424</u>	<u>\$1,290,552</u>

Material Capital Projects Funds transfers in/out for the year ended September 30, 1992, are as follows:

	<u>Transfer Out</u>	<u>Transfer In</u>
Transfers from General Fund:		
For bond payments	\$ -	\$4,010,110
Transfers to Enterprise Funds:		
Slaughterhouse	<u>17,800</u>	<u>-</u>
	<u>\$ 17,800</u>	<u>\$4,010,110</u>

STATE OF YAP
FEDERATED STATES OF MICRONESIA
Notes to Combined Financial Statements, Continued
September 30, 1992

(8) Contingent Liabilities

Federal and Other Grants

The State participates in a number of federally assisted grant programs and other various U.S. Department of the Interior grants. These programs are subject to financial and compliance audits to ascertain if Federal laws and guidelines have been followed. Currently, \$229,216 in cumulative questioned costs exist for the operation of fiscal year 1984-92 grants. If these costs are ultimately disallowed, the General Fund will be charged for the necessary reimbursement to the grantor agencies.

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

Sick Leave

It is the policy of the Yap State Government to record the expenditure for sick leave when leave is actually taken. Sick leave is compensated time for absence during work hours arising from employee illness or injury. The estimated accumulated amount of unused sick leave at September 30, 1992, for all governmental funds, is estimated to be \$1,167,049.

Litigation

Yap State is party to several legal proceedings arising from governmental operations. Claims are filed with the Yap State Attorney General. Approved claims are usually paid under general appropriations to the affected government agency. At September 30, 1992, there existed several unapproved claims. The Attorney General of the State of Yap is of the opinion that the State Liability Act has established claims limits of \$40,000 for wrongful injuries and \$20,000 for deaths. Current claims against the State exist but do not appear to be material. Management has not provided for such claims in the accompanying general purpose financial statements as it is not possible to currently estimate the State's potential liability, if any, arising from these claims.

STATE OF YAP
FEDERATED STATES OF MICRONESIA
Notes to Combined Financial Statements, Continued
September 30, 1992

(8) Contingent Liabilities, Continued

Indefinite Land Use Sites

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

Medical Referrals

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

(9) Commitments

The State of Yap appropriated \$1,000,000 as a revolving line of credit to be used by the Yap Fishing Corp. (YFC). As of September 30, 1992, \$957,384 was outstanding against this line and the remainder is reserved for as a continuing appropriation (See Note 14). The line bears interest at 6% and expires on September 30, 2004.

(10) Investments

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

STATE OF YAP
FEDERATED STATES OF MICRONESIA
Notes to Combined Financial Statements, Continued
September 30, 1992

(10) Investments, Continued

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

- A. Investment managers may invest in stocks, bonds and cash equivalents. Minimum standards of quality for investments at the time of purchase shall be:
1. Stocks- A "B" rating by a national rating service. Non-rated stocks, such as banks or insurance companies, must be equal in quality or higher.
 2. Bonds - Confined to issues rated "A" or higher by a national rating service, except in the case of U.S. Treasury or Agency Securities which are not rated.
 3. Cash and equivalents - The manager may engage in all normally accepted short-term investment practices including, but not limited to: U.S. Treasury and Agency securities, bankers acceptances, certificates of deposit, commercial paper and repurchase agreements using any of the forgoing as collateral. The following restrictions apply:
 - a. Commercial paper must be rated A-1/P-1 or higher by Standard & Poors Corporation and Moody's Investor Services.
 - b. Certificates of deposit must be from FDIC insured banks or FSLIC insured savings and loan associations, both of which must have assets in excess of two billion dollars. Deposits in smaller institutions are acceptable, but must not exceed the amount of the insurance, unless collateralized by U.S. Treasury Securities at 102%.
- 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.

STATE OF YAP
FEDERATED STATES OF MICRONESIA
Notes to Combined Financial Statements, Continued
September 30, 1992

(10) Investments, Continued

C. No investment may be made in a single corporate entity which exceeds 5% of the total assets of the fund at the time of purchase without prior approval of the Secretary of Finance.

The State's investment at September 30, 1992, in this pooled investment fund was \$76,653,934. At September 30, 1992, the market value of the State's investment approximated \$79,309,970. These investments have been reported at cost (original acquisition price plus earnings registered from interest, dividends and realized trading gains, net of losses).

The State's investment income as of September 30, 1992, is summarized below:

Interest	\$3,332,623
Dividends	552,212
Realized Gains	2,825,983
Realized Losses	(4,158)
Management Fees	(715,179)
Other Expenses	<u>(90,395)</u>
	<u>\$5,901,086</u>

Additionally, as of September 30, 1992, the State holds 18% of the shares of the Bank of the Federated States of Micronesia, carried at cost, in the amount of \$750,000 and shares in the Pacific Islands Development Bank in the amount of \$350,000. The total investment of \$1,100,000 is recorded in the Yap Economic Development Authority (Enterprise Fund). (Refer Note 15). The market value of these shares is difficult to assess as they are not publicly traded so a market versus cost analysis could not be performed. This investment in stock has therefore been recorded at cost.

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

STATE OF YAP
FEDERATED STATES OF MICRONESIA
Notes to Combined Financial Statements, Continued
September 30, 1992

(11) Prior Period Adjustment - General and CIP Fund

Based on review of the 1991 continuing appropriations, \$650,000 transferred out as an equity transfer from the Capital Projects Funds to the Enterprise Funds in fiscal year 1990 should have been charged against the General Fund as delineated in the enabling legislation. Therefore, an adjustment was proposed in fiscal year 1991 to adjust the beginning fund balance in the General Fund and Capital Projects Funds, accordingly.

(12) Prior Period Adjustments - Enterprise Funds

The financial statements for the Gagil-Tomil Water Authority, as included in the State of Yap general purpose financial statements, were compiled by the Yap State Public Auditor. The beginning fund balance has been adjusted from prior year ending balance to reflect unrecorded fixed assets and receivables as of September 30, 1991.

A reconciliation of the change in beginning fund equity is as follows:

	<u>Fund Equity</u>	
	<u>Contributed Capital</u>	<u>Retained Earnings</u>
Increase in fixed assets	\$ 147,219	\$ 7,200
Increase in accounts receivable	-	5,916
Decrease in contributed capital related to depreciation of contributed assets	(22,836)	-
Increase in accumulated depreciation	-	(5,760)
Increase in accounts payable	-	(292)
Decrease in cash	-	(298)
Change to beginning balances	124,383	6,766
Prior year reported ending balances	<u>14,409</u>	<u>20,459</u>
Current year beginning balances	<u>\$ 138,792</u>	<u>\$ 27,225</u>

The Yap State Transportation and Construction Authority is not included in the current year general purpose financial statements due to the enabling legislation for this authority being repealed in its entirety by Yap State Law Number 3-12. The Authority's assets of \$35,859 reverted to the General Fund.

STATE OF YAP
FEDERATED STATES OF MICRONESIA
Notes to Combined Financial Statements, Continued
September 30, 1992

(13) Segment Data for Enterprise Funds

The following presents key data extracted from the financial statements of the two material enterprise funds of the State as of September 30, 1992, and for the year then ended.

	<u>Yap Fishing Authority</u>	<u>Public Transportation System</u>
Operating revenues	<u>\$1,419,290</u>	<u>\$ 54,685</u>
Depreciation expense	<u>\$ 328,452</u>	<u>\$ 71,138</u>
Operating loss	<u>\$ 220,948</u>	<u>\$ 216,981</u>
Operating and projects grants	<u>\$ 5,410</u>	<u>\$ -</u>
Operating transfer-in	<u>\$ 50,000</u>	<u>\$ 141,500</u>
Net income (loss)	<u>\$ 64,343</u>	<u>\$ (75,481)</u>
Capital contributions	<u>\$ 20,000</u>	<u>\$ -</u>
Fixed assets additions and deletions, net	<u>\$ 292</u>	<u>\$ 34,716</u>
Net working capital	<u>\$ 936,173</u>	<u>\$ 111,739</u>
Total assets	<u>\$5,166,765</u>	<u>\$ 263,498</u>
Total equity	<u>\$5,079,555</u>	<u>\$ 260,493</u>

(14) Continuing Appropriations

Continuing appropriations as of September 30, 1992, are as follows:

General Fund

Line of Credit for Yap Fishing Corp.	\$ 42,616
ConCon Records Printing	15,000
Delipebinaw Water	1,424
Special Election	18,000
Hazard Mitigation Program	15,000
Yap Sports Council	25,000
Outer Island High School Cafeteria Equipment and Supplies	33,076
Division of Land Resources	38,000
Corporate and Foundation Matching Funds	<u>100,000</u>
	<u>\$ 288,116</u>

Special Revenue Funds:

Microfilm Office Renovation	\$ 15,060
Computer Storeroom Renovation	<u>15,000</u>
	<u>\$ 30,060</u>

STATE OF YAP
FEDERATED STATES OF MICRONESIA
Notes to Combined Financial Statements, Continued
September 30, 1992

(14) Continuing Appropriations, Continued

Capital Projects Funds:

Fruit Production	\$ 14,200
Roads Development Phase V & VI	646,664
Outer Island Airfields	142,891
Roads Development Phase VII	1,487,409
Coastal Management Plan	28,325
Manpower Survey	20,000
Power System Development	37,822
Gilman Elementary	37,550
Bael School Building	37,550
Outer Island High School Facility Improvement	40,200
PU&C Equipment Purchase	21,335
Hospital Equipment Purchase	125,475
Daboch Outer Island Settlement	24,506
Integrated Atoll Development Project, Woleai	63,541
WSZA/WAAB Building	292,709
Agriculture Station Fencing/Lighting	5,650
Feasibility Studies	40,000
Small Business Centers	190,000
Daboch Outer Island Community Center	176,633
Pacific Island Development Bank	650,000
Sludge Dryage Beds	<u>238,923</u>
	<u>\$4,321,383</u>

(15) Yap Economic Development Authority

In the fiscal year ending September 30, 1990, the Yap Economic Development Authority (YEDA) was created as an enterprise fund by Yap State Law No. 2-97 for the purpose of promoting certain economic development projects in the State. YEDA's primary function in fiscal year 1991 and 1992 was to serve as the conduit for establishing a joint venture purse seiner fishing project. YEDA statutorily owns 100% of the Yap Purse Seiner Corporation (YPSC) and controlling interest of the Yap Fishing Corporation (YFC) common stock. YPSC's sole function is to own the fishing vessels and assume the associated debt for the joint venture. Based on the ownership circumstances described above, YEDA's financial statements are prepared as consolidated statements of YEDA, YPSC, and YFC with the sole elimination being YEDA's investment in YFC.

STATE OF YAP
FEDERATED STATES OF MICRONESIA
Notes to Combined Financial Statements, Continued
September 30, 1992

(15) Yap Economic Development Authority, Continued

In the prior year YEDA had an operating loss of \$2,239,573, total assets of \$20,171,871, and total equity of \$2,050,988. In fiscal year 1992, YFC acquired \$9,000,000 in debt from the Overseas Private Investment Corporation (OPIC), a U.S. corporation, which has subordinated all YFC debt to Yap State Government and YEDA to the OPIC debt. (Refer to Note 2 for a description of the subordinated debt).

An audit of the YFC financial statements has not been finalized pending further discussions with a primary lender (OPIC). Yap State has decided not to include unaudited financial statements for YEDA within the general purpose financial statements, rather than disclose numbers which could be significantly effected by the outcome of the discussion with the primary lender.

(16) Fund Deficit

As discussed in footnote 15, the Yap Economic Development Authority (YEDA) is not included in the current year financial statements; however, in the prior year, YEDA incurred a deficit in retained earnings of \$1,849,012. No other funds have material deficits as of September 30, 1992.

(17) Subsequent Event

On October 1, 1992, Yap Fishing Corporation (YFC) issued a note payable in the amount of \$775,715 in favor of the Government of the State of Yap for interest due on notes payable from YFC as of September 30, 1992. On November 9, 1992, the Government of the State of Yap assigned the promissory note to the Yap Economic Development Authority (YEDA) (Refer Note 15). The promissory note carries an annual interest rate of 11% and is to mature on September 30, 2004.

On November 9, 1992, YFC entered into a Note Purchase Agreement with YEDA whereby YFC issued 775,715 shares of Special Class preferred stock to YEDA in exchange for cancellation of the promissory note.

**INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION**

Honorable Petrus Tun
Governor, State of Yap
Federated States of Micronesia

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules presented in the following pages (32 through 51), are presented for the purpose of additional analysis and are not a required part of the general purpose financial statements of the State of Yap. This additional information is the responsibility of the management of the State of Yap. Such information has been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, except for the matters specified in our report dated December 18, 1992, in our opinion, is fairly stated in all material respects when considered in relation to the general purpose financial statements taken as a whole.

December 18, 1992

Certified Public Accountants

STATE OF YAP
 FEDERATED STATES OF MICRONESIA
Combining Statement of Expenditures by Account -
All Governmental Fund Types
Year Ended September 30, 1992
 (With comparative totals for the year ended September 30, 1991)

	<u>Governmental Fund Types</u>			<u>Totals</u>	
	<u>General</u>	<u>Special</u>	<u>Capital</u>		
	<u>Fund</u>	<u>Revenue</u>	<u>Projects</u>	<u>1992</u>	<u>1991</u>
		<u>Funds</u>	<u>Funds</u>		
Salaries and wages	\$5,477,350	\$ 480,315	\$ 231,749	\$ 6,189,414	\$ 6,191,937
Travel	398,172	390,443	19,128	807,743	658,188
Freight	67,833	68,612	17,734	154,179	99,544
Communications	132,438	10,642	1,573	144,653	132,777
Printing and reproduction	58,900	23,720	24,150	106,770	77,515
Professional services	60,766	62,562	13,521	136,849	168,888
Food stuffs	185,036	100,627	9,007	294,670	244,226
Medical supplies	109,833	101,106	-	210,939	136,817
Supplies and materials	807,606	597,292	572,744	1,977,642	1,823,971
Medical referral	152,287	307,630	-	459,917	269,560
POL	327,663	1,079,917	18,672	1,426,252	1,625,085
Capital outlay	163,704	152,073	3,659,818	3,975,595	6,064,232
Contractual services	193,306	288,920	80,419	562,645	265,568
Rentals	16,559	180,685	13,498	210,742	74,735
Repairs and maintenance	134,240	26,793	9,415	170,448	128,661
Allowances	93,000	-	-	93,000	80,676
Grants and subsidies	247,770	31,163	20,000	298,933	197,509
Scholarship and training	115,400	180,066	19,300	314,766	267,714
Other	<u>723,292</u>	<u>310,815</u>	<u>10,966</u>	<u>1,045,073</u>	<u>939,884</u>
	<u>\$9,465,155</u>	<u>\$4,393,381</u>	<u>\$4,721,694</u>	<u>\$18,580,230</u>	<u>\$19,447,487</u>

STATE OF YAP
FEDERATED STATES OF MICRONESIA
GENERAL FUND
September 30, 1992

General Fund

The general fund is used to account for resources traditionally associated with governments which are not required to be accounted for in another fund. The United States Compact of Free Association current account and inflation adjustment funds associated with the current account are accounted for in this fund in addition to local taxes and other revenues.

**STATE OF YAP
FEDERATED STATES OF MICRONESIA
GENERAL FUND**

Statement of Revenues, Expenditures and
Changes in Fund Balance by Function
Year Ended September 30, 1992

(With comparative totals for the year ended September 30, 1991)

	<u>1992</u>	<u>1991</u>
Revenues:		
Compact Funds:		
Current 211A base grant	\$ 4,900,080	\$ 5,764,800
Inflation adjustment 217	<u>1,862,030</u>	<u>1,960,032</u>
	<u>6,762,110</u>	<u>7,724,832</u>
Revenue sharing:		
Import tax	205,480	143,326
Fuel tax	84,874	51,614
Income tax	296,269	360,137
Business gross revenue tax	<u>628,597</u>	<u>457,919</u>
	<u>1,215,220</u>	<u>1,012,996</u>
Excise taxes:		
Alcoholic beverages	563,189	547,838
Gasoline and diesel	103,742	97,252
Tobacco	128,780	114,770
Other excise taxes	<u>280,667</u>	<u>183,714</u>
	<u>1,076,378</u>	<u>943,574</u>
Licenses and permits	99,783	84,858
Fines/sale of confiscated property	75,120	239,355
Leases and other rentals	<u>144,077</u>	<u>97,213</u>
	<u>318,980</u>	<u>421,426</u>
Departmental charges:		
Sea transportation	341,429	174,666
Hospital services	91,815	48,423
Power	904,412	786,190
Other	<u>66,710</u>	<u>124,944</u>
	<u>1,404,366</u>	<u>1,134,223</u>
Interest income	<u>1,385,184</u>	<u>1,118,721</u>
Other income	<u>10,991</u>	<u>10,900</u>
Total revenues	<u>12,173,229</u>	<u>12,366,672</u>

(Continued)

**STATE OF YAP
FEDERATED STATES OF MICRONESIA
GENERAL FUND**

Statement of Revenues, Expenditures and
Changes in Fund Balance by Function, Continued
Year Ended September 30, 1992

(With comparative totals for the year ended September 30, 1991)

	1992	1991
Expenditures:		
General Government:		
Office of the Governor	\$ 230,371	\$ 267,759
State Legislature	451,309	454,790
Office of Administrative Services	459,692	436,569
Office of Planning, Budget and Statistics	254,667	190,211
Division of Revenue and Taxation	33,614	39,692
Legislative Projects	35,159	20,000
	1,464,812	1,409,021
Health:		
Department of Health Services	1,594,674	1,331,275
Education:		
Department of Education	1,538,851	1,206,297
Legislative Projects	61,000	110,700
	1,599,851	1,316,997
Economic Development:		
Department of Resources and Development	605,694	607,479
Legislative Projects	29,783	8,261
	635,477	615,740
Protection of Persons and Property:		
Department of Public Safety/Attorney General	536,364	501,059
	536,364	501,059
Public Works and Utilities:		
PUC	1,184,806	1,471,203
Legislative Projects	-	1,337
	1,184,806	1,472,540
Transportation:	1,667,601	1,184,173

(Continued)

**STATE OF YAP
FEDERATED STATES OF MICRONESIA
GENERAL FUND**

Statement of Revenues, Expenditures and
Changes in Fund Balance by Function, Continued
Year Ended September 30, 1992

(With comparative totals for the year ended September 30, 1991)

	<u>1992</u>	<u>1991</u>
Community Affairs:		
Department of Public Affairs	\$ 227,842	\$ 286,371
Legislative Projects	<u>228,309</u>	<u>150,108</u>
	<u>456,151</u>	<u>436,479</u>
 Boards and Commissions:		
Yap ABC Board	-	2,000
Council of Pilung	86,851	95,774
Council of Tamol	82,585	87,563
Land Commission	-	20
Outer Island Planning	11,952	10,550
EPA Administration	49,730	50,614
Yap Sports Council	25,000	-
Yap State Code Commission	<u>2,201</u>	<u>-</u>
	<u>258,319</u>	<u>246,521</u>
 Other:		
Judiciary	122,209	161,206
Other	(90,422)	19,533
Public Auditor	<u>35,313</u>	<u>40,983</u>
	<u>67,100</u>	<u>221,722</u>
Total expenditures	<u>9,465,155</u>	<u>8,735,527</u>
Revenues over expenditures	<u>2,708,074</u>	<u>3,631,145</u>
 Other sources (uses):		
Bond proceeds	-	71,000,000
Bond payments	(6,525,044)	-
Bond management fee	-	(315,950)
Operating transfers out	(5,415,738)	(527,500)
Investment income	<u>5,901,086</u>	<u>1,556,483</u>
Total other sources (uses), net	<u>(6,039,696)</u>	<u>71,713,033</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(3,331,622)	75,344,178
Fund balance, beginning of year	<u>87,576,543</u>	<u>12,232,365</u>
Fund balance, end of year	<u>\$84,244,921</u>	<u>\$87,576,543</u>

**STATE OF YAP
FEDERATED STATES OF MICRONESIA
GENERAL FUND**

Statement of Revenues, Expenditures and Changes in Fund
Balance - Budget and Actual - Budgetary Basis by Function
Year Ended September 30, 1992

(With comparative totals for the year ended September 30, 1991)

	1992			1991		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Current/211A compact funds	\$ 6,713,110	\$ 6,762,110	\$ 49,000	\$ 7,551,888	\$ 7,724,832	\$ 172,944
Revenue sharing - FSM	705,300	1,215,220	509,920	717,240	1,012,996	295,756
Taxes and licenses	844,000	1,395,358	551,358	627,880	1,365,000	737,120
Interest	565,200	1,385,184	819,984	476,850	1,118,721	641,871
Other	1,253,500	1,415,357	161,857	768,600	1,145,123	376,523
Total revenues	10,081,110	12,173,229	2,092,119	10,142,458	12,366,672	2,224,214
Expenditures - budgetary basis by department and other:						
General government:						
Office of the Governor	245,600	220,659	24,941	267,300	261,989	5,311
State legislature	512,100	445,283	66,817	468,150	446,783	21,367
Office of administrative services	480,640	467,945	12,695	485,200	455,923	29,277
Office of planning, budget and statistics	226,735	255,962	(29,227)	223,140	193,693	29,447
Legislative projects	11,500	35,159	(23,659)	10,000	19,880	(9,880)
	1,476,575	1,425,008	51,567	1,453,790	1,378,268	75,522
Health services:						
Department of health services	1,430,186	1,581,755	(151,569)	1,439,050	1,363,386	75,664
Education:						
Department of education	1,656,176	1,433,115	223,061	1,418,100	1,317,654	100,446
Legislative projects	61,000	61,000	-	110,700	110,700	-
	1,717,176	1,494,115	223,061	1,528,800	1,428,354	100,446
Economic development:						
Department of resources and development	814,195	727,722	86,473	615,434	581,249	34,185
Legislative projects	9,500	33,930	(24,430)	8,500	7,270	1,230
	823,695	761,652	62,043	623,934	588,519	35,415
Protection of persons and property:						
Department of public safety/attorney general	530,000	538,169	(8,169)	554,440	481,254	73,186
Legislative projects	-	-	-	4,920	-	4,920
	530,000	538,169	(8,169)	559,360	481,254	78,106
Public works and utilities:						
PUC	1,357,500	1,136,130	221,370	1,246,500	1,485,778	(239,278)
Legislative projects	-	-	-	-	1,337	(1,337)
	1,357,500	1,136,130	221,370	1,246,500	1,487,115	(240,615)
Transportation	1,596,174	1,654,142	(57,968)	1,204,832	1,197,048	7,784

(Continued)

**STATE OF YAP
FEDERATED STATES OF MICRONESIA
GENERAL FUND**

**Statement of Revenues, Expenditures and Changes in Fund
Balance - Budget and Actual - Budgetary Basis by Function, Continued
Year Ended September 30, 1992**

(With comparative totals for the year ended September 30, 1991)

	1992			1991		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Community affairs:						
Public affairs	\$ 271,550	\$ 207,566	\$ 63,984	\$ 342,100	\$ 279,228	\$ 62,872
Legislative projects	247,152	231,867	15,285	292,400	150,108	142,292
	<u>518,702</u>	<u>439,433</u>	<u>79,269</u>	<u>634,500</u>	<u>429,336</u>	<u>205,164</u>
Boards and commissions:						
Council of Pilung	90,300	86,498	3,802	93,560	90,339	3,221
Council of Tamol	95,300	90,095	5,205	89,000	88,592	408
Yap State code commission	8,250	2,201	6,049	-	-	-
Outer island planning	11,300	11,252	48	9,800	6,666	3,134
EPA administration board	66,300	53,554	12,746	53,600	50,658	2,942
Sports council	50,000	25,000	25,000	-	-	-
	<u>321,450</u>	<u>268,600</u>	<u>52,850</u>	<u>245,960</u>	<u>236,255</u>	<u>9,705</u>
Other:						
Judiciary	160,700	124,937	35,763	175,300	161,282	14,018
Other	-	(90,422)	90,422	-	19,534	(19,534)
Public Auditor	44,700	34,959	9,741	40,800	40,635	165
	<u>205,400</u>	<u>69,474</u>	<u>135,926</u>	<u>216,100</u>	<u>221,451</u>	<u>(5,351)</u>
Total expenditures	<u>9,976,858</u>	<u>9,368,478</u>	<u>608,380</u>	<u>9,152,826</u>	<u>8,810,986</u>	<u>341,840</u>
Revenues over expenditures	<u>104,252</u>	<u>2,804,751</u>	<u>2,700,499</u>	<u>989,632</u>	<u>3,555,686</u>	<u>2,566,054</u>
Other sources (uses):						
Bond management fees	-	-	-	-	(315,950)	(315,950)
Investment income	-	5,901,086	5,901,086	-	1,556,483	1,556,483
Bond proceeds	-	-	-	-	71,000,000	71,000,000
Bond payments	(1,722,429)	(6,525,044)	(4,802,615)	-	-	-
Operating transfers out	(5,415,738)	(5,415,738)	-	(316,500)	(527,500)	(211,000)
Total other sources (uses)	<u>(7,138,167)</u>	<u>(6,039,696)</u>	<u>1,098,471</u>	<u>(316,500)</u>	<u>71,713,033</u>	<u>72,029,533</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(7,033,915)</u>	<u>(3,234,945)</u>	<u>3,798,970</u>	<u>673,132</u>	<u>75,268,719</u>	<u>74,595,587</u>
Fund balance, unreserved, beginning of year	1,767,630	1,767,630	-	3,037,825	3,037,825	-
Prior period adjustment	-	-	-	-	(650,000)	(650,000)
Less: Change in reserves:						
- Related assets	-	7,122,524	7,122,524	-	(71,156,064)	(71,156,064)
- Loans	-	(957,384)	(957,384)	-	(3,500,000)	(3,500,000)
- Investment diminution	-	(271)	(271)	-	558,123	558,123
- Continuing appropriations	1,598,955	1,598,955	-	(1,790,973)	(1,790,973)	-
Fund balance, unreserved, end of year	<u>\$(3,667,330)</u>	<u>\$6,296,509</u>	<u>\$ 9,963,839</u>	<u>\$1,919,984</u>	<u>\$ 1,767,630</u>	<u>\$ (152,354)</u>

STATE OF YAP
FEDERATED STATES OF MICRONESIA
Special Revenue Funds
September 30, 1992

Specific revenues earmarked to finance particular activities of Yap State are accounted for in Special Revenue Funds. A brief discussion of the State's Special Revenue Funds as of September 30, 1992, follows:

Compact Programs

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

Federal Grants Fund

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

Other U.S. Grants Fund

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

Non U.S. Grants Fund

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

CFSM Grants Fund

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

Traditional Award Fund

This fund accounts for financial transactions related to preserving Yapese traditions, customs, and heritage by construction of traditional men's meeting house.

STATE OF YAP
FEDERATED STATES OF MICRONESIA
SPECIAL REVENUE FUNDS
Combining Balance Sheet
September 30, 1992

(With comparative totals as of September 30, 1991)

	Compact Programs	Federal Grants Fund	Other U.S. Grants Fund	Non U.S. Grants Fund	CFSM Grants Fund	Traditional Award Fund	<u>Totals</u>	
							1992	1991
<u>Assets</u>								
Cash and equivalents	\$ 278,951	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 278,951	\$ 232,164
Receivables, net								
Other	-	-	-	14,471	-	-	14,471	172,171
FSM National Government	-	604,824	338,498	-	354,686	-	1,298,008	862,610
Due from other funds	696,830	-	-	-	-	90,667	787,497	1,282,406
Advances	<u>25,881</u>	<u>47,674</u>	<u>-</u>	<u>380</u>	<u>33,465</u>	<u>-</u>	<u>107,400</u>	<u>91,254</u>
	<u>\$1,001,662</u>	<u>\$652,498</u>	<u>\$338,498</u>	<u>\$14,851</u>	<u>\$388,151</u>	<u>\$ 90,667</u>	<u>\$2,486,327</u>	<u>\$2,640,605</u>
<u>Liabilities and Fund Balance</u>								
Liabilities:								
Accounts payable	\$ 123,322	\$ 37,988	\$ 59,093	\$ -	\$ 38,543	\$ -	\$ 258,946	\$ 100,483
Payroll	9,636	5,710	124	100	5,119	-	20,689	19,386
Due to other funds	-	598,258	150,414	10,002	290,554	-	1,049,228	628,299
Deferred revenue	-	7,000	128,801	-	53,500	-	189,301	765,474
Land acquisition liability	<u>90,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,000</u>	<u>90,000</u>
Total liabilities	<u>222,958</u>	<u>648,956</u>	<u>338,432</u>	<u>10,102</u>	<u>387,716</u>	<u>-</u>	<u>1,608,164</u>	<u>1,603,642</u>
Fund balance:								
Reserved for:								
Related assets	-	-	146,641	-	354,686	-	501,327	-
Encumbrances	296,257	53,638	3,228	3,174	49,949	-	406,246	374,090
Continuing appropriations	30,060	-	-	-	-	-	30,060	-
Unreserved	<u>452,387</u>	<u>(50,096)</u>	<u>(149,803)</u>	<u>1,575</u>	<u>(404,200)</u>	<u>90,667</u>	<u>(59,470)</u>	<u>662,873</u>
Total fund balance	<u>778,704</u>	<u>3,542</u>	<u>66</u>	<u>4,749</u>	<u>435</u>	<u>90,667</u>	<u>878,163</u>	<u>1,036,963</u>
Total liabilities and fund balance	<u>\$1,001,662</u>	<u>\$652,498</u>	<u>\$338,498</u>	<u>\$14,851</u>	<u>\$388,151</u>	<u>\$ 90,667</u>	<u>\$2,486,327</u>	<u>\$2,640,605</u>

STATE OF YAP
 FEDERATED STATES OF MICRONESIA
 SPECIAL REVENUE FUNDS
Combining Statement of Revenues, Expenditures by Function and
Changes in Fund Balance
Year Ended September 30, 1992
 (With comparative totals for the year ended September 30, 1991)

	Compact	Federal	Other U.S.	Non U.S.	CFSM	Traditional	<u>Totals</u>	
	<u>Programs</u>	<u>Grants Fund</u>	<u>Grants Fund</u>	<u>Grants Fund</u>	<u>Grants Fund</u>	<u>Award Fund</u>	<u>1992</u>	<u>1991</u>
Revenues:								
Compact	\$2,634,966	\$ -	\$ -	\$ -	\$ -	\$ -	\$2,634,966	\$2,760,283
Federal contributions	-	406,038	565,935	-	-	-	971,973	541,020
Congress of the Federated States of Micronesia (CFSM) grants	-	-	-	-	421,117	-	421,117	463,439
Other	-	-	10,074	49,784	-	-	59,858	168,244
Total revenues	2,634,966	406,038	576,009	49,784	421,117	-	4,087,914	3,932,986
Expenditures:								
General government	-	41,289	-	-	-	-	41,289	7,387
Health services	604,274	120,781	-	9,907	7,752	-	742,714	355,712
Education	1,006,163	53,854	-	2,173	142,465	-	1,204,655	1,636,747
Economic development	-	137,504	10,074	15,433	30,413	-	193,424	56,600
Public safety	-	-	-	-	111,263	-	111,263	119,548
Public works and utilities	1,045,299	-	-	-	10,667	-	1,055,966	1,199,388
Community affairs	250,000	52,610	698,359	968	8,653	-	1,010,590	328,968
Transportation	-	-	-	-	2,317	-	2,317	147
Other	-	-	-	-	31,163	-	31,163	-
Total expenditures	2,905,736	406,038	708,433	28,481	344,693	-	4,393,381	3,704,497
Revenues over (under) expenditures	(270,770)	-	(132,424)	21,303	76,424	-	(305,467)	228,489
Other sources (uses):								
Transfers/General Fund	1,067,461	-	56,000	-	-	90,667	1,214,128	-
Transfers/CFSM Fund	-	-	76,424	-	(76,424)	-	-	-
Bond payments	(1,067,461)	-	-	-	-	-	(1,067,461)	-
Total other sources (uses)	-	-	132,424	-	(76,424)	90,667	146,667	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	(270,770)	-	-	21,303	-	90,667	(158,800)	228,489
Fund balance (deficit), beginning of year	1,049,474	3,542	66	(16,554)	435	-	1,036,963	808,474
Fund balance, end of year	\$ 778,704	\$ 3,542	\$ 66	\$ 4,749	\$ 435	\$ 90,667	\$ 878,163	\$1,036,963

**STATE OF YAP
FEDERATED STATES OF MICRONESIA
SPECIAL REVENUE FUNDS**

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

Year Ended September 30, 1992

(With comparative totals for the year ended September 30, 1991)

	Compact Programs	Federal	Other U.S.	Non U.S.	CFSM	Traditional	Totals	
		Grants Fund	Grants Fund	Grants Fund	Grants Fund	Award Fund	1992	1991
Revenues:								
Compact	\$2,634,966	\$ -	\$ -	\$ -	\$ -	\$ -	\$2,634,966	\$2,760,283
Federal contributions	-	406,038	565,935	-	-	-	971,973	541,020
Congress of the Federated States of Micronesia (CFSM) grants	-	-	-	-	421,117	-	421,117	463,439
Other	-	-	10,074	49,784	-	-	59,858	168,244
Total revenues	2,634,966	406,038	576,009	49,784	421,117	-	4,087,914	3,932,986
Expenditures:								
Salaries and wages	304,665	125,123	23,948	6,056	20,523	-	480,315	743,721
Travel	240,673	53,083	12,024	11,049	73,614	-	390,443	259,774
Freight	61,829	1,977	225	191	4,390	-	68,612	31,128
Communications	5,466	3,338	7	140	1,691	-	10,642	11,846
Printing and reproduction	6,869	2,340	500	177	13,834	-	23,720	9,548
Professional services	56,507	-	-	-	6,055	-	62,562	70,223
Food stuffs	64,158	31,084	2,868	634	1,883	-	100,627	80,583
Medical supplies	93,946	3,612	-	1,064	2,484	-	101,106	20,688
Supplies and materials	73,995	19,124	444,062	4,177	55,934	-	597,292	412,999
Medical referral	307,630	-	-	-	-	-	307,630	269,560
POL	1,049,276	2,002	24,343	-	4,296	-	1,079,917	915,617
Capital outlay	47,637	28,236	21,205	4,050	50,945	-	152,073	144,260
Contractual services	267,682	11,896	-	520	8,822	-	288,920	80,935
Rentals	2,449	766	175,014	-	2,456	-	180,685	51,605
Repairs and maintenance	10,372	1,448	2,135	-	12,838	-	26,793	28,391
Allowances	-	-	-	-	-	-	-	196
Grants and subsidies	-	-	-	-	31,163	-	31,163	54,937
Scholarship and training	56,500	104,731	-	345	18,490	-	180,066	222,300
Other	256,082	17,278	2,102	78	35,275	-	310,815	296,186
Total expenditures	2,905,736	406,038	708,433	28,481	344,693	-	4,393,381	3,704,497
Revenues over (under) expenditures	(270,770)	-	(132,424)	21,303	76,424	-	(305,467)	228,489
Other sources (uses):								
Transfers/General Fund	1,067,461	-	56,000	-	-	90,667	1,214,128	-
Transfers/CFSM Fund	-	-	76,424	-	(76,424)	-	-	-
Bond payments	(1,067,461)	-	-	-	-	-	(1,067,461)	-
Total other sources (uses)	-	-	132,424	-	(76,424)	90,667	146,667	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	(270,770)	-	-	21,303	-	90,667	(158,800)	228,489
Fund balance (deficit), beginning of year	1,049,474	3,542	66	(16,554)	435	-	1,036,963	808,474
Fund balance, end of year	\$ 778,704	\$ 3,542	\$ 66	\$ 4,749	\$ 435	\$ 90,667	\$ 878,163	\$1,036,963

STATE OF YAP
FEDERATED STATES OF MICRONESIA
Capital Projects Funds
September 30, 1992

Appropriations or grants earmarked to finance capital projects of Yap State are accounted for in the Capital Projects Funds. A brief discussion of the Yap State's Capital Projects Fund as of September 30, 1992, follows:

Compact Capital Projects

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

TTPI - Capital Projects

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

CFSM Capital Projects

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

Public Projects Fund

This fund accounts for an appropriation from the FSM National Government which initially has been loaned to the Yap Fishing Corporation (through YEDA) and after repayment will be used to fund certain capital projects.

Other U.S. Capital Projects

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

Other Capital Projects Fund

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

STATE OF YAP
FEDERATED STATES OF MICRONESIA
CAPITAL PROJECTS FUNDS
Combining Balance Sheet

September 30, 1992

(With comparative totals as of September 30, 1991)

	Compact Capital Projects Fund	TTPI Capital Projects Fund	CPSM Capital Projects Fund	Public Projects Fund	Other U.S. Capital Projects Fund	Other Capital Projects Fund	<u>Totals</u>	
							1992	1991
<u>Assets</u>								
Investments	\$8,488,228	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,488,228	\$8,337,732
Receivables, net								
Loans	-	-	-	2,000,000	-	-	2,000,000	-
Federal agencies	-	-	-	-	283,703	-	283,703	264,714
Congress of the Federated States of Micronesia	-	-	90,932	-	-	-	90,932	87,168
U.S. Department of the Interior - TTPI	-	1,284,545	-	-	-	-	1,284,545	691,973
Advances	5,787	5,127	-	-	100	-	11,014	10,914
Total assets	<u>\$8,494,015</u>	<u>\$1,289,672</u>	<u>\$90,932</u>	<u>\$2,000,000</u>	<u>\$283,803</u>	<u>\$ -</u>	<u>\$12,158,422</u>	<u>\$9,392,501</u>
<u>Liabilities and Fund Balance (Deficit)</u>								
Liabilities:								
Accounts payable	\$ 163,007	\$ 59,968	\$27,241	\$ -	\$ 872	\$ -	\$ 251,088	\$ 220,214
Due to other funds	502,619	1,227,842	63,013	-	282,535	20,024	2,096,033	1,678,322
Accrued payroll	4,399	2,129	678	-	396	-	7,602	7,533
Total liabilities	<u>670,025</u>	<u>1,289,939</u>	<u>90,932</u>	<u>-</u>	<u>283,803</u>	<u>20,024</u>	<u>2,354,723</u>	<u>1,906,069</u>
Fund balance:								
Reserved for:								
Loans	-	-	-	2,000,000	-	-	2,000,000	-
Encumbrances	995,812	596,198	55,949	-	8,438	-	1,656,397	4,248,006
Continuing appropriations	4,321,383	-	-	-	-	-	4,321,383	1,264,000
Unreserved	2,506,795	(596,465)	(55,949)	-	(8,438)	(20,024)	1,825,919	1,974,426
Total fund balance (deficit)	<u>7,823,990</u>	<u>(267)</u>	<u>-</u>	<u>2,000,000</u>	<u>-</u>	<u>(20,024)</u>	<u>9,803,699</u>	<u>7,486,432</u>
Total liabilities and fund balance (deficit)	<u>\$8,494,015</u>	<u>\$1,289,672</u>	<u>\$90,932</u>	<u>\$2,000,000</u>	<u>\$283,803</u>	<u>\$ -</u>	<u>\$12,158,422</u>	<u>\$9,392,501</u>

STATE OF YAP
FEDERATED STATES OF MICRONESIA
Enterprise Funds
September 30, 1992

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

Yap Fishing Authority

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

Gagil-Tomil Water Authority

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

Southern Yap Water Authority

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

Public Transportation System

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

STATE OF YAP
FEDERATED STATES OF MICRONESIA
Enterprise Funds, Continued
September 30, 1992

Feed Sales

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

Slaughterhouse

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

Project Fund

The Project Fund was separately established in fiscal year 1990 to account for certain initial revenues and expenses relating to the establishment of the Tuna Joint Venture Project. The operating activities in prior years related to the periods prior to the formation of the Yap Economic Development Authority and Yap Fishing Corporation.

STATE OF YAP
FEDERATED STATES OF MICRONESIA
CAPITAL PROJECTS FUNDS
Combining Statement of Revenues, Expenditures by Function
and Changes in Fund Balance (Deficit)
Year Ended September 30, 1992
(With comparative totals for the year ended September 30, 1991)

	Compact	TTPI	CFSM	Public	Other U.S.	Other	<u>Totals</u>	
	Capital Projects Fund	Capital Projects Fund	Capital Projects Fund	Projects Fund	Capital Projects Fund	Capital Projects Fund	1992	1991
Revenues:								
Compact capital	\$4,160,866	\$ -	\$ -	\$ -	\$ -	\$ -	\$4,160,866	\$4,753,240
Federal contributions	-	-	-	-	81,956	-	81,956	316,123
Department of the Interior - TTPI	-	592,572	-	-	-	-	592,572	1,907,660
Congress of the Federated States of Micronesia (CFSM) grants	-	-	221,367	2,000,000	-	-	2,221,367	421,586
Total revenues	<u>4,160,866</u>	<u>592,572</u>	<u>221,367</u>	<u>2,000,000</u>	<u>81,956</u>	<u>-</u>	<u>7,056,761</u>	<u>7,398,637</u>
Expenditures:								
Economic development	179,243	-	-	-	-	-	179,243	230,293
Public works and utilities	3,588,113	592,572	221,367	-	81,956	2,497	4,486,505	6,641,396
Other	55,946	-	-	-	-	-	55,946	135,774
Total expenditures	<u>3,823,302</u>	<u>592,572</u>	<u>221,367</u>	<u>-</u>	<u>81,956</u>	<u>2,497</u>	<u>4,721,694</u>	<u>7,007,463</u>
Revenues over (under) expenditures	<u>337,564</u>	<u>-</u>	<u>-</u>	<u>2,000,000</u>	<u>-</u>	<u>(2,497)</u>	<u>2,335,067</u>	<u>391,174</u>
Other sources (uses):								
Transfer/General Fund	4,010,110	-	-	-	-	-	4,010,110	(507,700)
Transfer/Enterprise Fund	(17,800)	-	-	-	-	-	(17,800)	-
Bond payment	(4,010,110)	-	-	-	-	-	(4,010,110)	-
Total other sources (uses)	<u>(17,800)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17,800)</u>	<u>(507,700)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	319,764	-	-	2,000,000	-	(2,497)	2,317,267	(116,526)
Fund balance (deficit), beginning of year	7,504,226	(267)	-	-	-	(17,527)	7,486,432	6,952,958
Prior period adjustment	-	-	-	-	-	-	-	650,000
Fund balance (deficit), end of year	<u>\$7,823,990</u>	<u>\$ (267)</u>	<u>\$ -</u>	<u>\$2,000,000</u>	<u>\$ -</u>	<u>\$(20,024)</u>	<u>\$9,803,699</u>	<u>\$7,486,432</u>

STATE OF YAP
FEDERATED STATES OF MICRONESIA
CAPITAL PROJECTS FUNDS
Combining Statement of Revenues, Expenditures by Account
and Changes in Fund Balance (Deficit)
Year Ended September 30, 1992
(With comparative totals for the year ended September 30, 1991)

	Compact	TTPI	CFSM	Public	Other U.S.	Other	<u>Totals</u>	
	Capital Projects Fund	Capital Projects Fund	Capital Projects Fund	Projects Fund	Capital Projects Fund	Capital Projects Fund	1992	1991
Revenues:								
Compact capital	\$4,160,866	\$ -	\$ -	\$ -	\$ -	\$ -	\$4,160,866	\$4,753,248
Federal contributions	-	-	-	-	81,956	-	81,956	316,143
Dept. of the Interior - TTPI	-	592,572	-	-	-	-	592,572	1,907,660
Congress of the Federated States of Micronesia (CFSM) grants	-	-	221,367	2,000,000	-	-	2,221,367	421,586
Total revenues	<u>4,160,866</u>	<u>592,572</u>	<u>221,367</u>	<u>2,000,000</u>	<u>81,956</u>	<u>-</u>	<u>7,056,761</u>	<u>7,398,637</u>
Expenditures:								
Salaries and wages	68,462	98,572	28,057	-	36,658	-	231,749	223,108
Travel	10,986	1,185	-	-	6,957	-	19,128	54,970
Freight	11,747	98	2,894	-	2,995	-	17,734	7,980
Communications	1,186	387	-	-	-	-	1,573	1,267
Printing and reproduction	23,004	750	261	-	135	-	24,150	14,254
Professional services	13,521	-	-	-	-	-	13,521	-
Food stuffs	3,184	1,228	-	-	4,595	-	9,007	-
Supplies and materials	462,338	5,425	86,172	-	16,312	2,497	572,744	793,538
POL	4,470	1,021	-	-	13,181	-	18,672	40,356
Capital outlay	3,104,346	483,280	72,192	-	-	-	3,659,818	5,699,056
Contractual services	61,090	-	19,329	-	-	-	80,419	45,227
Rentals	1,036	-	12,462	-	-	-	13,498	511
Repairs and maintenance	7,672	620	-	-	1,123	-	9,415	14,370
Grants and subsidies	20,000	-	-	-	-	-	20,000	60,000
Scholarship and training	19,300	-	-	-	-	-	19,300	-
Other	10,960	6	-	-	-	-	10,966	52,826
Total expenditures	<u>3,823,302</u>	<u>592,572</u>	<u>221,367</u>	<u>-</u>	<u>81,956</u>	<u>2,497</u>	<u>4,721,694</u>	<u>7,007,463</u>
Revenues over (under) expenditures	<u>337,564</u>	<u>-</u>	<u>-</u>	<u>2,000,000</u>	<u>-</u>	<u>(2,497)</u>	<u>2,335,067</u>	<u>391,174</u>
Other sources (uses):								
Transfer/General Fund	4,010,110	-	-	-	-	-	4,010,110	(507,700)
Transfer/Enterprise Fund	(17,800)	-	-	-	-	-	(17,800)	-
Bond payment	(4,010,110)	-	-	-	-	-	(4,010,110)	-
Total other sources (uses)	<u>(17,800)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17,800)</u>	<u>(507,700)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	319,764	-	-	2,000,000	-	(2,497)	2,317,267	(116,526)
Fund balance (deficit), beginning of year	7,504,226	(267)	-	-	-	(17,527)	7,486,432	6,952,958
Prior period adjustment	-	-	-	-	-	-	-	650,000
Fund balance (deficit), end of year	<u>\$7,823,990</u>	<u>\$ (267)</u>	<u>\$ -</u>	<u>\$2,000,000</u>	<u>\$ -</u>	<u>\$(20,024)</u>	<u>\$9,803,699</u>	<u>\$7,486,432</u>

**STATE OF YAP
FEDERATED STATES OF MICRONESIA
ENTERPRISE FUNDS**

Combining Balance Sheet

September 30, 1992

(With comparative totals as of September 30, 1991)

	Yap Fishing Authority	Gagil-Tomil Water Authority	Southern Yap Water Authority	Public Transportation System	Feed Sales	Slaughter House	Project Fund	<u>Totals</u>	
								1992	1991
<u>Assets</u>									
Cash and equivalents	\$ 125,799	\$ 30,427	\$ 31,108	\$ 70,194	\$ -	\$ -	\$ -	\$ 257,528	\$ 815,785
General receivables	793,176	15,176	-	12,733	-	-	-	821,085	610,765
Inventory of supplies, at cost	87,515	-	-	29,005	-	-	-	116,520	964,788
Prepaid expenses	10,893	-	-	2,812	-	-	-	13,705	996,376
Due from other funds	-	-	-	-	2,240	18,876	697	21,813	52,101
Investment in stock	-	-	-	-	-	-	-	-	1,028,815
Investment in fixed assets, net of accumulated depreciation	4,149,382	118,494	-	148,754	51,425	-	-	4,468,055	18,254,051
Other assets	-	-	-	-	-	-	-	-	3,218,402
Total assets	<u>\$5,166,765</u>	<u>\$164,097</u>	<u>\$ 31,108</u>	<u>\$263,498</u>	<u>\$ 53,665</u>	<u>\$ 18,876</u>	<u>\$ 697</u>	<u>\$ 5,698,706</u>	<u>\$25,941,083</u>
<u>Liabilities and Fund Equity</u>									
Liabilities:									
Accounts payable									
- trade	\$ 82,610	\$ 473	\$ -	\$ 3,005	\$ -	\$ -	\$ -	\$ 86,088	\$ 2,301,265
Notes payable:									
Yap State	-	-	-	-	-	-	-	-	9,900,000
Other	-	-	-	-	-	-	-	-	4,513,500
Accounts payable:									
Other	4,600	-	-	-	-	-	-	4,600	794,646
Total liabilities	<u>87,210</u>	<u>473</u>	<u>-</u>	<u>3,005</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,688</u>	<u>17,509,411</u>
Minority interest	-	-	-	-	-	-	-	-	651,908
Fund equity:									
Contributed capital	4,759,052	132,903	-	384,020	-	-	-	5,275,975	9,267,363
Retained earnings (deficit)	320,503	30,721	31,108	(123,527)	53,665	18,876	697	332,043	(1,487,599)
Total fund equity	<u>5,079,555</u>	<u>163,624</u>	<u>31,108</u>	<u>260,493</u>	<u>53,665</u>	<u>18,876</u>	<u>697</u>	<u>5,608,018</u>	<u>7,779,764</u>
Total liabilities and fund equity	<u>\$5,166,765</u>	<u>\$164,097</u>	<u>\$ 31,108</u>	<u>\$263,498</u>	<u>\$ 53,665</u>	<u>\$ 18,876</u>	<u>\$ 697</u>	<u>\$ 5,698,706</u>	<u>\$25,941,083</u>

STATE OF YAP
FEDERATED STATES OF MICRONESIA
ENTERPRISE FUNDS
Combining Statement of Revenues, Expenses, and
Changes in Fund Equity
Year Ended September 30, 1992

(With comparative totals for the year ended September 30, 1991)

	Yap	Gagil-Tomil	Southern	Public	Feed	Slaughter	Project	Totals	
	Fishing	Water	Yap Water	Transportation				Sales	House
	Authority	Authority	Authority	System					
Operating revenues:									
Charges for services/goods	\$ 952,512	\$ 12,926	\$ 8,367	\$ 54,685	\$ 15,655	\$ 11,208	\$ -	\$ 1,055,353	\$ 2,960,446
Rental income	442,134	-	-	-	-	-	-	442,134	350,673
Other	24,644	1,495	-	-	-	-	-	26,139	92,552
Total operating revenues	1,419,290	14,421	8,367	54,685	15,655	11,208	-	1,523,626	3,403,671
Operating expenses:									
Cost of sales	-	-	-	-	-	-	-	-	2,909,617
Personal services	258,742	7,884	-	47,125	-	5,061	-	318,812	245,356
Supplies and materials	1,021,588	1,601	-	63,562	27,252	8,799	-	1,122,802	715,232
Commissions/contract services	-	-	-	44,863	-	2,376	-	47,239	367,469
Travel	-	-	-	2,425	-	-	-	2,425	96,437
Depreciation	328,452	7,329	-	71,138	-	-	-	406,919	731,087
Other	31,456	-	1,573	42,553	-	604	-	76,186	1,301,030
Total operating expenses	1,640,238	16,814	1,573	271,666	27,252	16,840	-	1,974,383	6,366,228
Operating income (loss)	(220,948)	(2,393)	6,794	(216,981)	(11,597)	(5,632)	-	(450,757)	(2,962,557)
Non-operating revenues:									
Inter-governmental contributions:									
FSM and others	5,410	-	-	-	-	-	-	5,410	412,266
State	50,000	-	-	141,500	-	17,800	-	209,300	335,200
Add depreciation on fixed assets acquired by grants that reduces contributed capital	229,881	5,889	-	-	-	-	-	235,770	234,649
Loss on equity investment	-	-	-	-	-	-	-	-	(71,185)
Total non-operating revenues	285,291	5,889	-	141,500	-	17,800	-	450,480	910,930
Net income (loss)	64,343	3,496	6,794	(75,481)	(11,597)	12,168	-	(277)	(2,051,627)
Minority share of loss	-	-	-	-	-	-	-	-	495,908
Prior period adjustment	-	-	-	-	-	-	-	-	1
Retained earnings (deficit), beginning of year	256,160	27,225	24,314	(48,046)	65,262	6,708	697	332,320	68,119
Retained earnings (deficit), end of year	\$ 320,503	\$ 30,721	\$ 31,108	\$ (123,527)	\$ 53,665	\$ 18,876	\$ 697	\$ 332,043	\$ (1,487,599)
Contributed capital, beginning of year	\$4,968,934	\$138,792	\$ -	\$ 384,020	\$ -	\$ -	\$ -	\$ 5,491,746	\$ 8,738,512
Current year changes, net	(209,882)	(5,889)	-	-	-	-	-	(215,771)	528,851
Contributed capital, end of year	\$4,759,052	\$132,903	\$ -	\$ 384,020	\$ -	\$ -	\$ -	\$ 5,275,975	\$ 9,267,363

STATE OF YAP
FEDERATED STATES OF MICRONESIA
ENTERPRISE FUNDS
Combining Statement of Cash Flows
Year ended September 30, 1992

(With comparative totals for the year ended September 30, 1991)

	Yap	Gagil-Tomil	Southern	Public	Feed	Slaughter	Project	Totals	
	Fishing	Water	Yap Water	Transportation				House	Fund
	<u>Authority</u>	<u>Authority</u>	<u>Authority</u>	<u>System</u>	<u>Sales</u>	<u>House</u>	<u>Fund</u>		
<u>Cash flows from operating activities:</u>									
Net income (loss)	\$ 64,343	\$ 3,496	\$ 6,794	\$(75,481)	\$(11,597)	\$ 12,168	\$ -	\$ (277)	\$(2,037,645)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:									
Transfers-in	(50,000)	-	-	(141,500)	-	(17,800)	-	(209,300)	(335,200)
Doubtful debt expense	-	-	-	-	-	-	-	-	5,000
Depreciation	98,571	1,440	-	71,138	-	-	-	171,149	731,087
Loss on equity investment	-	-	-	-	-	-	-	-	71,185
	<u>112,914</u>	<u>4,936</u>	<u>6,794</u>	<u>(145,843)</u>	<u>(11,597)</u>	<u>(5,632)</u>	<u>-</u>	<u>(38,428)</u>	<u>(1,565,573)</u>
<u>Change in assets and liabilities:</u>									
Due from other funds	-	-	-	-	11,597	(12,168)	-	(571)	3,929,086
General receivables (gross)	(498,322)	(6,057)	-	(11,256)	-	-	-	(515,635)	(480,401)
Inventory of supplies	78,532	-	-	18,116	-	-	-	96,648	(904,955)
Prepaid expenses	(10,893)	-	-	(2,812)	-	-	-	(13,705)	(968,445)
Accounts payable:									
Trade	54,876	180	-	(1,776)	-	-	-	53,280	2,926,832
Others	-	-	-	-	-	-	-	-	(8,355)
Other assets	-	-	-	-	-	-	-	-	(3,218,402)
	<u>(375,807)</u>	<u>(5,877)</u>	<u>-</u>	<u>2,272</u>	<u>11,597</u>	<u>(12,168)</u>	<u>-</u>	<u>(379,983)</u>	<u>1,275,360</u>
Cash provided by (used for) operating activities	<u>(262,893)</u>	<u>(941)</u>	<u>6,794</u>	<u>(143,571)</u>	<u>-</u>	<u>(17,800)</u>	<u>-</u>	<u>(418,411)</u>	<u>(290,213)</u>
<u>Cash flows from noncapital financing activities:</u>									
Contributed capital received and transfers-in	<u>70,000</u>	<u>-</u>	<u>-</u>	<u>141,500</u>	<u>-</u>	<u>17,800</u>	<u>-</u>	<u>229,300</u>	<u>864,051</u>
Cash provided by non-capital related financing activities	<u>70,000</u>	<u>-</u>	<u>-</u>	<u>141,500</u>	<u>-</u>	<u>17,800</u>	<u>-</u>	<u>229,300</u>	<u>864,051</u>
<u>Cash flows from capital and related financing activities:</u>									
Acquisition of fixed assets	(66,263)	-	-	(34,489)	-	-	-	(100,752)	(5,802,286)
Minority interest	-	-	-	-	-	-	-	-	1,147,816
Issue of notes payable	-	-	-	-	-	-	-	-	5,013,500
Cash provided by (used for) capital and related financing activities	<u>(66,263)</u>	<u>-</u>	<u>-</u>	<u>(34,489)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(100,752)</u>	<u>359,030</u>
<u>Cash flows from investing activities:</u>									
Purchase of stock	-	-	-	-	-	-	-	-	(200,000)
Net increase (decrease) in cash and cash equivalents	(259,156)	(941)	6,794	(36,560)	-	-	-	(289,863)	732,868
Cash and cash equivalents, beginning of year	<u>384,955</u>	<u>31,368</u>	<u>24,314</u>	<u>106,754</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>547,391</u>	<u>82,917</u>
Cash and cash equivalents, end of year	<u>\$ 125,799</u>	<u>\$ 30,427</u>	<u>\$ 31,108</u>	<u>\$ 70,194</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 257,528</u>	<u>\$ 815,785</u>

**STATE OF YAP
FEDERATED STATES OF MICRONESIA
SINGLE AUDIT REPORTS
YEAR ENDED SEPTEMBER 30, 1992**



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
BASED ON THE AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS

Honorable Petrus Tun
Governor, State of Yap
Federated States of Micronesia

We have audited the general purpose financial statements of the State of Yap as of and for the year ended September 30, 1992, and have issued our report thereon dated December 18, 1992. Our report on the audit of the general purpose financial statements was modified as a result of our inability to form an opinion as to the fairness of presentation of the Proprietary Fund Type - Enterprise Funds and General Fixed Assets Account Group.

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

Compliance with laws, regulations, contracts, and grants applicable to the State of Yap is the responsibility of the State of Yap's management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we performed tests of the State of Yap's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

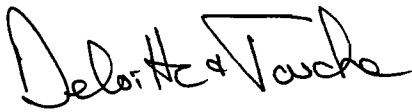
The results of our tests indicate that, with respect to the items tested, the State of Yap, complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the State of Yap had not complied, in all material respects, with those provisions.

We noted certain immaterial instances of noncompliance that we have reported to the management of the State of Yap, which are described in the accompanying administrative control weakness summary (pages 92 through 100).

We also noted matters including compliance with laws and regulations related to federal financial assistance which we reported to the management of the State of Yap in our reports dated December 18, 1992 on general requirements, on specific requirements for major programs and on specific compliance for nonmajor program transactions.

This report is intended for the information of the State of Yap and the cognizant audit and other federal agencies. However, this report is a matter of public record and its distribution is not limited.

December 18, 1992

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

Certified Public Accountants



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

Honorable Petrus Tun
Governor, State of Yap
Federated States of Micronesia

We have audited the general purpose financial statements of the State of Yap as of and for the year ended September 30, 1992, and have issued our report thereon dated December 18, 1992. Our report on the audit of the general purpose financial statements was modified as a result of our inability to form an opinion as to the fairness of presentation of the Proprietary Fund Type - Enterprise Funds and General Fixed Assets Account Group.

We have also audited the State of Yap's compliance with the requirements governing the Compact of Free Association; types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal financial assistance programs, which are identified in the accompanying Schedule of Federal Financial Assistance (pages 70 through 90), for the year ended September 30, 1992. The management of the State of Yap is responsible for the State of Yap's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

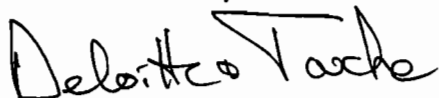
We conducted our audit of compliance with these requirements in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-128, Audits of State and Local Governments. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the State of Yap's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying administrative control weakness summary and Schedule of Findings and Questioned Costs (pages 92 through 101). We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the State of Yap complied, in all material respects, with the requirements governing the Compact of Free Association; types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal financial assistance programs for the year ended September 30, 1992.

This report is intended for the information of the State of Yap and the cognizant audit and other federal agencies. However, this report is a matter of public record and its distribution is not limited.

December 18, 1992

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

Certified Public Accountants



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH GENERAL REQUIREMENTS APPLICABLE TO
FEDERAL FINANCIAL ASSISTANCE

Honorable Petrus Tun
Governor, State of Yap
Federated States of Micronesia

We have audited the general purpose financial statements of the State of Yap as of and for the year ended September 30, 1992, and have issued our report thereon dated December 18, 1992. Our report on the audit of the general purpose financial statements was modified as a result of our inability to form an opinion as to the fairness of presentation of the Proprietary Fund Type - Enterprise Funds and General Fixed Assets Account Group. We have also audited the State of Yap's compliance applicable to requirements of major federal financial assistance programs and have issued our report thereon dated December 18, 1992.

We have applied procedures to test the State of Yap's compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the Schedule of Federal Financial Assistance (pages 70 through 90), for the year ended September 30, 1992: cash management, federal financial reports, allowable costs/cost principles, Drug-Free Workplace Act, and administrative requirements.

The requirements of political activity, Davis-Bacon Act, civil rights, and relocation assistance and real property acquisition are not applicable to the federal financial assistance programs of the Federated States of Micronesia, which are identified in the Schedule of Federal Financial Assistance (pages 70 through 90).

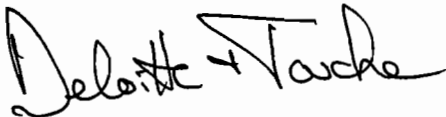
Our procedures were limited to the applicable procedures described in the Office of Management and Budget's Compliance Supplement for Single Audits of State and Local Governments. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the State of Yap's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the State of Yap had not complied, in all material respects, with those requirements. However, the results of our procedures disclosed immaterial instances of noncompliance with those requirements, which are described in the accompanying schedule of administrative control weakness summary (pages 92 to 100).

We also noted matters involving compliance with laws and regulations related to our audit of the general purpose financial statements and with requirements related to major and nonmajor federal financial assistance programs which we reported to the management of the State of Yap in our reports dated December 18, 1992.

This report is intended for the information of the State of Yap and the cognizant audit and other federal agencies. However, this report is a matter of public record and its distribution is not limited.

December 18, 1992

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

Certified Public Accountants



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO NONMAJOR
FEDERAL FINANCIAL ASSISTANCE PROGRAM TRANSACTIONS

Honorable Petrus Tun
Governor, State of Yap
Federated States of Micronesia

We have audited the general purpose financial statements of the State of Yap as of and for the year ended September 30, 1992, and have issued our report thereon dated December 18, 1992. Our report on the audit of the general purpose financial statements was modified as a result of our inability to form an opinion as to the fairness of presentation of the Proprietary Fund Type - Enterprise Funds and General Fixed Assets Account Group. We have also audited the State of Yap's compliance applicable to requirements of major federal financial assistance programs and applied procedures to test compliance with general requirements applicable to federal financial assistance programs and have issued our reports thereon dated December 18, 1992.

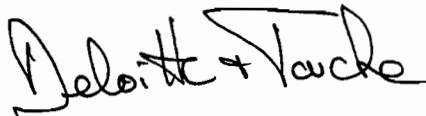
In connection with our audit of the 1992 general purpose financial statements of the State of Yap, and with our consideration of the State of Yap's control structure used to administer federal financial assistance programs, and assessment of control risk, as required by Office of Management and Budget (OMB) Circular A-128, Audits of State and Local Governments, we selected certain transactions applicable to certain nonmajor federal financial assistance programs for the year ended September 30, 1992.

As required by OMB Circular A-128, we have performed auditing procedures to test compliance with the requirements governing the Compact of Free Association; types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and monitoring subrecipients that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the State of Yap's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the State of Yap had not complied, in all material respects, with those requirements. However, the results of our procedures disclosed immaterial instances of noncompliance with those requirements, which are described in the accompanying schedule of administrative control weakness summary (pages 92 to 100).

This report is intended for the information of the State of Yap and the cognizant audit and other federal agencies. However, this report is a matter of public record and its distribution is not limited.

December 18, 1992

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

Certified Public Accountants



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
STRUCTURE USED IN ADMINISTERING
FEDERAL FINANCIAL ASSISTANCE

Honorable Petrus Tun
Governor, State of Yap
Federated States of Micronesia

We have audited the general purpose financial statements of the State of Yap, as of and for the year ended September 30, 1992, and have issued our report thereon dated December 18, 1992. Our report on the audit of the general purpose financial statements was modified as a result of our inability to form an opinion as to the fairness of presentation of the Proprietary Fund Type - Enterprise Funds and General Fixed Assets Account Group. We have also audited the State of Yap's compliance with requirements applicable to major federal financial assistance programs and have issued our report thereon dated December 18, 1992.

We conducted our audits in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-128, Audits of State and Local Governments. Those standards and OMB Circular A-128 require that we plan and perform the audits to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement and about whether the State of Yap complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing our audit for the year ended September 30, 1992, we considered the State of Yap's internal control structure and assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinions on the State of Yap's general purpose financial statements and on its compliance with requirements applicable to major programs and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control

structure policies and procedures relevant to our audit of the general purpose financial statements in a separate report dated December 18, 1992.

The management of the State of Yap is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles, and that federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

General Requirements

- Cash management
- Federal financial reports
- Allowable costs/cost principles
- Drug-Free Workplace Act
- Administrative requirements

Specific Requirements

- Compact of Free Association
- Types of services allowed or unallowed
- Eligibility
- Matching, level of effort, or earmarking
- Reporting

Accounting Requirements

- Revenue and receipt cycle
- Purchases and disbursement cycle
- Payroll and personnel cycle
- External financial reporting
- Cash and equivalents
- Investments
- Receivables
- Payables and accrued liabilities
- Fund balances

Claims for Advances and Reimbursements

Amounts Claimed or Used for Matching

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During the year ended September 30, 1992, the State of Yap expended 94.6% of its total federal financial assistance under major federal financial assistance programs.

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to each of the State of Yap's major federal financial assistance programs, which are identified in the accompanying Schedule of Federal Financial Assistance (pages 70 through 90). Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

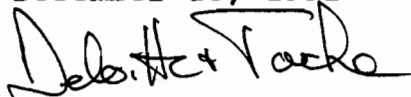
Our consideration of the internal control structure policies and procedures used in administering federal financial assistance would not necessarily disclose all matters in the internal control structure that might constitute material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure used in administering federal financial assistance programs and its operations that we consider to be material weaknesses as defined above.

However, we noted other matters involving the internal control structure and its operation which are described in the accompanying schedule of administrative control weakness summary (pages 92 through 100).

We also noted matters involving the internal control structure and its operation based on our audit of the general purpose financial statements which we reported to the management of the State of Yap in a report dated December 18, 1992.

This report is intended for the information of the State of Yap and the cognizant audit and other federal agencies. However, this report is a matter of public record and its distribution is not limited.

December 18, 1992

A handwritten signature in cursive script, appearing to read "DeBitter + Vacko".

Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE**

Honorable Petrus Tun
Governor, State of Yap
Federated States of Micronesia

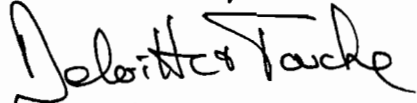
We have audited the general purpose financial statements of the State of Yap as of and for the year ended September 30, 1992, and have issued our report thereon dated December 18, 1992. Our report on the audit of the general purpose financial statements was modified as a result of our inability to form an opinion as to the fairness of presentation of the Proprietary Fund Type - Enterprise Funds and General Fixed Assets Account Group. These general purpose financial statements are the responsibility of the State of Yap's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

Our audit was made for the purpose of forming an opinion on the general purpose financial statements of the State of Yap taken as a whole. The accompanying Schedule of Federal Financial Assistance (pages 70 through 90) for the year ended September 30, 1992, which is also the responsibility of the management of the State of Yap, is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

This report is intended for the information of the State of Yap and the cognizant audit and other federal agencies. However, this report is a matter of public record and its distribution is not limited.

December 18, 1992

A handwritten signature in cursive script, appearing to read "Delbert Tacke".

Certified Public Accountants

STATE OF YAP
FEDERATED STATES OF MICRONESIA
INTRODUCTION TO COMPACT OF FREE ASSOCIATION
FUNDING, FEDERAL AND OTHER ASSISTANCE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 1992

Compact Funds

The FSM National Government and the Government of the United States implemented the Compact of Free Association during fiscal year 1987. The Compact funding replaced the U.S. Department of the Interior funding for general operations received through the TTPI Government in previous fiscal years. Based on the terms of the Compact agreement, the FSM National Government receives funding in five year increments over a fifteen year period. The Compact funding is received in four different account classifications: current operations, capital projects, block grants, and inflation adjustments. A mutually agreed upon financial institution was selected as the trustee of the Compact funding to facilitate the FSM National Governments' and its four State entities' drawdown requirements.

During fiscal year 1992, the State of Yap Government submitted quarterly allocation requests to the FSM National Government for the current account. The current operation funds were transferred to the State of Yap's designated banking institution based on the quarterly allocation requests. The capital project funds, which must comprise at least 40 percent of the total annual allocation, remain with the trustee institution and are drawn down upon request by the State of Yap. Capital account funds are transferred in their annual base amounts on the first day of the fiscal year. Block grant funds are transferred with the initial quarterly current account allocation request and these funds are then appropriated by the Yap State Legislature in accordance with the guidelines of the Compact. The United States Government annually adjusts Compact funding for inflation.

Pursuant to section 233 of the Compact of Free Association and paragraph 1(d), Article IV of the Agreement Concerning Procedures for the Implementation of U.S. Economic Assistance, Programs, and Services provided in the Compact of Free Association between the Government of the U.S. and the Government of the FSM, audits of Compact funding shall be performed in compliance with Government Auditing Standards, issued by the Comptroller General of the United States, and the Single Audit Act of 1984. The above states that audits shall be performed in accordance with Office of Management and Budget (OMB) Circular A-128, but compliance testing of Compact funding shall not include specific federal guidelines applicable to federal program assistance grants, but rather shall be in conformance with local laws and regulations and the program intent as provided in the Compact of Free Association.

Federal Funds

The State of Yap Government remained the subrecipient of several federal grant programs from U.S. agencies, but with the implementation of the successor-in-interest agreements, the role of the primary recipient transferred from the TTPI government to the FSM National Government. The State of Yap Government applies to the FSM National Government for grant funds, or receives an allocation of funds awarded to the FSM National Government. The award of the subrecipient grant typically comes in the form of an allotment advice, rather than a formal notice. The allotment advice specifies any imposed expenditure limitations. However, the limitations are normally represented solely by object code authorization totals and not by detailed budgets.

Revenues are recorded and recognized on the basis of expenditures. Drawdowns, typically occurring after expenditures are recorded, are made upon request by the State of Yap Government to the FSM National Government.

Although program guidelines may not be specifically referenced in the allotment advice, subgrantees of federal programs other than Compact funding must adhere to the same cost principles as the grantee, as stated in OMB Circular A-87. Additionally, beneficiaries and program objectives may not typically depart from the federal purpose, as may be determined by an Act of Congress, and in accordance with such program regulations which may be promulgated in the Code of Federal Regulations.

Introduction To Special Revenue and Capital Projects Funds

Receipt and use of monetary assistance from sources outside the general fund are accounted for in the following funds:

Special Revenue Funds:

- Compact Programs Fund
- Federal Grants Fund
- Other U.S. Grants Fund
- Non U.S. Grants Fund
- CFSM Grants Fund

Capital Projects Funds:

- Compact Capital Projects Funds
- TTPI Capital Projects Fund
- CFSM Capital Projects Fund
- Other U.S. Capital Projects Fund

As mentioned above, the Compact Programs and Compact Capital Project Funds are administered under the guidelines of the Compact of Free Association. With the exception of a few of the grants in the Non U.S. Grants Fund and the CFSM Funds, the revenue of the Special Revenue and Capital Projects Funds is derived through allotments from the TTPI or the FSM National Government for specific purposes. All TTPI allotments are originally derived from U.S. Congressional appropriations. As the subrecipient, the State of Yap reports to the FSM National Government. The CFSM Funds are funded by appropriations from the Congress of the Federated States of Micronesia, while grants recorded in the Non U.S. Grants Fund are received from various foreign governments and international organizations. The State of Yap, through the Federated States of Micronesia, reports to the applicable grantor concerning Non U.S. grants.

STATE OF YAP
FEDERATED STATES OF MICRONESIA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FEDERAL GRANTS FUND
STATEMENT OF EXPENDITURES AND QUESTIONED COSTS BY GRANTOR
YEAR ENDED SEPTEMBER 30, 1992

<u>Grantor</u> <u>Program Title</u>	<u>CFDA No.</u>	<u>Yap</u> <u>Org.</u> <u>No.</u>	<u>1992</u> <u>Fiscal Year</u> <u>Expenditures</u>	<u>Questioned Costs</u> <u>Amount</u>	<u>Detailed</u> <u>At Page</u>
<u>Department of Education</u>					
FY89 Education Chapter I	84.998	3147	\$ 9,508	\$ -	
FY89 Education Chapter II	84.998	3148	<u>4,194</u>	<u>-</u>	
			<u>13,702</u>	<u>-</u>	
<u>Department of Labor</u>					
FY91 JTPA Administration	17.250	3261	12,824	-	
FY91 JTPA Adult Program	17.250	3262	56,003	-	
FY91 JTPA Youth Program	17.250	3263	16,094	-	
FY89 JTPA Administration	17.250	3266	24	-	
FY89 JTPA Adult Training	17.250	3267	6,183	216	101
FY91 JTPA Participant Support	17.250	3280	3,581	-	
FY90 JTPA Administration	17.250	3293	9,129	-	
FY90 JTPA Adult Training	17.250	3294	23,048	-	
FY90 JTPA Youth Training	17.250	3295	<u>10,618</u>	<u>-</u>	
			<u>137,504</u>	<u>216</u>	
<u>Department of Agriculture</u>					
FY91 Forestry Project	10.664	3326	6,991	-	
FY89 Food Service	10.560	3346	40,152	-	
FY87 Forestry Program	10.664	3347	517	-	
FY88 Forestry Program	10.664	3348	<u>1,194</u>	<u>-</u>	
			<u>48,854</u>	<u>-</u>	
<u>Department of Interior</u>					
FY91 Historic Preservation	15.904	3452	36,000	-	
FY92 Historic Preservation	15.904	3453	5,908	-	
FY89 HPO Lighthouse	15.904	3558	<u>2,000</u>	<u>-</u>	
			<u>43,908</u>	<u>-</u>	
Balance Forward			<u>243,968</u>	<u>216</u>	

STATE OF YAP
FEDERATED STATES OF MICRONESIA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE, CONTINUED
FEDERAL GRANTS FUND
STATEMENT OF EXPENDITURES AND QUESTIONED COSTS BY GRANTOR, CONTINUED
YEAR ENDED SEPTEMBER 30, 1992

<u>Grantor</u> <u>Program Title</u>	<u>CFDA No.</u>	<u>Yap</u> <u>Org.</u> <u>No.</u>	<u>1992</u> <u>Fiscal Year</u> <u>Expenditures</u>	<u>Questioned Costs</u> <u>Amount</u>	<u>Detailed</u> <u>At Page</u>
Balance Forwarded			\$ 243,968	\$ 216	
 <u>Office of Territorial</u>					
<u>and International Affairs</u>					
Tax & Revenue Consultant	15.875	3509	<u>41,289</u>	<u>-</u>	
			<u>41,289</u>	<u>-</u>	
 <u>Department of Health and Human Services</u>					
Substance Abuse	13.992	3652	13,022	-	
FY90 Preventive Public Health	13.991	3654	1,571	-	
FY92 Family Planning	13.217	3657	13,048	-	
FY91 MCH/Dental	13.994	3658	11,036	-	
FY91 PH & PH/ADAMS	13.991	3659	21,995	-	
FY91 PH & PH	13.991	3660	7,289	-	
FY92 PH & PH	13.991	3663	1,125	-	
Primary Health	13.994	3669	12,749	-	
FY93 Family Planning	13.217	3670	577	-	
FY90 Yap MCH	13.994	3729	1,175	-	
FY91 MCH	13.994	3730	35,381	-	
FY91 MCH/CSHCN	13.994	3731	1,325	-	
FY92 AIDS Prevention	13.217	3781	<u>488</u>	<u>-</u>	
			<u>120,781</u>	<u>-</u>	
Total Federal Grants Fund			<u>\$ 406,038</u>	<u>\$ 216</u>	

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

STATE OF YAP
FEDERATED STATES OF MICRONESIA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE, CONTINUED
OTHER U.S. GRANTS FUND
STATEMENT OF EXPENDITURES AND QUESTIONED COSTS BY GRANTOR
YEAR ENDED SEPTEMBER 30, 1992

<u>Grantor</u> <u>Program Title</u>	<u>CFDA No.</u>	<u>Yap</u> <u>Org.</u> <u>No.</u>	<u>1992</u> <u>Fiscal Year</u> <u>Expenditures</u>	<u>Questioned Costs</u> <u>Amount</u>	<u>Detailed</u> <u>At Page</u>
<u>Federal Emergency Management Agency</u>					
<u>(FEMA) Grants</u>					
Typhoon Owen					
* Owen-Public Assistance Administration	83.516	3808	\$ <u>6,661</u>	\$ -	
			<u>6,661</u>	<u>-</u>	
Owen IFG/Housing/Feeding					
* Owen-FEMA IFG Kits	83.516	3845	80	-	
* Owen-FEMA IFG Administration	83.516	3847	117	-	
* Owen-Housing Program Administration	83.516	3849	31,686	-	
* Owen-Feed Program Administration	83.516	3851	<u>9,411</u>	<u>-</u>	
			<u>41,294</u>	<u>-</u>	
Yap Government Owen "A"					
Chainsaw-Debris Removal	83.516	0812	<u>2,123</u>	<u>-</u>	
			<u>2,123</u>	<u>-</u>	
Yap Government Owen "B"					
Emergency Food Distribution	83.516	0807	338	-	
Emergency Relief Supplies	83.516	0990	<u>149</u>	<u>-</u>	
			<u>487</u>	<u>-</u>	
Yap Government Owen "G " 100%					
* Housing Inspectors	83.516	0601	12,000	-	
* MS V6-91 HSG	83.516	0602	20,568	-	
* Paluwlap V11-91	83.516	0604	7,679	-	
* Paluwlap V14-91 FDG	83.516	0605	6,740	-	
* Paluwlap V15-91 FDG	83.516	0606	6,599	-	
* MS V7-91 HSG	83.516	0607	34,271	-	
* MS V8-91 HSG	83.516	0608	13,852	-	
* MS V9-12	83.516	0609	85,050	-	
* YFA Charter FDG	83.516	0610	<u>5,100</u>	<u>-</u>	
			<u>191,859</u>	<u>-</u>	
Balance Forward			<u>242,424</u>	<u>-</u>	

* - (See page 76)

STATE OF YAP
FEDERATED STATES OF MICRONESIA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE, CONTINUED
OTHER U.S. GRANTS FUND
STATEMENT OF EXPENDITURES AND QUESTIONED COSTS BY GRANTOR, CONTINUED
YEAR ENDED SEPTEMBER 30, 1992

<u>Grantor</u>		<u>Yap</u>	<u>1992</u>	<u>Questioned Costs</u>	
<u>Program Title</u>	<u>CFDA No.</u>	<u>Org.</u>	<u>Fiscal Year</u>	<u>Amount</u>	<u>Detailed</u>
		<u>No.</u>	<u>Expenditures</u>	<u>At</u>	<u>Page</u>
<u>FEMA, Continued</u>					
			\$ 242,424	\$ -	
Department PU&C: Owen "E"					
Ulithi Airport Terminal Building	83.516	0809	369	-	
Power Line Repair Falalop	83.516	0811	5,380	-	
Ulithi Power Plant Building	83.516	0814	940	-	
PU&C Storage Building Falalop	83.516	0815	1,500	-	
Replace PU&C Storage Building	83.516	0816	3,311	-	
Falalop Power Line Repair	83.516	0840	<u>19,093</u>	<u>-</u>	
			<u>30,593</u>	<u>-</u>	
Eauripik Owen "E"					
Eauripik Women's House	83.516	0956	330	-	
Euripik Copra House	83.516	0957	520	-	
Wew Island Men's House	83.516	0958	168	-	
Wew Island Taro House	83.516	0959	<u>231</u>	<u>-</u>	
			<u>1,249</u>	<u>-</u>	
Elato Owen "E"					
Iyefang Chicken House	83.516	0034	4,064	-	
Elato Dispensary	83.516	0035	12,264	-	
Gatepaleye Men's House	83.516	0036	10,380	-	
Four Copra Houses	83.516	0037	1,282	-	
Fuglong Men's House	83.516	0038	3,770	-	
Maetaaro Men's House	83.516	0039	8,780	-	
Welply Men's House	83.516	0040	7,875	-	
Latowea Men's House	83.516	0041	85	-	
Elato Water Catchment Building	83.516	0042	10,395	-	
Elato Boathouse & Canoe	83.516	0043	<u>1,480</u>	<u>-</u>	
			<u>60,375</u>	<u>-</u>	
Fais Owen "E"					
Fais Public Garage Building	83.516	0962	2,340	-	
Fais Men's House Repair	83.516	0963	<u>375</u>	<u>-</u>	
			<u>2,715</u>	<u>-</u>	
			<u>337,356</u>	<u>-</u>	

STATE OF YAP
FEDERATED STATES OF MICRONESIA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE, CONTINUED
OTHER U.S. GRANTS FUND
STATEMENT OF EXPENDITURES AND QUESTIONED COSTS BY GRANTOR, CONTINUED
YEAR ENDED SEPTEMBER 30, 1992

<u>Grantor</u> <u>Program Title</u>	<u>CFDA No.</u>	<u>Yap</u> <u>Org.</u> <u>No.</u>	<u>1992</u> <u>Fiscal Year</u> <u>Expenditures</u>	<u>Questioned Costs</u> <u>Amount</u>	<u>Detailed</u> <u>At Page</u>
FEMA, Continued					
Balance Forwarded			\$ 337,356	\$ -	
Ifalik Owen "E"					
Hasutalig Men's House	83.516	0059	5,713	-	
Maiyefang Men's House	83.516	0062	4,450	-	
Sabolap Men's House	83.516	0065	375	-	
Halingleo Canoe House	83.516	0089	3,450	-	
Fannap Men's House	83.516	0092	450	-	
Rollong Men's House	83.516	0093	1,150	-	
Chapilpiy Men's House	83.516	0097	450	-	
Yatmagil Men's House	83.516	0098	10,100	-	
Falalop Canoe	83.516	0099	2,500	-	
Faligoshal Men's House	83.516	0101	<u>525</u>	<u>-</u>	
			<u>29,163</u>	<u>-</u>	
Lamotrek Owen "E"					
Waison Men's House	83.516	0010	8,400	-	
Faltangi Men's House	83.516	0011	11,050	-	
Faltebuy Men's House	83.516	0012	9,235	-	
Yabui Men's House	83.516	0013	17,797	-	
Lugal Men's House	83.516	0014	12,693	-	
Kulong Men's House	83.516	0015	13,175	-	
Falmwera Men's House	83.516	0016	7,087	-	
Hatiragig Men's House	83.516	0017	4,200	-	
Wariyeita Men's House	83.516	0018	9,521	-	
Lebul Men's House	83.516	0019	10,350	-	
Falbul Men's House	83.516	0020	4,500	-	
Paliwai Pig Pen	83.516	0021	936	-	
Elementary School Pig House	83.516	0023	1,403	-	
School Water Catchment	83.516	0024	213	-	
Luglap Pig House	83.516	0027	936	-	
Dispensary Radio	83.516	0028	1,774	-	
Replace Four Boat Houses	83.516	0029	10,831	-	
Luglap Water Catchment	83.516	0030	381	-	
Fealguwan Women's House	83.516	0031	2,137	-	
Lamotrek Water Catchment	83.516	0032	2,421	-	
Pig House (North)	83.516	0033	<u>936</u>	<u>-</u>	
			<u>129,976</u>	<u>-</u>	
Balance Forward			<u>496,495</u>	<u>-</u>	

STATE OF YAP
FEDERATED STATES OF MICRONESIA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE, CONTINUED
OTHER U.S. GRANTS FUND
STATEMENT OF EXPENDITURES AND QUESTIONED COSTS BY GRANTOR, CONTINUED
YEAR ENDED SEPTEMBER 30, 1992

<u>Grantor</u>		<u>Yap</u>	<u>1992</u>	<u>Questioned Costs</u>	
<u>Program Title</u>	<u>CFDA No.</u>	<u>Org.</u>	<u>Fiscal Year</u>	<u>Amount</u>	<u>Detailed</u>
		<u>No.</u>	<u>Expenditures</u>	<u>At</u>	<u>Page</u>
<u>FEMA, Continued</u>					
			\$ 496,495	\$ -	
Balance Forwarded					
Satawal Owen "E"					
Wairaeu Women's House	83.516	0001	4,078	-	
Asugwoi Men's House	83.516	0002	14,462	-	
Sigafila Men's House	83.516	0003	2,600	-	
Replace Boathouse	83.516	0004	3,100	-	
Woleiteo Boathouse	83.516	0007	3,000	-	
Comm. Radio Hut	83.516	0009	2,144	-	
Lemengad Boathouse	83.516	0066	3,078	-	
Galengatag Men's House	83.516	0077	12,170	-	
Woleiteo Men's House	83.516	0078	14,029	-	
Ropotwin Men's House	83.516	0079	22,888	-	
Suntory Canoe	83.516	0080	1,440	-	
Canoes (Ropotiw)	83.516	0081	5,200	-	
Udulap Men's House	83.516	0083	15,057	-	
Five Cookhouses	83.516	0085	2,392	-	
Latiulsew Women's House	83.516	0086	199	-	
Lemengad Boathouse	83.516	0087	4,367	-	
Lukerik Men's House	83.516	0891	20,357	-	
Lukerik Boathouse	83.516	0092	1,800	-	
Laepitik Men's House	83.516	0093	16,801	-	
Four Copra Houses	83.516	0094	<u>2,133</u>	<u>-</u>	
			<u>151,295</u>	<u>-</u>	
Ulithi Owen "E"					
Mowel Men's House	83.516	0970	6,350	-	
Falalop Dispensary	83.516	0971	1,195	-	
Soglai Storage Building	83.516	0975	267	-	
Soglug Canoe House	83.516	0976	3,675	-	
Eu Island Catchment Building	83.516	0963	<u>452</u>	<u>-</u>	
			<u>11,939</u>	<u>-</u>	
Balance Forward			<u>659,729</u>	<u>-</u>	

STATE OF YAP
 FEDERATED STATES OF MICRONESIA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE, CONTINUED
 OTHER U.S. GRANTS FUND
STATEMENT OF EXPENDITURES AND QUESTIONED COSTS BY GRANTOR, CONTINUED
YEAR ENDED SEPTEMBER 30, 1992

<u>Grantor</u> <u>Program Title</u>	<u>CFDA No.</u>	<u>Yap</u> <u>Org.</u> <u>No.</u>	<u>1992</u> <u>Fiscal Year</u> <u>Expenditures</u>	<u>Questioned Costs</u> <u>Amount</u>	<u>Detailed</u> <u>At Page</u>
<u>FEMA, Continued</u>					
Balance Forwarded			\$ 659,729	\$ -	
Woleai Owen "E"					
Galimmgelfeo Men's House	83.516	0907	500	-	
Seliap Water Catchment Building	83.516	0931	1,633	-	
Wottegai Island Cookhouse	83.516	0932	168	-	
Hasurleo Men's House	83.516	0933	258	-	
Hapewec Men's House	83.516	0935	75	-	
Fealaepang Men's House	83.516	0938	60	-	
Falschogoy Men's House	83.516	0939	293	-	
Fealaegero Men's House	83.516	0941	53	-	
Falimas Men's House	83.516	0942	<u>1,800</u>	<u>-</u>	
			<u>4,840</u>	<u>-</u>	
Faraulep Owen "E"					
Faraulep Dispensary Repair	83.516	0048	1,081	-	
Copra Storage Building	83.516	0052	40	-	
Gatiyemog Men's House	83.516	0053	14,010	-	
Gaweshag Men's House	83.516	0056	3,075	-	
Hasurmoiu Men's House	83.516	0057	<u>75</u>	<u>-</u>	
			<u>18,281</u>	<u>-</u>	
Department of Education Owen "E"					
Lamotrek Elementary School Repair	83.516	0025	12,666	-	
Satawal Cultural Hut Building	83.516	0828	557	-	
Falalus Elementary School Repair	83.516	0948	<u>2,286</u>	<u>-</u>	
			<u>15,509</u>	<u>-</u>	
Total FEMA			<u>698,359</u>	<u>-</u>	
<u>Department of Commerce</u>					
* Trochus Reseeding	11.300	3401	<u>10,074</u>	<u>-</u>	
			<u>10,074</u>	<u>-</u>	
Total Other U.S. Grants Fund			<u>\$ 708,433</u>	<u>\$ -</u>	

Note: The above grants are received directly from the Federal Emergency Management Authority (FEMA) for typhoon relief aid except for grants marked by an asterisk (*) which are received in a sub-grantee capacity through the FSM National Government.

STATE OF YAP
FEDERATED STATES OF MICRONESIA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE, CONTINUED
OTHER U.S. CAPITAL PROJECTS FUND
STATEMENT OF EXPENDITURES AND QUESTIONED COSTS BY GRANTOR
YEAR ENDED SEPTEMBER 30, 1992

<u>Grantor</u>		<u>Yap</u>	<u>1992</u>	<u>Questioned Costs</u>	
<u>Program Title</u>	<u>CFDA No.</u>	<u>Org.</u>	<u>Fiscal Year</u>	<u>Amount</u>	<u>Detailed</u>
		<u>No.</u>	<u>Expenditures</u>	<u>At</u>	<u>Page</u>
<u>Environmental Protection Agency</u>					
Ulithi Sewer	66.418	6851	\$ 60,882	\$ -	
House Sewer Connection II	66.418	6853	<u>21,074</u>	<u>-</u>	
Total Other U.S. Capital Projects Fund			<u>\$ 81,956</u>	<u>\$ -</u>	

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

STATE OF YAP
FEDERATED STATES OF MICRONESIA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE, CONTINUED
YAP FISHING AUTHORITY
STATEMENT OF EXPENDITURES AND QUESTIONED COSTS BY GRANTOR
YEAR ENDED SEPTEMBER 30, 1992

<u>Grantor</u>		<u>Yap</u>	<u>1992</u>	<u>Questioned Costs</u>	
<u>Program Title</u>	<u>CFDA No.</u>	<u>Org.</u>	<u>Fiscal Year</u>	<u>Amount</u>	<u>Detailed</u>
		<u>No.</u>	<u>Expenditures</u>	<u>At</u>	<u>Page</u>
<u>Department of Commerce</u>					
Sponge Aquaculture Feasibility Study in Yap's Outer Islands	11.300	-	\$ 4,910	\$ -	
Total Yap Fishing Authority Grants			<u>\$ 4,910</u>	<u>\$ -</u>	

Note: The above grant was received directly by the Yap Fishing Authority from the grantor agency.

STATE OF YAP
FEDERATED STATES OF MICRONESIA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE, CONTINUED
NON U.S. GRANTS FUND
STATEMENT OF EXPENDITURES AND QUESTIONED COSTS BY GRANTOR
YEAR ENDED SEPTEMBER 30, 1992

<u>Grantor</u> <u>Program Title</u>	<u>Yap</u> <u>Org.</u> <u>No.</u>	<u>1992</u> <u>Fiscal Year</u> <u>Expenditures</u>	<u>Questioned Costs</u>	
			<u>Amount</u>	<u>Detailed</u> <u>At Page</u>
<u>World Health Organization</u>				
Primary Health C/S	3918	\$ 9,907	\$ -	
<u>UNICEF</u>				
Family Education Prod./Nutrition	3961	1,801	-	
<u>UNDP</u>				
Population Education	3991	447	-	
<u>UNESCO</u>				
FY89 Population Education	3956	1,726	-	
<u>Other Non-U.S. Grants</u>				
Australia Dive and Lab Equipment	3982	1,557	-	
SPC Youth Follow-up	3983	968	-	
SP REP Outer Island Turtle Project	3985	<u>12,075</u>	<u>-</u>	
Total Non U.S. Grants Fund		<u>\$ 28,481</u>	<u>\$ -</u>	

Note: The above grants are received directly from foreign governments and private organizations.

STATE OF YAP
FEDERATED STATES OF MICRONESIA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE, CONTINUED
CFSM GRANTS FUND
STATEMENT OF EXPENDITURES AND QUESTIONED COSTS BY GRANTOR
YEAR ENDED SEPTEMBER 30, 1992

<u>Grantor</u> <u>Program Title</u>	<u>Yap</u> <u>Org.</u> <u>No.</u>	<u>1992</u> <u>Fiscal Year</u> <u>Expenditures</u>	<u>Questioned Costs</u>	
			<u>Amount</u>	<u>Detailed</u> <u>At Page</u>
<u>FSM Congress</u>				
Eauripik School	5802	\$ 16	\$ -	
Woleai Junior High School	5803	149	-	
Medical Supply	5804	4,967	-	
Lomatrek Elementary School	5814	100	-	
Colonia Community Center	5816	346	-	
FY91 Vocational Education	5825	13,829	-	
Yap State Court	5831	53,338	-	
Rull Support	5842	6,806	-	
Gagil Elementary School	5846	2,293	-	
Madrich Village	5850	18	-	
Outer Island High School Center	5851	1,581	-	
Medical Supply	5855	1,284	-	
Youth Service	5858	238	-	
Outer Island High School Reconstruction	5865	2,901	-	
FY91 Yap Supreme Court	5866	2,674	-	
Vocational Education	5868	594	-	
Piggery Production	5871	12,581	-	
Outer Island Transportation	5874	2,317	-	
Outer Island Agriculture Improvement	5877	3,836	-	
MAQ Youth	5878	5,044	-	
Asor Elementary	5879	1,435	-	
Sorol Elementary	5880	2,382	-	
Tagailap Center	5881	800	-	
Joint Law Enforcement	5882	55,129	-	
Medical Supply	5884	1,501	-	
Outer Island Agriculture	5888	13,592	-	
Road Development & Maintenance	5889	170	-	
Education Operations	5890	71,148	-	
FY91 Joint Law Enforcement	5891	122	-	
Madrich Development	5892	404	-	
FY91 Typhoon Owen Relief	5895	31,163	-	
Vocational Rehabilitation	5897	1,000	-	
Teachers Training	5899	41,458	-	
Balebat BB	5900	3,691	-	
School Toilet	5901	2,779	-	
Yap Women's Association Roof	5902	3,007	-	
		<u>3,007</u>	<u>-</u>	
Total CFSM Grants Fund		<u>\$ 344,693</u>	<u>\$ -</u>	

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

STATE OF YAP
FEDERATED STATES OF MICRONESIA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE, CONTINUED
CFSM CAPITAL PROJECTS FUND
STATEMENT OF EXPENDITURES AND QUESTIONED COSTS BY GRANTOR
YEAR ENDED SEPTEMBER 30, 1992

<u>Grantor</u> <u>Program Title</u>	<u>Yap</u> <u>Org.</u> <u>No.</u>	<u>1992</u> <u>Fiscal Year</u> <u>Expenditures</u>	<u>Questioned Costs</u>	
			<u>Amount</u>	<u>Detailed</u> <u>At Page</u>
<u>FSM Congress</u>				
YYINN PWRL	6611	\$ 5,042	\$ -	
Daboch Center	6613	76,159	-	
Rumung Water	6614	3,342	-	
Faraulep School	6615	2,581	-	
Elato School	6616	2,139	-	
Falalop School	6617	5,737	-	
Malay BB Center	6618	2,596	-	
Outer Island High School Cafeteria	6620	26,486	-	
TTPI CIP Administration	6621	576	-	
DB School Building	6622	24,000	-	
DB School Building	6623	45,445	-	
Pilung Office	6624	11,383	-	
Amun CL/RD	6625	10,000	-	
Okaw Bridge	6626	4,911	-	
Micro Spirit Desalination	6695	<u>970</u>	<u>-</u>	
Total CFSM Capital Projects Fund		<u>\$ 221,367</u>	<u>\$ -</u>	

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

STATE OF YAP
FEDERATED STATES OF MICRONESIA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE, CONTINUED
TTPI CAPITAL PROJECTS FUND
STATEMENT OF EXPENDITURES AND QUESTIONED COSTS BY GRANTOR
YEAR ENDED SEPTEMBER 30, 1992

<u>Grantor</u> <u>Program Title</u>	<u>CFDA No.</u>	<u>Yap</u> <u>Org.</u> <u>No.</u>	<u>1992</u> <u>Fiscal Year</u> <u>Expenditures</u>	<u>Questioned Costs</u> <u>Amount</u>	<u>Detailed</u> <u>At Page</u>
<u>Trust Territory of the Pacific Islands</u>					
Yap Airport Terminal	15.875	6381	\$ 1,968	\$ -	
Rural Sanitation	15.875	6382	45,953	-	
Well Development	15.875	6385	372	-	
Additional Water Sources	15.875	6386	375	-	
Three Outer Island Airfields	15.875	6390	80,601	-	
Roads Construction Phase V	15.875	6393	99,429	-	
Southern Yap Water	15.875	6394	11,970	-	
Colonia Sewage Improvement	15.875	6395	87,988	-	
Airport Fuel Stands	15.875	6398	<u>263,916</u>	<u>-</u>	
Total TTPI Capital Projects Fund			<u>\$ 592,572</u>	<u>\$ -</u>	

Note: The above grants are received in a sub-grantee capacity through the Trust Territory of the Pacific Islands (TTPI) Government and bear CFDA #15.875.

STATE OF YAP
FEDERATED STATES OF MICRONESIA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE, CONTINUED
COMPACT OF FREE ASSOCIATION COMPACT PROGRAMS FUND
SECTION 221(B) SPECIAL BLOCK GRANT (CFDA NO. 15.875)
STATEMENT OF EXPENDITURES AND QUESTIONED COSTS BY GRANTOR
YEAR ENDED SEPTEMBER 30, 1992

<u>Grantor</u> <u>Program Title</u>	<u>Yap</u> <u>Org.</u> <u>No.</u>	<u>1992</u> <u>Fiscal Year</u> <u>Expenditures</u>	<u>Questioned Costs</u>	
			<u>Amount</u>	<u>Detailed</u> <u>At Page</u>
<u>Office of Territorial and</u>				
<u>International Affairs</u>				
DOE Budget Supply/Maintenance	2113	\$ 45,471	\$ -	
Instruction and Curriculum	2115	392,320	-	
Yap Elementary Schools	2116	98,427	-	
Outer Island Elementary Schools	2117	38,446	-	
Yap High School	2118	64,572	-	
Outer Islands High School	2119	98,383	-	
Post Secondary Student Services	2122	19,558	-	
DOE Staff Development	2123	111,281	-	
Outer Island Middle School	2126	54,589	-	
Special Education Program	2127	26,617	-	
Family Health Planning	2130	78	-	
Primary Health Care	2132	21,229	-	
Preventive Health Care	2133	4,117	-	
Alcohol/Drug Abuse & M/H	2136	10,711	-	
Medical Referral	2137	184,330	-	
Medical Supply and Equipment	2138	105,685	-	
Ancillary Services	2140	<u>5,600</u>	<u>-</u>	
Total Compact of Free				
Association Compact Programs				
Fund - Section 221(B)		<u>\$1,281,414</u>	<u>\$ -</u>	

(Note: These funds are made available by Title Two, Article I, Section 221(B) of the Compact of Free Association.)

These funds are disbursed through the office of Territorial and International Affairs (OTIA), Department of the Interior and bear CFDA No. 15.875. The FSM National Government receives all grant awards on behalf of the FSM and then reallots such to the component States.

STATE OF YAP
FEDERATED STATES OF MICRONESIA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE, CONTINUED
COMPACT OF FREE ASSOCIATION COMPACT PROGRAMS FUND
SECTION 212(A) SPECIAL DEVELOPMENT PROGRAMS (CFDA NO. 15.875)
STATEMENT OF EXPENDITURES AND QUESTIONED COSTS BY GRANTOR
YEAR ENDED SEPTEMBER 30, 1992

<u>Grantor</u> <u>Program Title</u>	<u>Yap</u> <u>Org.</u> <u>No.</u>	<u>1992</u> <u>Fiscal Year</u> <u>Expenditures</u>	<u>Questioned Costs</u>	
			<u>Amount</u>	<u>Detailed</u> <u>At Page</u>
<u>Office of Territorial and</u>				
<u>International Affairs</u>				
PHC Dispensary Renovation	2205	\$ 9,932	\$ -	
Civic Action Team	-	<u>250,000</u>	<u>-</u>	
Total Compact of Free				
Association Compact Programs				
Fund - Section 212(A)		<u>\$ 259,932</u>	<u>\$ -</u>	

(Note: These funds are made available by Title Two, Article I, Section 212(A) of the Compact of Free Association.)

These funds are disbursed through the office of Territorial and International Affairs (OTIA), Department of the Interior and bear CFDA No. 15.875. The FSM National Government receives all grant awards on behalf of the FSM and then reallocates such to the component States.

STATE OF YAP
FEDERATED STATES OF MICRONESIA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE, CONTINUED
COMPACT OF FREE ASSOCIATION COMPACT PROGRAMS FUND
SECTION 216(A)(2) HEALTH AND MEDICAL PROGRAMS (CFDA NO. 15.875)
STATEMENT OF EXPENDITURES AND QUESTIONED COSTS BY GRANTOR
YEAR ENDED SEPTEMBER 30, 1992

<u>Grantor</u> <u>Program Title</u>	<u>Yap</u> <u>Org.</u> <u>No.</u>	<u>1992</u> <u>Fiscal Year</u> <u>Expenditures</u>	<u>Questioned Costs</u> <u>Detailed</u> <u>Amount</u> <u>At Page</u>
<u>Office of Territorial and</u> <u>International Affairs</u>			
Medical Referral Program	2448	\$ 262,590	\$ -
Total Compact of Free Association Compact Programs Fund - Section 216(A)(2)		<u>\$ 262,590</u>	<u>\$ -</u>

(Note: These funds are made available by Title Two, Article I, Section 216(A)(2) of the Compact of Free Association.)

These funds are disbursed through the office of Territorial and International Affairs (OTIA), Department of the Interior and bear CFDA No. 15.875. The FSM National Government receives all grant awards on behalf of the FSM and then reallots such to the component States.

STATE OF YAP
FEDERATED STATES OF MICRONESIA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE, CONTINUED
COMPACT OF FREE ASSOCIATION COMPACT PROGRAMS FUND
SECTION 216(A)(3) POST SECONDARY EDUCATION (CFDA NO. 15.875)
STATEMENT OF EXPENDITURES AND QUESTIONED COSTS BY GRANTOR
YEAR ENDED SEPTEMBER 30, 1992

<u>Grantor</u> <u>Program Title</u>	<u>Yap</u> <u>Org.</u> <u>No.</u>	<u>1992</u> <u>Fiscal Year</u> <u>Expenditures</u>	<u>Questioned Costs</u> <u>Detailed</u> <u>Amount</u> <u>At Page</u>
<u>Office of Territorial and</u> <u>International Affairs</u>			
Scholarships and Grants	2641	\$ 56,500	\$ -
Total Compact of Free Association Compact Programs Fund - Section 216(A)(3)		<u>\$ 56,500</u>	<u>\$ -</u>

(Note: These funds are made available by Title Two, Article I, Section 216(A)(3) of the Compact of Free Association.)

These funds are disbursed through the office of Territorial and International Affairs (OTIA), Department of the Interior and bear CFDA No. 15.875. The FSM National Government receives all grant awards on behalf of the FSM and then reallots such to the component States.

STATE OF YAP
FEDERATED STATES OF MICRONESIA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE, CONTINUED
COMPACT OF FREE ASSOCIATION COMPACT PROGRAMS FUND
SECTION 214(B) ENERGY PROGRAMS (CFDA NO. 15.875)
STATEMENT OF EXPENDITURES AND QUESTIONED COSTS BY GRANTOR
YEAR ENDED SEPTEMBER 30, 1992

<u>Grantor</u> <u>Program Title</u>	<u>Yap</u> <u>Org.</u> <u>No.</u>	<u>1992</u> <u>Fiscal Year</u> <u>Expenditures</u>	<u>Questioned Costs</u> <u>Detailed</u> <u>Amount</u> <u>At Page</u>
<u>Office of Territorial and</u>			
<u>International Affairs</u>			
POL/Power Generation	2853	\$1,045,300	\$ -
Total Compact of Free			
Association Compact Programs			
Fund - Section 214(B)		<u>\$1,045,300</u>	<u>\$ -</u>

(Note: These funds are made available by Title Two, Article I, Section 214(B) of the Compact of Free Association.)

These funds are disbursed through the office of Territorial and International Affairs (OTIA), Department of the Interior and bear CFDA No. 15.875. The FSM National Government receives all grant awards on behalf of the FSM and then reallocates such to the component States.

STATE OF YAP
FEDERATED STATES OF MICRONESIA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE, CONTINUED
COMPACT OF FREE ASSOCIATION CAPITAL PROJECTS FUND
SECTION 211(A) CAPITAL ACCOUNT (CFDA NO. 15.875)
STATEMENT OF EXPENDITURES AND QUESTIONED COSTS BY GRANTOR
YEAR ENDED SEPTEMBER 30, 1992

<u>Grantor</u> <u>Program Title</u>	<u>Yap</u> <u>Org.</u> <u>No.</u>	<u>1992</u> <u>Fiscal Year</u> <u>Expenditures</u>	<u>Questioned Costs</u> <u>Amount</u>	<u>Detailed</u> <u>At Page</u>
<u>Office of Territorial and</u>				
<u>International Affairs</u>				
Daboch Community Center	6101	\$ 106	\$ -	
High School Classroom	6201	89,620	-	
Investment Promotion	6208	5,800	-	
Outer Island Agriculture Development	6211	6,563	-	
Reef Fish Study Station	6212	873	-	
Reef Fish Rep. Demonstration	6213	551	-	
FY91 Power Upgrade	6214	91,945	-	
Livestock Export/Import	6215	27,437	-	
Outer Island Turtle Project II	6218	16,881	-	
Generator Repair	6219	3,830	-	
Satawal Elementary School	6220	62,881	-	
Delipebinaw School	6221	26,175	-	
Coastal Management Plan	6222	454	-	
BUIY Fish Study	6223	448	-	
Tourism Promotion	6224	24,905	-	
Power System Development	6225	49,256	-	
Power System Improvement/Upgrade	6226	219,284	-	
PU&C Equipment Purchase	6227	1,681	-	
WSZA/WAAB Building	6228	8,591	-	
YFA Dock Extension	6229	20,000	-	
Daboch/IO Settlement	6230	24,291	-	
Seliap School Library/Office	6231	4,835	-	
Mogmog School Extension Library & Office	6232	8,634	-	
DOE Storage Extension	6233	11,286	-	
Agroforestry Project	6234	2,093	-	
Waloy Road Culverts	6235	4,179	-	
Hospital Equipment Purchase	6236	9,000	-	
Roads Development	6242	2,702,961	-	
Roads Development Phase VII	6243	19,194	-	
Land Acquisition	6245	48,911	-	
Typhoon Owen Relief	6249	1,947	-	
FY92 Trochus Survey	6260	3,680	-	
Manpower Training	6262	26,607	-	
Feasibility Studies	6263	10,000	-	
Sludge Drying Beds	6267	1,077	-	
Vegetables & Root Crops	6270	13,843	-	
Nursery Development/Forestry	6271	194	-	
		<u>3,550,013</u>	<u>-</u>	
Balance Forward				

STATE OF YAP
FEDERATED STATES OF MICRONESIA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE, CONTINUED
COMPACT OF FREE ASSOCIATION CAPITAL PROJECTS FUND
SECTION 211(A) CAPITAL ACCOUNT (CFDA NO. 15.875)
STATEMENT OF EXPENDITURES AND QUESTIONED COSTS BY GRANTOR, CONTINUED
YEAR ENDED SEPTEMBER 30, 1992

<u>Grantor</u>	Yap	1992	<u>Questioned Costs</u>	
<u>Program Title</u>	<u>Org.</u>	<u>Fiscal Year</u>	<u>Amount</u>	<u>Detailed</u>
	<u>No.</u>	<u>Expenditures</u>		<u>At Page</u>
Balance Forwarded		\$ 3,550,013	\$ -	
 <u>Office of Territorial and</u>				
<u>International Affairs, continued</u>				
Peninsula M Plan	6276	15,000	-	
WAAB TV Equipment	6289	4,602	-	
Colonia Community Center B/B Ct. Ext.	6290	482	-	
Airport Waterline Extension	6296	1,416	-	
Runuu & Thebeth Power	6297	8,733	-	
Outer Island Airfields	6298	<u>243,056</u>	<u>-</u>	
Total Compact of Free Association Capital Projects Fund - Section 211(A)		<u>\$ 3,823,302</u>	<u>\$ -</u>	

(Note: These funds are made available by Title Two, Article I, Section 211(A) of the Compact of Free Association.)

These funds are disbursed through the office of Territorial and International Affairs (OTIA), Department of the Interior and bear CFDA No. 15.875. The FSM National Government receives all grant awards on behalf of the FSM and then reallocates such to the component States.

STATE OF YAP
FEDERATED STATES OF MICRONESIA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE, CONTINUED
COMPACT OF FREE ASSOCIATION GENERAL FUND
SECTION 211(A) CURRENT ACCOUNT (CFDA NO. 15.875)
STATEMENT OF EXPENDITURES AND QUESTIONED COSTS BY GRANTOR
YEAR ENDED SEPTEMBER 30, 1992

<u>Grantor</u> <u>Program Title</u>	<u>Yap</u> <u>Org.</u> <u>No.</u>	<u>1992</u> <u>Fiscal Year</u> <u>Expenditures</u>	<u>Questioned Costs</u> <u>Detailed</u> <u>Amount</u> <u>At Page</u>
<u>Office of Territorial and</u>			
<u>International Affairs</u>			
General Fund:			
Current Account	Various	<u>\$ 6,762,110</u>	<u>\$ -</u>
Total Compact of Free			
Association expenditures		<u>\$13,491,148</u>	<u>\$ -</u>

(Note: These funds are made available by Title Two, Article I, Section 211(A) of the Compact of Free Association.)

These funds are disbursed through the office of Territorial and International Affairs (OTIA), Department of the Interior and bear CFDA No. 15.875. The FSM National Government receives all grant awards on behalf of the FSM and then reallots such to the component States.

STATE OF YAP
 FEDERATED STATES OF MICRONESIA
 SCHEDULE OF PROGRAMS SELECTED FOR
 AUDIT IN ACCORDANCE WITH OMB CIRCULAR A-128
 YEAR ENDED SEPTEMBER 30, 1992

<u>Grantor</u> <u>Program Title</u>	<u>CFDA No.</u>	<u>Description</u>	1992 <u>Fiscal Year</u> <u>Expenditures</u>
<u>U.S. Dept. of the Interior</u>			
Compact of Free Association:	15.875		
211(A) Capital Account			\$ 3,823,302
221(B) Special Block Grant			1,281,415
Special Development Assistance			259,933
Health and Medical			262,590
Post Secondary Education			56,500
Energy Programs			1,045,300
TTPI Capital Projects			592,572
OTIA Technical Assistance			<u>41,289</u>
Total CFDA # 15.875 excluding Compact Section 211 (A) current account expenditures			7,362,901
 <u>Federal Emergency Management Agency</u> <u>(FEMA)</u>			
Disaster Assistance	83.516		<u>698,359</u>
Total U.S. Federal program expenditures selected excluding Compact Section 211 (A) Current Account expenditures			<u>\$ 8,061,260</u>
Total U.S. Federal program expenditures excluding Compact Section 211 (A) Current Account expenditures			<u>\$ 8,518,039</u>
% of total U.S. Federal expenditures covered by major programs excluding Compact Section 211 (A) Current Account expenditures			<u>94.6%</u>

Administrative Controls Review

Yap State receives federal assistance program funding in a subrecipient capacity through the FSM National Government and in a direct capacity from various grantor agencies. For the administration of federal funds, the State of Yap uses a centralized system for all billings and financial reporting, which is performed by the Finance Division of the Office of Administrative Services, and a decentralized system for compliance and program performance which is performed by each of the Departments which receive and administer federal funds. The following findings are the result of an administrative controls review which has been performed on the federal grants system of the State of Yap and does not necessarily relate to the responsibility of any one individual department.

STATE OF YAP
FEDERATED STATES OF MICRONESIA
SCHEDULE OF ADMINISTRATIVE CONTROL WEAKNESS SUMMARY
YEAR ENDED SEPTEMBER 30, 1992

Local Finding No. 1 - Reimbursement Receivable

Criteria: All requests for reimbursements of funds from the National Government should be followed up, and any amounts which are considered receivable should be recorded as a receivable in the general ledger.

Condition: Management did not appear aware of the \$70,230 of funds which had been rejected on an administrative basis, i.e. incorrect account numbers, etc., therefore no reconciliation had been prepared or receivables recorded.

Cause: This appears to be due to lack of communication between the FSM National Government and Yap State regarding federal grants reimbursements.

Effect: An audit adjustment was proposed to post as receivable unreimbursed federal grants, therefore the effect is to possibly overstate receivables related to these funds.

Recommendation: We recommend that requests to the National Government for funds are followed up and payments from the National Government are reconciled to the requests for reimbursements of federal grants on a monthly basis.

Auditee Response: None.

Corrective Action: The Chief Accountant is responsible to correct this situation by September 30, 1993.

Local Finding No. 2 - Compact Capital Compliance (CFDA #15.875)

Criteria: Compact capital funding must be used for allowable expenditures.

Condition: Compact capital funding was used for a stipend for students at the medical officers training school in Pohnpei. It appears that this expenditure may not be of a capital nature and should be classified elsewhere.

Cause: This appears to be due to nonfamiliarity with Compact capital requirements and due to the decrease in Compact funds available.

Effect: The effect may be noncompliance with Compact requirements and local laws and regulations.

STATE OF YAP
FEDERATED STATES OF MICRONESIA
SCHEDULE OF ADMINISTRATIVE CONTROL WEAKNESS SUMMARY, CONTINUED
YEAR ENDED SEPTEMBER 30, 1992

**Local Finding No. 2 - Compact Capital Compliance (CFDA #15.875),
Continued**

Recommendation: We recommend that Compact capital funds be used only for capital expenditures which meet the requirements of the compact and that justifications be documented and authorized for unclear situations.

Auditee Response: Compact capital funding may be used for "Manpower development projects and training development." At the time the expenditure was authorized by the Yap State Legislature, it was determined to be properly chargeable to the Compact capital funds appropriated for manpower training under the above category. This may be a "gray" area; however, we do not consider it was noncompliance under the Compact.

Corrective Action: None.

Local Finding No. 3 - CFSM Receivables

Criteria: Receivable balances should be reconciled and analyzed for collectibility.

Condition: A receivable from the FSM National Government for CFSM grants (Fund 400000) recorded in the amount of approximately \$366,000 at fiscal year end compared to the FSM National Government recorded liability to Yap State for CFSM grants of approximately \$24,700.

Cause: This condition appears to be related to a carry forward of prior year unreconciled variances.

Effect: The effect is that the receivable balance will be reserved as a related asset against fund balance.

Recommendation: We recommend that Yap State reconcile its receivable balance with the FSM National Government and determine the collectibility of the balance. Any uncollectible amounts will need to be written off against the General Fund.

Auditee Response: None.

Corrective Action: The Chief Accountant is responsible to investigate all prior receivable balances and make adjustments as appropriate by September 30, 1993.

STATE OF YAP
FEDERATED STATES OF MICRONESIA
SCHEDULE OF ADMINISTRATIVE CONTROL WEAKNESS SUMMARY, CONTINUED
YEAR ENDED SEPTEMBER 30, 1992

Federal Finding No. 1 - Resolution of Prior Year Findings

Criteria: Audit findings should be resolved in a timely manner.

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

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

Cause: Unknown

Effect: The non-resolution of these conditions has the same impact as is the prior years.

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

Auditee Response: For finding no. 1, it is the position of the State of Yap that the term "project administration costs" means "indirect cost charges". As Yap does not calculate or charge indirect costs to any capital project there is compliance with the 1.5% limitation.

For finding no. 3, it is impossible for Yap to resolve this finding until it locates certain property records that have been missing for several years.

Corrective Action Plan: There is no corrective action plan for finding no. 1. For finding no. 3, the Financial Management Consultant in the Office of Administrative Services is the only person employed by the State of Yap who claims to know what these files look like. Therefore he is responsible to make one final search for these files not later than September 30, 1993.

Federal Finding No. 2 - Drug-Free Workplace Act

Criteria: Per the Office of Management and Budget General Compliance Supplement, grantees are required to provide employees a drug-free workplace. In order to satisfy the above requirement, the following procedures must be performed:

STATE OF YAP
FEDERATED STATES OF MICRONESIA
SCHEDULE OF ADMINISTRATIVE CONTROL WEAKNESS SUMMARY, CONTINUED
YEAR ENDED SEPTEMBER 30, 1992

Federal Finding No. 2 - Drug-Free Workplace Act, Continued

Criteria, continued:

- a) Publishing a policy statement notifying employees that the unlawful manufacture, distribution, dispensing, possession or use of a controlled substance is prohibited in the grantee's workplace and specifying the actions that will be taken against employees for violation of such prohibition;
- b) Establishing an ongoing drug-free awareness program to inform employees about:
 - . The dangers of drug abuse in the workplace;
 - . The grantee's policy of maintaining a drug-free workplace;
 - . Any available drug counseling, rehabilitation, and employee assistance programs, and,
 - . The penalties that may be imposed upon employees for drug abuse violations occurring in the workplace;
- c) Making it a requirement that each employee to be engaged in the performance of the grant be given a copy of the statement required by paragraph (a);
- d) Notifying the employee in the statement required by paragraph (a) that, as a condition of employment under the grant, the employee will:
 - . Abide by the terms of the statement; and
 - . Notify the employer in writing of any criminal drug statute conviction for a violation occurring in the workplace no later than five calendar days after such conviction;
- e) Notifying the agency in writing within ten calendar days after receiving notice under subparagraph (d) (2) from an employee or otherwise receiving actual notice of such conviction;
- f) Taking one of the following actions, within 30 calendar days of receiving notice under subparagraph (d) (2), with respect to any employee who is so convicted:
 - . Taking appropriate personnel action against such an employee, up to and including termination; or

STATE OF YAP
FEDERATED STATES OF MICRONESIA
SCHEDULE OF ADMINISTRATIVE CONTROL WEAKNESS SUMMARY, CONTINUED
YEAR ENDED SEPTEMBER 30, 1992

Federal Finding No. 2 - Drug-Free Workplace Act, Continued

- . Requiring such employees to participate satisfactorily in a drug abuse assistance or rehabilitation program approved for such purposes by a Federal, State, or local health, law enforcement, or other appropriate agency.

Condition: Per our inquiries, we noted the State of Yap is not in compliance with the Drug-Free Workplace Act.

Cause: The cause of the above condition is that a policy statement on a Drug-Free Workplace has not been issued.

Effect: The effect of the above condition is that the State of Yap may not be eligible to receive federal grant-in-aid monies.

Recommendation: We recommend a policy statement on a Drug-Free Workplace be issued by the Office of the Governor.

Auditee Response: All of the FSM states have requested the FSM National Government Department of Health Services to develop a program for all the FSM that will result in compliance.

Corrective Action Plan: Referred to the Governor of Yap for compliance by June 30, 1994.

Federal Finding No. 3 - Documentation Controls - JTPA
(CFDA #17.250)

Criteria: The supporting documentation for expenditures under federal programs should be complete and accurate.

Condition: Per review of the JTPA contract files noted situations such as; a project had been extended, but the paperwork for the extension had not been filed; a timesheet filed for support was not signed as being properly authorized; and the files we reviewed had no documentation of progress reports and follow-up reports being performed. These findings were noted in four out of seven JTPA transactions randomly selected with the four transactions representing approximately \$254.

Cause: This appears to be due to a lack of complete and accurate filing and providing supporting documentation.

STATE OF YAP
FEDERATED STATES OF MICRONESIA
SCHEDULE OF ADMINISTRATIVE CONTROL WEAKNESS SUMMARY, CONTINUED
YEAR ENDED SEPTEMBER 30, 1992

Federal Finding No. 3 - Documentation Controls - JTPA
(CFDA #17.250), Continued

Effect: The effect is possible future questioned costs related to the lack of documentation.

Recommendation: We recommend that the files supporting expenditures under federal programs be complete and accurate.

Auditee Response: None.

Corrective Action: The JTPA Coordinator has been instructed to review the records and correct any deficiencies by September 30, 1993.

Federal Finding No. 4 - Disbursement Controls - JTPA
(CFDA #17.250)

Criteria: Contract/encumbrance unliquidated balances should be reconciled to the manual records on a periodic (quarterly) basis.

Condition: For JTPA contract numbers C20018, C20006, C10052, and C10049 and medical referral number M20005, we were not able to reconcile the manual records to the computer funds available balance.

Cause: This appears to be an accounting problem caused by the manual records for these contracts not being updated to the general ledger (computer records) on a timely basis, and not a questioned cost situation.

Effect: The effect is a possible misstatement of the reserve for encumbrances, although it does not appear to be material.

Recommendation: We recommend that the manual contract/encumbrance liquidation records be reconciled to the general ledger (computer) encumbrance available balance on a quarterly basis.

Auditee Response: None.

Corrective Action: Procedures have been established to require certain supplemental information to be submitted with each payment request. The completion of this information requires reconciliation to the manual records thus eliminating the problem.

STATE OF YAP
FEDERATED STATES OF MICRONESIA
SCHEDULE OF ADMINISTRATIVE CONTROL WEAKNESS SUMMARY, CONTINUED
YEAR ENDED SEPTEMBER 30, 1992

Federal Finding No. 5 - FEMA IFG Program (CFDA #83.516)

Criteria: Proper supporting documentation should be maintained on all transactions and they should be properly recorded on the books.

Condition: A check written by the FSM National Government representative in Yap on behalf of Yap State was not recorded in the accounting system and no supporting documentation as to whether it is to be repaid or not has been located.

Cause: The check did not go through the proper channels and was never received by the accounting department.

Effect: The effect is a possible understatement of liabilities or an understatement of both revenues and expenditures.

Recommendation: We recommend that all funds received or paid in the name of Yap State go through the accounting department and proper documentation be obtained from the FSM National Government regarding the status of this amount, and a liability recorded if repayment is required.

Auditee Response: None.

Corrective Action: The Disaster Control Officer has been advised that if such transactions should occur in the future, the Finance office is to be notified so that the transaction can be properly recorded.

Federal Finding No. 6 - Reimbursement Requirements

Criteria: Federal grants specific requirements should be met.

Condition: The Department of the Interior National Park Service found in an on-site visit that not all travel costs were appropriately documented and verified as required by the grants' specific requirements.

Cause: Unknown.

STATE OF YAP
FEDERATED STATES OF MICRONESIA
SCHEDULE OF ADMINISTRATIVE CONTROL WEAKNESS SUMMARY, CONTINUED
YEAR ENDED SEPTEMBER 30, 1992

Federal Finding No. 6 - Reimbursement Requirements, Continued

Effect: The effect is that the Department of the Interior National Park Service, as grantor, has requested that receipts be included in reimbursement requests and that the U.S. standard per diem rates be used, with possible unreimbursed costs if this request is not followed.

Recommendation: We recommend that the Department of the Interior National Park Service request be complied with in full.

Auditee Response: None.

Corrective Action: The Yap Historical Preservation Officer has been instructed to comply with all National Park Service regulations.

STATE OF YAP
 FEDERATED STATES OF MICRONESIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 1992

<u>Grantor</u>	<u>CFDA #</u>	<u>Program</u>	<u>Identified Findings and Questioned Costs</u>	<u>Questioned Costs</u>
U.S. Department of Labor	17.250	FY89 JTPA Adult Training Org. 3267	<p><u>Criteria:</u> Expenditures should not be made against lapsed authorizations.</p> <p><u>Condition:</u> An expenditure was incurred in the amount of \$216 against the above mentioned program after the authorization lapsed.</p> <p><u>Cause:</u> Unknown.</p> <p><u>Effect:</u> A questioned cost of \$216 has been incurred.</p> <p><u>Recommendation:</u> Expenditures should not be made against authorizations which have lapsed.</p> <p><u>Auditee Response:</u> The amount is being reviewed and we anticipate resolution of this issue in the 1993 audit report.</p>	<u>\$216</u>
Total questioned costs				<u>\$216</u>

STATE OF YAP
FEDERATE STATES OF MICRONESIA
RESOLUTION OF PRIOR YEARS' QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 1992

Unresolved federal questioned costs at September 30, 1991	\$229,000
FY92 Questioned Costs	<u>216</u>
Total unresolved federal questioned costs at September 30, 1992	<u><u>\$229,216</u></u>

Consequently, the following is a summary of unresolved questioned costs for the State of Yap:

FY84 unresolved questioned costs	\$ 28,904
FY85 unresolved questioned costs	24,094
FY86 unresolved questioned costs	176,002
FY92 unresolved questioned costs	<u>216</u>
	<u><u>\$229,216</u></u>

Note: Pursuant to Title I, Section 105 of United States Public Law 99-239 the Government of the Federated States of Micronesia (FSM) is no longer liable for debts to U.S. Federal agencies arising prior to the date of the implementation of the Compact of Free Association. This matter has not yet been officially resolved with the U.S. Government.

**STATE OF YAP
FEDERATED STATES OF MICRONESIA
INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL STRUCTURE
SEPTEMBER 30, 1992**



**INDEPENDENT AUDITOR'S REPORT ON THE INTERNAL CONTROL STRUCTURE
BASED ON THE AUDIT OF THE FINANCIAL STATEMENTS**

Honorable Petrus Tun
Governor, State of Yap
Federated States of Micronesia

We have audited the general purpose financial statements of the State of Yap as of and for the year ended September 30, 1992, and have issued our report thereon dated December 18, 1992. Our report on the audit of the general purpose financial statements was modified as a result of our inability to form an opinion as to the fairness of presentation of the Proprietary Fund Type - Enterprise Funds and General Fixed Assets Account Group.

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

In planning and performing our audit of the general purpose financial statements of the State of Yap for the year ended September 30, 1992, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

The management of the State of Yap, is responsible for establishing and maintaining the internal control structure. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected.

Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories.

- Revenue and receipt cycle
- Purchases and disbursement cycle
- Payroll and personnel cycle
- External financial reporting
- Cash and equivalents
- Investments
- Receivables
- Payables and accrued liabilities
- Fund balances

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures, and whether they have been placed in operation, and we assessed control risk.

We noted certain matters involving the internal control structure and its operation that we considered to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

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

Finding No. 1 - Yap Fishing Authority - Fixed Assets.

Finding No. 2 - Fixed Asset Account Group.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material, in relation to the general purpose financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

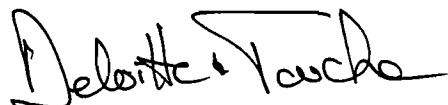
Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe all of the reportable conditions described above are material weaknesses.

We also noted other matters involving the internal control structure and its operation which are described in the accompanying schedule of internal control findings (pages 107 through 121).

We also noted matters involving the internal control structure and its operation used to administer federal financial assistance programs which we reported to the management of the State of Yap in a report dated December 18, 1992.

This report is intended for the information of the management of the State of Yap and the cognizant audit and other federal agencies. However, this report is a matter of public record and its distribution is not limited.

December 18, 1992

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

Certified Public Accountants

Prior Year Findings

Finding No. 1

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

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

<u>Page No.</u>	<u>Finding No.</u>	<u>Description</u>
		Report for FY87
8	10	Yap Fishing Authority - Receivable Collection & Write-offs
		Report for FY90
72	3	Payroll
74	5	Payroll
75	6	Cash Receipts
		Report for FY91
82	6	Yap Fishing Authority - Fixed Assets

Cause: Unknown

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

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

Auditee Response: There are no auditee responses for finding no. 10, fiscal year 1987 and finding no. 3, fiscal year 1990. For finding no. 5, fiscal year 1990, the calculation of payroll tax withholding is directed by the FSM Revenue Office, therefore we cannot change the program, only the FSM National Government can make appropriate changes. For finding no. 6, fiscal year 1990, the policy was established requiring weekly deposits from all sub-collection points except for the Yap State Court where monthly submission are considered more appropriate due to the record keeping system of the court. However, establishment of this policy did not resolve the problem, as the policy was often ignored. There is no auditee response for finding no. 6, fiscal year 1991.

Prior Year Findings, continued

Finding No. 1, continued

Corrective Action: For finding no. 10, fiscal year 1987, the matter has been referred to the YFA Board of Directors for appropriate action. For finding no.3, fiscal year 1990, the supervisor of the Finance and Accounting Division has been assigned to review the payroll edit reports as well as the overall reasonableness of the final payroll. For finding no. 5, fiscal year 1990, the Chief of Finance will place this item on the next FSM Finance Conference agenda. For finding no. 6, fiscal year 1990, early in fiscal year 1993, monitoring of compliance with the policy was placed with the Chief Accountant who takes immediate follow up action if collections are not made on a timely basis in accordance with the policy. For finding no. 6, fiscal year 1991, this item has been referred to the YFA Board of Directors for corrective action.

Fixed Assets Account Group

Finding No. 2

Criteria: Fixed assets should be properly supported.

Condition: A large percentage of the Fixed Assets Account Group represents unsupported costs.

Cause: No supporting documentation is available regarding the assets transferred at the conclusion of Trust Territory time and no documentation regarding a subsequent valuation has been located.

Effect: The effect is a qualified audit report.

Recommendation: We recommend the State attempt to locate a report of the estimated value of FSM assets rumored to be in existence, otherwise the cost of a valuation analysis is prohibitive, therefore simply accept a qualified report.

Auditee response: It is impossible for Yap to resolve this finding until it locates certain property records that have been missing for several years.

Corrective Action: The Financial Management Consultant in the Office of Administrative Services is the only person employed by the State of Yap who claims to know what these files look like. Therefore he is responsible to make one final search for these files not later than September 30, 1993.

Disbursement Control

Finding No. 3

Criteria: A minimum number of check sequences should be used for greater control over used and unused checks and proper accounting classification.

Condition: Numerous check sequences were used for the manual checks.

Cause: The State uses the same check sequence for computer and manual checks and simply pulls out a section of manual checks ahead of the computer check runs until used up and then repeats the process.

Effect: The effect is the absence of a clear audit trail and a possible misclassification of expenditures between fiscal years.

Recommendation: We recommend that separate check sequences be used for the computer and manual general checks.

Auditee Response: Checks are recorded in the fiscal year they are issued, based on the date of issue shown on the checks. The number of the check has no bearing on when it is recorded as issued. Therefore, we see no possibility of misclassifying expenditures from using numerous check sequences for manual checks. We do, however, concur that better control would result from fewer sequences for manual checks.

Corrective Action: We have already taken measures to reduce the number of sequences used for manual checks, including, additional monitoring of the manual check log to ensure numbers are staying in order.

Finding No. 4

Criteria: A contract/employment agreement/personnel action file (PAF) should be on file for all employees of Yap State.

Condition: No file was located for an employee of the court. This finding was one in twenty five random selections made.

Cause: Unknown.

Effect: The effect is improper disbursement documentation and noncompliance with local laws and regulations.

Disbursement Control, continued

Finding No. 4, continued

Recommendation: We recommend that a copy of this employee's contract or PAF be maintained with the Finance Division.

Auditee Response: None.

Corrective Action: The payroll section has been instructed to maintain on file a copy of all Personnel Action forms.

Cash Reconciliation

Finding No. 5

Criteria: Bank reconciliations should be properly prepared.

Condition: In the payroll account reconciliation, a material reconciling item was not included.

Cause: The payroll account reconciliation was based on the debits and credits of the general ledger payroll account rather than reconciling the general ledger activity to the activity recorded by the bank.

Effect: An audit adjustment was proposed to correct the material reconciling item.

Recommendation: We recommend that the payroll account be reconciled between general ledger and bank recorded activity to properly state the balance on a monthly basis.

Auditee Response: None.

Corrective Action: The Chief Accountant is responsible for reconciling all bank accounts to the General Ledger on a monthly basis.

Cash Reconciliation, continued

Finding No. 6

Criteria: The payroll account is an imprest account and therefore should be reconciled to zero on a monthly basis.

Condition: As of September 30, 1992, the payroll account was found to be in a deficit position per the reconciliation.

Cause: This condition appears to be due to the accumulation of unreconciled variances from prior periods.

Effect: The effect is that the payroll account may be in a deficit position.

Recommendation: We recommend the payroll imprest account deficit position be investigated and then corrected; followed by the account being reconciled to zero on a monthly basis.

Auditee Response: None.

Corrective Action: The Chief Accountant is responsible for reconciling all bank accounts to the General ledger on a monthly basis and to make any adjustments considered appropriate.

Finding No. 7

Criteria: Open bank accounts should be recognized on the general ledger and reconciled on a monthly basis.

Condition: The old payroll account was not on the general ledger and it appears statements have not been received to reconcile the account.

Cause: Unknown.

Effect: The effect is to misstate cash on the general ledger.

Recommendation: We recommend that the old payroll account be maintained in the Treasury Fund and be reconciled to a bank statement on a monthly basis.

Cash Reconciliation, continued

Finding No. 7, continued

Auditee Response: The old payroll account has no balance in the General Ledger because it is zero. The only reconciling item is old outstanding checks. It is the considered decision of management to keep this account open indefinitely as an emergency back-up account in a different bank than the bank on which payroll checks are currently written.

Corrective Action: The Chief Accountant is responsible for reconciling this bank account to the General Ledger balance of zero each month.

Finding No. 8

Criteria: Stale dated checks (greater than 6 months old) should be investigated and either rewritten or written off.

Condition: Numerous checks on the outstanding checklists are stale dated.

Cause: We noted that many of the stale dated check recipients live off-island and do not cash checks often; however, we also noted lack of follow up on "on-island" stale dated checks.

Effect: The effect is to possibly misstate cash.

Recommendation: We recommend that outer island checks be periodically investigated; however any "on-island" checks should be investigated and cleared immediately.

Auditee Response: The normal six month period used by banks for cashing checks is not really adequate in Micronesia. It is not unusual for checks issued for more than six months to be tendered for payment. It is considerably easier to simply change the date on the check instead of rewriting the check, especially for payroll checks. However, non-payroll checks that are more than one year old should be investigated and if considered appropriate, be written off.

Corrective Action: It is the responsibility of the Chief Accountant to investigate old checks still outstanding and to make recommendations to management to write off stale dated checks.

Cash Management

Finding No. 9

Criteria: Proper cash management should be used at all times.

Condition: One million dollars to be transferred to the Yap Fishing Corporation was banked. However no interest earning account was established and the funds were documented through the payroll account.

Cause: The payroll account is the only account Yap State has with a certain bank and due to the money needing to be fairly liquid, a time certificate of deposit was not a viable option.

Effect: The effect is a loss of potential interest revenue.

Recommendation: We recommend that a savings account be opened with the bank to avoid losing interest.

Auditee Response: In the transaction described in the finding, it was the considered decision of management not to place the funds in an interest bearing account because of a specific request by the Yap Fishing Corporation (YFC) to have the funds available for transfer at a moments notice. Only hind sight indicates it could have been placed to earn interest but our crystal ball did not provide us with that knowledge. The situation was reviewed several times during the period the funds were held and each time it was decided to accede to the desires of YFC to hold the funds available for immediate transfer.

Corrective Action: None.

Accounts Receivable

Finding No. 10

Criteria: Proper control over accounts receivable requires that receivables be aged and that this aging be reviewed regularly and allowances for doubtful accounts be updated accordingly.

Condition: We noted that receivables were not being aged and as result, no review or updating of allowances for doubtful debt was performed.

Cause: Unknown.

Accounts Receivable, continued

Finding No. 10, continued

Effect: The effect of the above condition is that credit may be extended to delinquent customers and that accounts receivable balances may be overstated.

Recommendation: We recommend that all receivable balances be aged and that this aging be reviewed regularly and allowances for doubtful accounts be updated accordingly.

Auditee Response: None.

Corrective Action: The Chief Accountant is responsible to age all receivable and to review the allowance for doubtful accounts not later than September 30, 1993.

Finding No. 11

Criteria: General ledger receivable balances should be supported by subsidiary ledgers.

Condition: It appears several immaterial receivable balances have not been reconciled to supporting documentation. (Weather Bureau account number 264, College of Micronesia account number 266, College of Tropical Agriculture and Science account number 269, U.N. Development Program account number 271, and Payroll advances account number 290).

Cause: Many of these accounts have had very little or no activity and are basically a carryover of prior year balances. They have not been reviewed and adjusted due to their immateriality.

Effect: A possible immaterial misstatement of account balances is the effect of this finding.

Recommendation: We recommend the State review the above amounts on at least an annual basis to make sure they are properly supported and reflect accurate balances.

Auditee Response: None.

Corrective Action: The Chief Accountant is responsible to review these accounts not later than September 30, 1993.

Receivables Fund

Finding No. 12

Criteria: This fund should be for current receivables - usually payroll for government related entities.

Condition: The Receivables Fund balances are carried over from prior years.

Cause: The State has not researched this fund to determine if the balances are proper.

Effect: The effect is a possible immaterial misstatement of the Receivables Fund.

Recommendation: We recommend that the receivables balance be researched to determine if it is valid, and if so, collection efforts should be made.

Auditee Response: None.

Corrective Action: The Chief Accountant is responsible to review any balances in this Fund and make appropriate adjustments not later than September 30, 1993.

Accounts Payable

Finding No. 13

Criteria: Accounts payable should be properly supported and reconciled on a periodic basis.

Condition: Accounts payable general ledger accounts have not been reconciled to supporting documentation.

Cause: Previous years unreconciled variances have carried forward that are not material for audit purposes.

Effect: The effect is a possible immaterial misstatement of accounts payable.

Accounts Payable, continued

Finding No. 13, continued

Recommendation: We recommend the State obtain a listing of accounts payable activity as of a certain date (from REPORT writer menu) and run a general ledger detail of the accounts payable account on the same date. The two reports should then be reconciled and based on the reconciliation, adjust the accounts payable general ledger account so that it includes only valid accounts payable as of that date.

Auditee Response: None.

Corrective Action: The Chief Accountant is responsible to carry out the recommendations not later than September 30, 1993.

Finding No. 14

Criteria: Accounts payable to the FSM National Government should be reconciled to statements provided by the National Government.

Condition: Amounts payable to the FSM National government as per their statements at year end appeared not to be recorded in the general ledger.

Cause: The cause of the above condition is lack of communication between the State and National Government regarding these items.

Effect: The non-recording of the payables to the National Government leads to the accounts payable balance in the general ledger being understated.

Recommendation: We recommend that Yap State request payable statements from the National Government and reconcile the amount to their records on a regular basis. Any variances found should be investigated and resolved with the National Government on a timely basis.

Auditee Response: The accounts payable statements received from the FSM National Government have been reconciled each time they have been received. The reason there is no payable is because if anything is due it is immediately paid and the balance is not recorded as a payable because we have no intention of paying it. The FSM National Government continues to carry as receivables numerous items that are several years old.

Accounts Payable, continued

Finding No. 14, continued

Auditee Response, continued: Each time they send us a statement we request back up documentation so that we can determine if it is even owed to them. We never receive anything and therefore we refuse to pay, because past experience has taught us that many of these items have already been paid, but the payment was incorrectly recorded by the FSM National Government.

Corrective Action: None, other than to sit and wait for the FSM National Government to respond to our requests, which have been repeated now for several years without success.

Travel Advances

Finding No. 15

Criteria: The travel advance subsidiary ledger should reconciled to the general ledger on a monthly basis.

Condition: During fiscal year 1992, it appears that the travel advance subsidiary ledger was not reconciled to the general ledger.

Cause: The travel advance officer has not been instructed or properly trained to perform this reconciliation and supervisors have not had the time to provide the training or do the reconciliations themselves.

Effect: A possible misstatement of travel advances is the effect of this finding.

Recommendation: We recommend that the travel advance officer be trained to reconcile the travel advance subledger to the general ledger on a monthly basis and that a supervisor review the reconciliation on a periodic basis.

Auditee Response: None.

Corrective Action: The Travel Clerk is now doing monthly reconciliations and the Chief Accountant is responsible to review the Travel Clerk's work.

Accrued Payroll

Finding No. 16

Criteria: Payroll accruals should be reversed after closing to properly state the next year.

Condition: The system automatically reverses the payroll accrual it calculated; however, any adjustments to the payroll accrual do not get reversed and continue to remain on the general ledger.

Cause: The payroll accrual accounts have not been analyzed during the year.

Effect: The effect is a possible misstatement of accrued payroll and related expenditures.

Recommendation: We recommend the State analyze the payroll accrual accounts subsequent to automatically reversing the payroll accrual and clear out any remaining balances to properly state these balances.

Auditee Response: None.

Corrective Action: The Chief Accountant is responsible to analyze the Accrual Payroll account and adjust it as appropriate by September 30, 1993.

Cash Receipts

Finding No. 17

Criteria: Cash receipts should be made in sequential order.

Condition: Cash receipts have been split into three different sequences.

Cause: Unknown.

Effect: The effect is the lack of a clear audit trail, control over used and unused cash receipts, and possible misclassification of cash receipts between fiscal years.

Recommendation: We recommend that cash receipts be issued in one sequential order.

Cash Receipts, continued

Finding No. 17, continued

Auditee Response: None.

Corrective Action: The cashiers have been instructed to be certain they are using the cash receipts form in sequential order.

Computer Security Control

Finding No. 18

Criteria: Log-on/password security should not be shared by employees.

Condition: Control over budget override is held by the Chief of Finance and Chief Accountant passwords; however, the personnel inputting purchase orders are able to override budgetary amounts.

Cause: The Chief of Finance and Chief Accountant do not input purchase orders and therefore they give their log-on/password to the input personnel.

Effect: The effect is a loss of control over password security.

Recommendation: In order to keep password security, we recommend that each of the input personnel be given the budget override ability; however, the internal control must still be in place that no budget overrides are allowed without the written approval of the Chief of Finance or Chief Accountant.

Auditee Response: None.

Corrective Action: The Chief Accountant is responsible to implement this recommendation not later than September 30, 1993.

Sick leave

Finding No. 19

Criteria: Sick leave should be restricted so that it is not abused or is not an excessive burden on the State.

Condition: Sick leave is accumulated such that employees may accrue leave for a number of years with no limit or ceiling in place for the number of days allowed to be taken in one year.

Cause: Unknown.

Effect: Yap State is obliged to pay employees their salary during their use of sick days which could potentially lead to paying some employees for over a year of sick leave if needed.

Recommendation: We recommend that a ceiling be established for the amount of sick leave allowable in one fiscal year.

Auditee Response: Sick leave policy is established by the Public Service System Act. If some employees have over a year accrued it is because they are long term employees who have kept themselves healthy with excellent work attendance records. It is the intention of the Government that such employees can accrue substantial sick leave to be used in whatever size block needed, especially if a serious illness or disability may occur.

Corrective Action: None.

Traditional Award Fund

Finding No. 20

Criteria: As indicated by Yap State Law Number 2-102, a fund should be created to account for Traditional Award Fund activities.

Condition: No Traditional Award Fund is set up in the accounting records, and the related expenditures are being tracked through General Fund Org. Number 1765.

Cause: Unknown.

Effect: Noncompliance with Yap State Legislation.

Traditional Award Fund, continued

Finding No. 20, continued

Recommendation: We recommend that the Traditional Award Fund be set up in the accounting records to comply with the State Law and be in agreement with the financial statements.

Auditee Response: None.

Corrective Action: The Traditional Award Fund has been established as Fund 291100.