

Financial Statements

**Federated States of Micronesia
National Government**

*Year Ended September 30, 2023
With Report of Independent Auditors*



**Shape the future
with confidence**

Federated States of Micronesia
National Government

Financial Statements

Year Ended September 30, 2023

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Financial Statements, continued

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Report of Independent Auditors

Honorable Wesley W. Simina
President
Federated States of Micronesia

Report on the Audit of the Financial Statements

Opinions

We have audited the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information; of the Federated States of Micronesia (FSM) National Government as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the FSM National Government's basic financial statements as listed in the table of contents (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the FSM National Government as of September 30, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit of the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the FSM National Government, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the FSM National Government's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the FSM National Government's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the FSM National Government's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 14 as well as the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund and notes thereto, on pages 85 through 87, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit for the year ended September 30, 2023 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the FSM National Government's basic financial statements. The combining and individual fund financial statements for the year ended September 30, 2023 as set forth in Section V of the foregoing table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended September 30, 2023 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Statement of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual, Budgetary Analysis (General Fund 01 only) on pages 99 through 102 for the year ended September 30, 2023, and the schedules of World Bank Projects Financial Summary on pages 103 - 104 for the year ended September 30, 2023 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2025, on our consideration of the FSM National Government's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the FSM National Government's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the FSM National Government's internal control over financial reporting and compliance.

Ernst + Young LLP

December 22, 2025

Federated States of Micronesia
National Government

Management's Discussion and Analysis

Year Ended September 30, 2023

The following Management's Discussion and Analysis (MD&A) forms part of the required supplementary information to the financial statements of the National Government of the Federated States of Micronesia (the National Government). It provides a narrative overview, analysis, and interpretation of the Government's financial activities for the fiscal year ended September 30, 2023. The MD&A is presented to assist readers in placing the financial statements in a broader context by explaining the key factors that influenced financial results during the year and highlighting significant trends that may affect future financial performance.

This MD&A is intended to serve as an introduction to the National Government's financial statements, which comprise three key components:

- i. the government-wide financial statements,
- ii. the fund financial statements, and
- iii. the notes to the financial statements.

Together, these components provide both a comprehensive overview of the Government's financial position and a more detailed perspective on the financial condition and performance of major governmental funds. They also support transparency and accountability in the management of public resources, which is a core responsibility of the Department of Finance and Administration.

The government-wide financial statements present the financial position and activities of the National Government as a whole, using the accrual basis of accounting. These statements highlight long-term assets, liabilities, and commitments, and provide insight into the overall economic resources and obligations of the Government. In contrast, the fund financial statements focus on short-term inflows and outflows of spendable resources and are useful in assessing budgetary compliance, cash flows, and the Government's ability to meet near-term obligations. The notes to the financial statements provide additional detail essential to understanding the financial data, including accounting policies, risk disclosures, capital asset activity, debt information, and other explanatory notes.

The purpose of this analysis is to assist readers in understanding the significant financial developments that occurred during FY2023, including major revenue sources, expenditure priorities, investment in capital assets, trends in long-term liabilities, intergovernmental relationships, and external economic factors. The MD&A also highlights material variances from prior years, provides explanations for changes in financial balances, and discusses key financial risks and uncertainties that may impact future fiscal periods.

Furthermore, the MD&A offers insight into the Government's ongoing public financial management (PFM) reforms, including improvements in financial reporting, the implementation of the new FMIS, modernization of budget and treasury systems, and measures undertaken to strengthen internal controls and compliance. These efforts support greater transparency, enhance stewardship of public funds, and contribute to improved service delivery across all sectors.

By presenting this analysis, the National Government aims to provide citizens, policymakers, development partners, auditors, and other stakeholders with a clear and meaningful understanding of the Government's fiscal health, strategic priorities, and long-term financial sustainability.

Federated States of Micronesia
National Government

Management's Discussion and Analysis, continued

FINANCIAL HIGHLIGHTS

Government-Wide

- The National Government's net position stood at \$767.6 million at the close of fiscal year 2023.
- The net position increased by \$33,774,252 (post-PPA) during the year, reflecting continued fiscal discipline and growth in key revenue sources.

Fund Level

- The overall governmental fund balance totaled \$616,453,860 million at the end of fiscal year 2023, representing a 6.31 percent decrease compared to \$579,884,174 million in fiscal year 2022.
- The General Fund reported an ending balance of \$568,181,672, indicating a stable fiscal position despite timing differences in grant receipts and project expenditures.

Capital Assets

- The Government's net investment in capital assets decreased by \$5 million, from \$194 million in FY 2022 to \$189 million in FY 2023, primarily due to current-year depreciation exceeding new capital additions.

Long-Term Debt

- Long-term debt obligations decreased by \$2,121,659 (6%), from \$36,255,254 in FY 2022 to \$34,133,595 in FY 2023, reflecting the Government's continued repayment of external borrowings and its commitment to prudent debt management.

OVERVIEW OF THE FINANCIAL STATEMENT

This discussion and analysis are intended to provide an introduction to the National Government's basic financial statements, which comprise three key components: (1) the government-wide financial statements, (2) the fund financial statements, and (3) the notes to the financial statements. These components collectively present both a broad overview of the FSM National Government's overall financial position and activities (on a government-wide basis), as well as a more detailed view of the financial performance and condition of its major individual governmental funds.

1. Government – Wide Financial Statement

The government-wide financial statements provide a comprehensive overview of the National Government's finances as a whole, using accounting principles similar to those employed by private-sector entities.

The Statement of Net Position presents all assets and liabilities of the National Government, with the residual difference reported as net position. Over time, changes in net position serve as a key indicator of the Government's overall financial health and its capacity to maintain services and meet obligations.

The Statement of Activities explains how the Government's net position changed during the fiscal year, highlighting the extent to which program revenues offset program expenses and illustrating the degree to which the Government relies on general revenues to fund its operations.

Federated States of Micronesia
National Government

Management's Discussion and Analysis, continued

The Statement of Net Position and the Statement of Activities include two distinct reporting units:

- *Governmental Activities* - Most of the National Government's core public services are reported under this category. These include the functions of the Executive Branch—such as health, education, foreign affairs, transportation, resources and development, finance, the Office of the Attorney General, and general administration—as well as the Judicial and Legislative Branches, other national programs, boards and commissions, and various legislative appropriations. These activities are primarily financed through Compact of Free Association funding, U.S. Federal grants, FSM tax revenues, licenses and fees, and investment earnings.
- *Component Units* - The National Government has nine (9) component units, namely:
 - ✓ College of Micronesia–FSM
 - ✓ National Fisheries Corporation
 - ✓ FSM Telecommunications Corporation
 - ✓ FSM Development Bank
 - ✓ Telecommunications Regulation Agency
 - ✓ FSM Petroleum Corporation
 - ✓ Mi Care Health Insurance Plan
 - ✓ FSM Telecommunications Cable Corporation
 - ✓ Caroline Islands Air, Inc.

These component units are legally separate entities; however, they are financially accountable to the National Government. Their inclusion in the Government's financial statements is necessary to ensure the presentation of complete and reliable financial information. Excluding them would render the National Government's financial statements misleading or incomplete.

2. Fund Financial Statement

The analysis of the National Government's major funds begins on page 18 of the financial statements. The fund financial statements provide detailed information about the Government's most significant funds, rather than the National Government as a whole. While some funds are required to be established by law, the National Government also creates additional funds to effectively control and manage resources that are restricted for specific purposes. These funds ensure that expenditures comply with legal and contractual requirements governing the use of certain taxes, grants, and other externally provided revenues.

The National Government maintains two primary types of funds—governmental funds and fiduciary funds—each utilizing different accounting approaches appropriate to their respective purposes.

- *Governmental Funds* -Most of the National Government's basic services are reported through governmental funds, which focus on the flow of financial resources—how money is received and spent—and the balances remaining at year-end that are available for future use. These funds are reported using the modified accrual basis of accounting, which measures cash and other financial assets that can readily be converted to cash.

The governmental fund statements provide a detailed short-term view of the National Government's general operations and the basic services it delivers. This perspective helps assess whether current financial resources are sufficient to support near-term obligations and program activities. The relationship between the governmental fund statements and the government-wide financial statements (Statement of Net Position and Statement of Activities) is explained in the reconciliation schedules presented.

Federated States of Micronesia
National Government

Management's Discussion and Analysis, continued

- *Fiduciary Funds* - Fiduciary funds are used to account for assets that the Government holds in a trustee or custodial capacity for individuals, private organizations, or other governmental entities. These funds are not available to support the Government's own programs, as they are held for the benefit of external parties. They are typically used to account for activities that operate in a manner similar to private enterprises, where the intent is to recover costs—including depreciation and amortization—primarily through user charges.

3. Notes to the Financial Statements

The notes provide essential additional information that supports and clarifies the data presented in the government-wide and fund financial statements. They include detailed explanations of accounting policies, disclosures about significant financial statement items, and other contextual information necessary for a comprehensive understanding of the National Government's financial position and performance.

Other Information

In addition to the basic financial statements, this report includes required supplementary information, such as budgetary comparisons for the General Fund, as well as other supplementary schedules detailing the financial activities of individual governmental funds. These sections provide further insight into the Government's budgetary compliance, financial management, and accountability for specific funding sources.

In prior years, this program was included in the Schedule of Expenditures of Federal Awards (SEFA) and audited under Uniform Guidance based on historical treatment. During the current year's review, the National Government has noted that this program is Compact-funded and not a Federal award under the Single Audit Act or 2 CFR 200. Its prior inclusion in the SEFA reflected a difference in interpretation. As a result, the six compliance findings and related questioned costs reported under the Uniform Guidance audit would be inaccurate and not applicable if the program is confirmed to fall outside the scope of Federal award requirements. The Government is working with the appropriate oversight bodies to ensure the program is properly classified and reported going forward, beginning with the FY2024 reporting cycle.

GOVERNMENT – WIDE FINANCIAL ANALYSIS

Net position serves over time as a key indicator of the National Government's overall financial health and stability.

At the end of fiscal year 2023, the National Government's total assets of \$848,330,430 exceeded its total liabilities of \$80,650,844, resulting in a net position of \$767,679,586.

This represents an increase of \$20,752,703 (after prior-period adjustments) from the restated FY 2022 balance of \$746,926,883, reflecting a continued strengthening of the Government's financial position and its capacity to meet ongoing obligations.

A significant portion of this net position—\$188,511,987 in FY 2023, compared with \$193,765,546 in FY 2022—represents the Government's net investment in capital assets, including buildings, infrastructure, and equipment used to deliver public services. These capital assets are not available for future spending but are essential for sustaining long-term service delivery.

Federated States of Micronesia
National Government

Management's Discussion and Analysis, continued

Another portion of the net position, totaling \$32,176,787 in FY 2023 (\$32,700,764 in FY 2022), represents resources that are restricted for specific purposes such as Compact-related activities, trust-fund-supported programs, and other legally or contractually committed initiatives.

The remaining \$546,153,385 in FY 2023 (\$507,439,024 in FY 2022) comprises the unrestricted net position, which may be applied toward ongoing government operations, essential public services, and future priority initiatives.

Overall, the Government's net position increased by \$19.9 million (2.7%) during FY 2023, reflecting strong domestic revenue performance—particularly from taxes and fishing-license fees—prudent expenditure controls, and continued external assistance. These gains were partially offset by exchange-rate movements and timing differences in donor disbursements.

The solid balance sheet underscores the FSM's fiscal resilience amid global inflationary pressures, elevated fuel costs, and geopolitical uncertainties affecting regional trade and development financing.

Table 1 below presents a summary of the National Government's net position as of September 30, 2023, and 2022.

Table 1	2023	2022	Change	% Change
Current & Other Assets	\$595,551,172	\$644,363,993	\$(48,812,821)	–8%
Capital Assets (Net)	252,779,258	226,175,856	26,603,402	12%
Total Assets	848,330,430	870,539,849	(22,209,419)	–3%
Total Liabilities	80,650,844	136,634,515	(55,983,671)	–41%
Net Investment in Capital Assets	188,511,987	193,765,546	(5,253,559)	–3%
Restricted	30,649,423	32,700,764	(2,051,341)	–6%
Unrestricted	546,827,701	507,439,024	39,388,677	8%
Total Net Position	\$767,679,586	\$733,905,334	\$ 33,774,252	5%

The Statement of Activities presents how the National Government's operations influenced its overall financial position during FY2023. Total revenues amounted to \$257,617,552, consisting of \$130,873,611 in general revenues and \$126,743,941 in program revenues.

General revenues were driven primarily by fishing rights revenues of \$62,453,758, which remain the Government's dominant and most stable revenue source. Tax revenues totaled \$20,017,789, supported by continued strong collections across income, import, gross receipts, and corporate taxes. Unrestricted investment earnings contributed \$42,098,272, reflecting a significant turnaround from the prior year's unrealized investment losses. Other general revenues—including tobacco revenue share, fuel tax, and Permanent Fund contributions—provided a combined \$6.3 million in additional sustainable inflows.

Program revenues totaled \$126,743,941, largely composed of operating grants of \$118,786,622, which continue to play a vital role in supporting government services and sector programs. Capital grants amounted to \$4,728,192, while charges for services contributed \$3,229,127.

Federated States of Micronesia
National Government

Management's Discussion and Analysis, continued

Total primary government expenses were \$237,702,276, covering essential public services including education, health, transportation, public safety, and general government operations. The resulting increase in net position of \$19,915,276 (before prior-period adjustments) reflects continued fiscal stability and prudent financial stewardship.

	FY2023	FY2022	Change
General Revenue			
Income tax	3,715,526	3,011,942	703,584
Import tax	4,126,642	3,931,994	194,648
Gross receipts	4,172,165	3,286,564	885,601
Corporate tax	8,003,456	59,163,561	(51,160,105)
Fuel tax	122,727	155,993	(33,266)
Tobacco revenue share	768,726	360,907	407,819
Fishing rights	62,453,758	73,021,600	(10,567,842)
Other revenue	3,135,220	(7,312,179)	(4,176,959)
Unrestricted investment earnings	42,098,272	(68,927,515)	(26,829,243)
Contribution to Permanent Fund	2,277,119	207,735	2,069,384
Total General	\$130,873,611	\$66,900,602	
Program Revenue Category			
Charges for Services	\$ 3,229,127	\$ 6,336,465	\$(3,107,338)
Operating Grants	118,786,622	110,928,970	7,857,652
Capital Grants	4,728,192	1,070,812	3,657,380
Total Program Revenues	\$126,743,941	\$118,336,247	8,407,694
Total Revenue	\$257,617,552	185,236,849	72,380,703
Total Expenditure	237,702,276	208,024,028	29,678,248
Change in Net Position	19,915,276	(22,287,159)	(2,371,883)
Beginning Balance	733,905,334	756,192,493	(22,287,159)
Prior Year Adjustment	13,858,976	-	
	747,764,310	756,192,493	
Net Position at End	767,679,586	733,905,334	33,774,252

FUND FINANCIAL ANALYSIS

The governmental fund statements provide a short-term view of the National Government's financial position and operating results. At September 30, 2023, total governmental fund balances increased to \$615.6 million, up from \$579.9 million in FY2022. The \$35.7 million increase was driven largely by a \$13.0 million prior-period adjustment in the Grants Assistance Fund and continued strong liquidity across major funds.

Federated States of Micronesia
National Government

Management's Discussion and Analysis, continued

The General Fund, on a narrow basis, ended the year with a balance of \$188.5 million, a decline of \$11.0 million from FY2022 due to reduced tax and fishing-fee collections compared with the one-off corporate tax settlements recorded in the prior year, as well as higher expenditures for legislative projects, component-unit support, and infrastructure activities.

On a GAAP basis, the General Fund includes balances held in legally separate but GAAP-consolidated funds: the ADB Loan Fund (\$29.2 million), the Investment Development Fund (\$2.1 million), the Early Retirement Fund (–\$1.9 million), and the FSM Trust Fund (\$350.4 million). Incorporating these adjustments results in a GAAP General Fund balance of \$568.2 million, consistent with the reconciliation disclosed in the draft financial statements.

Other governmental funds remained stable. The Grants Assistance Fund closed with a restricted balance of \$17.2 million, reflecting timing differences between grant receipts and expenditures. The Compact Trust Fund reported \$26.3 million, reserved for future national operations, while other revolving funds held \$4.0 million dedicated to special-purpose activities.

Overall, the governmental funds demonstrate continued fiscal stability, supported by strong fund balances, sustained donor funding, and prudent financial management despite variability in domestic revenues.

Table 3	2023	2022	Change	%
Total Revenues	\$ 90,275,589	\$139,451,722	\$(49,176,133)	–35.3 %
Total Expenditures	103,877,433	86,566,400	17,311,033	20%
Excess (Deficit) of Revenues over Expenditures	(13,601,844)	52,885,322	(66,487,166)	–125.8%
Net Transfers	2,577,073	2,248,898	328,175	15%
Net Change in Fund Balance	(11,024,771)	55,134,220	(66,158,991)	–120%
Fund Balance – Beginning of Year	199,515,334	144,381,114	55,134,220	38%
Fund Balance – End of Year	\$188,490,563	\$199,515,334	\$(11,024,771)	–5.5%

Reconciliation Item	Amount (USD)
Narrow General Fund Balance	\$188,490,563
Add:	
ADB Loan Fund	29,193,029
IDF with FSMDB	2,073,811
Early Retirement Fund	(1,937,478)
FSM Trust Fund	350,361,745
GAAP Basis Fund Balance (General Fund)	<u>\$568,181,670</u>

CAPITAL ASSETS & DEBT ADMINISTRATION

At the end of fiscal year 2023, the National Government reported net investment in capital assets of \$189,375,626, compared with \$193,765,545 in fiscal year 2022—representing a decrease of \$4,389,919 (approximately 2.27 percent).

Federated States of Micronesia
National Government

Management's Discussion and Analysis, continued

These capital assets include:

1. Buildings and improvements
2. Plant, vehicles, and heavy equipment
3. Boats and transportation assets
4. Infrastructure assets (roads, utilities, and public works)
5. Computer and information technology systems
6. Right-of-use (leased) assets
7. Construction work in progress (CIP) and land

During FY2023, the Government recorded \$10.01 million in capital additions and reclassifications and recognized \$15.47 million in depreciation expense. Retirements totaling \$84,593 were also recorded. As a result, the Government's capital asset base experienced a net reduction of \$3.70 million, directly reflected in the capital-asset roll forward.

Based on the Statement of Net Position and supporting capital-asset schedules, the Government's net investment in capital assets—after deducting accumulated depreciation and the effects of additions, retirements, and reclassifications—was \$189,375,626 at September 30, 2023, compared with \$193,765,545 at the end of FY2022. This balance reflects the Government's ongoing commitment to maintaining and enhancing critical infrastructure, transportation networks, public facilities, and essential service delivery capacity.

Table 4	2023 Net Book Value	2022 Net Book Value	Change (\$)	% Change
Furniture, Equipment & Machinery	\$ 6,404,916	\$ 1,681,330	\$ 4,723,586	281%
Vehicles	2,382,522	1,930,925	451,597	23%
Boats	681,128	830,029	(148,901)	-18%
Computer Equipment	68,490	114,507	(46,017)	-40%
Buildings	53,669,277	54,360,542	(691,265)	-1%
Infrastructure	111,018,441	121,718,520	(10,700,079)	-9%
Right-to-Use Assets	863,639	-	863,639	N/A
Net Depreciable Capital Assets	175,088,413	180,635,853	(5,547,440)	-3%
Construction in Progress	5,165,842	4,008,321	1,157,521	29%
Land	9,121,371	9,121,371	---	0%
Total Capital Assets (Net)	\$189,375,626	\$193,765,545	\$(4,389,919)	-2%

LONG TERM LIABILITIES

At September 30, 2023, the FSM National Government's total long-term debt stood at \$36.02 million, comprising \$3.04 million current and \$32.98 million non-current portions.

The debt portfolio, consisting mainly of Asian Development Bank concessional loans, remained stable, decreasing slightly by \$0.35 million (-1%) from FY 2022 due to scheduled repayments.

During the year, the Government also recognized lease liabilities of \$0.96 million under GASB 87, consistent with right-of-use assets reported in Note 6.

In addition, compensated absences totaled \$0.40 million, reflecting accrued employee benefits and leave balances payable in future periods.

Federated States of Micronesia
National Government

Management's Discussion and Analysis, continued

Overall, total non-current liabilities increased modestly to \$34.13 million, while the FSM continues to maintain a low and sustainable debt position supported by prudent debt-management practices.

Table 5	2023	2022	Change (\$)	% Change
Long-term obligations – current portion	\$ 3,040,568	\$ 3,163,000	\$(122,432)	– 3.9 %
Long-term obligations – non-current portion	32,977,229	33,206,000	(228,771)	– 0.7 %
Total Long-Term Obligations	36,017,797	36,369,000	(351,203)	– 1.0 %
Lease Liabilities (net of current portion)	756,736	---	756,736	N/A
Compensated Absences (net of current)	399,630	412,000	(12,370)	– 3.0 %
Total Non-Current Liabilities	\$34,133,595	\$33,618,000	\$515,595	1.50%

ECONOMIC OUTLOOK AND NEXT YEARS FORECAST BUDGET

Economic Environment

Fiscal year 2023 marked an important period of transition for the Federated States of Micronesia (FSM) under the amended Compact of Free Association with the United States. Despite global inflationary pressures, elevated fuel costs, supply-chain disruptions, and geopolitical uncertainty across the Indo-Pacific region, the National Government maintained overall fiscal stability through sound financial management, steady domestic revenue performance, and continued donor support.

Revenue Performance

Total governmental fund revenues reached approximately \$258 million in FY2023, driven by a combination of domestic revenue sources and external assistance.

Fishing Access Fees

Fishing access fees remained FSM's largest domestic revenue source, generating \$62.45 million, reflecting stable regional fishing conditions and continued cooperation under the Vessel Day Scheme.

Tax Revenues

Tax collections totaled **\$20 million**, supported by improved compliance measures, strengthened administration, and gradual post-pandemic recovery in economic activity.

Investment Income

Investment earnings—primarily from the Compact Trust Fund—contributed positively to the fiscal outcome and continued to reinforce FSM's long-term financial sustainability.

Composition and Fiscal Strategy

The Government maintained its long-standing strategy of using domestic revenues to fund core national operations while leveraging external grants and donor assistance for capital development, sector programs, and climate resilience initiatives.

Economic Performance

FSM's economy recorded moderate growth of approximately 1.5 percent in FY2023. Public investment remained the primary driver of growth, complemented by a gradual rebound in transportation, wholesale, and service activities. Inflation averaged about 3 percent, reflecting global price pressures on imported goods and fuel. Employment conditions improved slightly, though private-sector expansion remains limited due to structural constraints.

Federated States of Micronesia
National Government

Management's Discussion and Analysis, continued

Medium-Term Fiscal Outlook

The fiscal outlook for FY2024 is cautiously optimistic, supported by renewed Compact financial assistance and continued emphasis on prudent fiscal management.

Key Government Priorities

Maintaining a balanced budget and strengthening General Fund reserves; enhancing domestic revenue administration and broadening the tax base; advancing Public Financial Management (PFM) and FMIS/FreeBalance reforms; and accelerating implementation of donor-funded infrastructure projects. Economic growth for FY2024 is projected between 2.0 and 2.5 percent, supported by increased construction, expanded public investment, and gradual recovery in tourism and private enterprise.

Geopolitical and External Environment

FSM's economic outlook is shaped increasingly by evolving geopolitical dynamics in the Indo-Pacific. Engagement from the United States, Japan, Australia, and emerging regional partners continues to expand, creating opportunities for infrastructure investment, climate financing, and institutional strengthening. These developments require careful policy coordination to ensure alignment with national priorities and long-term fiscal sustainability. Global uncertainties—including inflation, commodity price volatility, supply-chain fragilities, and regional security tensions—are expected to continue influencing donor flows, trade patterns, and investment sentiment.

Risks and Outlook

Key risks affecting the medium-term outlook include volatility in fishing revenues; fluctuations in global fuel and commodity prices; climate-related shocks; delays in donor-funded project implementation; and geopolitical developments that could influence external financing and investment flows.

Overall Assessment

Despite these uncertainties, the FSM National Government remains in a strong fiscal position, supported by a low and sustainable debt burden (approximately \$36.02 million, all on highly concessional terms), robust liquidity across governmental funds, continued confidence from development partners, and ongoing reforms aimed at strengthening financial governance and public-sector efficiency.

In addition, the Grant Assistance Fund, which is primarily operated on a reimbursement basis, continues to play a central role in financing key development programs. Because reimbursements are only received after expenditures are incurred, timely replenishment is critical to maintaining adequate General Fund cash reserves. To ensure this, DoFA will need to work more closely with implementing departments and project units to improve the speed and quality of financial reporting, streamline documentation requirements, and monitor liquidation cycles more actively. Strengthening these processes will help reduce cash-flow pressures, protect the Government's liquidity position, and ensure uninterrupted delivery of essential programs and services.

Collectively, these factors provide a solid foundation for sustaining fiscal stability, advancing ongoing reforms, and promoting inclusive and resilient economic growth in the years ahead.

Federated States of Micronesia
National Government

Statement of Net Position

September 30, 2023

	Primary Government	Component Units
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 113,067,806	\$ 31,752,960
Cash and cash equivalents - restricted	37,736,851	-
Time certificates of deposit	3,012,221	8,612,976
Investments	429,221,325	38,400,673
Receivables, net of allowance for uncollectibles	10,882,854	21,129,871
Due from component units	500,000	-
Inventories	-	18,753,342
Other assets	1,130,115	5,159,232
Total current assets	<u>595,551,172</u>	<u>123,809,054</u>
Noncurrent assets:		
Investments	-	17,495,141
Indefeasible right of use, net	-	6,183,289
Investments - restricted	26,259,987	-
Capital assets:		
Nondepreciable capital assets	14,287,213	17,915,956
Capital assets, net of accumulated depreciation	175,088,413	69,623,984
Subscription-based information technology assets, net	-	58,125
Lease assets, net	-	3,639,833
Loan receivable	28,716,203	26,440,739
Other assets	8,427,442	2,526,423
Total noncurrent assets	<u>252,779,258</u>	<u>143,883,490</u>
Total assets	<u>\$ 848,330,430</u>	<u>\$ 267,692,544</u>

See accompanying notes.

Federated States of Micronesia
National Government

Statement of Net Position, continued

	Primary Government	Component Units
<u>LIABILITIES</u>		
Current liabilities:		
Current portion of long-term obligations	\$ 3,040,568	\$ 3,204,836
Current portion of lease liabilities	207,562	732,180
Current portion of subscription based IT liability	-	43,594
Accounts payable	10,242,216	11,654,756
Current portion of compensated absences payable	768,175	278,084
Other liabilities and accruals	9,024,348	9,682,429
Due to FSM State Governments	13,726,972	-
Unearned revenue	9,507,408	2,835,004
Total current liabilities	<u>46,517,249</u>	<u>28,430,883</u>
Noncurrent liabilities:		
Long-term obligations, net of current portion	32,977,229	12,757,737
Lease liabilities, net of current portion	756,736	3,233,959
Subscription based IT liability	-	14,531
Compensated absences payable, net of current portion	399,630	489,605
Due to primary government	-	2,247,383
Other noncurrent liability	-	-
Total noncurrent liabilities	<u>34,133,595</u>	<u>18,743,215</u>
Total liabilities	<u>80,650,844</u>	<u>47,174,098</u>
<u>NET POSITION</u>		
Net investment in capital assets	188,511,987	82,241,889
Restricted for:		
Nonexpendable:		
Future operations	26,259,987	-
Other purposes	-	165,000
Expendable:		
Compact related	4,389,436	-
Prior period adjustment (note 13)	1,690,475	-
Unrestricted	546,827,701	138,111,557
Total net position	<u>767,679,586</u>	<u>220,518,446</u>
Total liabilities and net position	<u>\$ 848,330,430</u>	<u>\$ 267,692,544</u>

See accompanying notes.

**Federated States of Micronesia
National Government**

Statement of Activities

Year Ended September 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units
Primary government:						
Governmental activities:						
Office of the President	\$ 7,507,900	\$ -	\$ 1,801,533	\$ -	\$ (5,706,367)	\$ -
Foreign affairs	6,905,715	-	28,370	-	(6,877,345)	-
Office of Personnel	248,360	-	-	-	(248,360)	-
Finance and administration	13,515,121	-	5,961,140	-	(7,553,981)	-
Resources and development	6,965,328	-	4,845,164	-	(2,120,164)	-
Transportation, communication and infrastructure	33,406,066	363,493	6,317,918	3,557,618	(23,167,037)	-
Health and social affairs	15,407,224	4,965	13,111,755	-	(2,290,504)	-
Education	8,565,018	-	2,360,228	-	(6,204,790)	-
Justice	8,350,410	1,679,321	-	-	(6,671,089)	-
Office of the Public Defender	941,692	-	-	-	(941,692)	-
Environment and emergency management	3,213,481	-	1,907,727	-	(1,305,754)	-
National archives, cultural and historic preservation	469,396	-	463,572	-	(5,824)	-
Legislature	12,025,960	-	-	-	(12,025,960)	-
Judiciary	2,310,285	-	-	-	(2,310,285)	-
Office of the National Public Auditor	1,489,245	-	-	-	(1,489,245)	-
National government programs	2,868,188	-	-	-	(2,868,188)	-
Agencies, boards and commissions	6,841,476	1,181,348	2,298,411	-	(3,361,717)	-
Special programs	1,666,626	-	-	-	(1,666,626)	-
Payments to component units	8,398,224	-	1,429,617	-	(6,968,607)	-
Payments to state governments and others	78,261,187	-	78,261,187	-	-	-
Legislative public projects	16,884,520	-	-	1,170,574	(15,713,946)	-
Lease expense	100,659	-	-	-	(100,659)	-
Unallocated interest long-term debt	189,621	-	-	-	(189,621)	-
Capital projects	1,170,574	-	-	-	(1,170,574)	-
Total primary government	\$ 237,702,276	\$ 3,229,127	\$ 118,786,622	\$ 4,728,192	(110,958,335)	-
Component units:						
FSM Telecommunications Corporation	\$ 16,785,331	\$ 16,651,768	\$ -	\$ -	-	(133,563)
FSM Development Bank	2,378,393	3,433,786	-	-	-	1,055,393
National Fisheries Corporation	1,292,296	1,534,208	-	-	-	241,912
College of Micronesia - FSM	29,737,584	4,853,430	24,410,616	-	-	(473,538)
FSM Petroleum Corporation	89,050,391	93,744,609	-	-	-	4,694,218
Caroline Islands Air, Inc.	693,303	169,655	563,150	-	-	39,502
FSM National Government Employees Health Fund	8,245,902	5,793,374	-	-	-	(2,452,528)
FSM Telecommunications Cable Corporation	3,528,907	727,691	2,039,872	-	-	(761,344)
Telecommunication Regulation Authority	410,693	314,064	1,760	-	-	(94,869)
Total component units	\$ 152,122,800	\$ 127,222,585	\$ 27,015,398	\$ -	-	2,115,183
General revenues:						
Taxes:						
Income					3,715,526	-
Import					4,126,642	-
Gross receipts					4,172,165	-
Corporate tax					8,003,456	-
Fuel					122,727	-
Tobacco revenue share					768,726	-
Fishing rights					62,453,758	-
Unrestricted investment earnings					42,098,272	2,944,275
Other					3,135,220	2,786,830
Total general revenues					128,596,492	5,731,105
Contributions to permanent funds					2,277,119	-
Total general revenues and contributions					130,873,611	5,731,105
Change in net position					19,915,276	7,846,288
Net position at the beginning of the year, as previously reported					733,905,334	212,808,665
Prior Period Adjustments (note 13)					13,858,976	(136,507)
Net position at the beginning of the year, as restated					747,764,310	212,672,158
Net position at the end of the year					\$ 767,679,586	\$ 220,518,446

See accompanying notes.

**Federated States of Micronesia
National Government**

**Balance Sheet
Governmental Funds**

September 30, 2023

	General	Special Revenue Grants Assistance	Permanent Compact Trust	Other Governmental Funds	Total
ASSETS					
Cash and cash equivalents	\$ 113,067,806	\$ -	\$ -	\$ -	\$ 113,067,806
Time certificates of deposit	3,012,221	-	-	-	3,012,221
Investments	429,221,325	-	-	-	429,221,325
Receivables, net:					
General	172,231	-	-	372	172,603
Taxes	7,078,923	-	-	-	7,078,923
Federal agencies	-	678,786	-	-	678,786
FSM States Governments	-	1,737,227	-	-	1,737,227
Loans	28,716,203	-	-	-	28,716,203
Advances	887,265	296,248	-	5,355	1,188,868
Accrued interest	26,447	-	-	-	26,447
Prepayments	1,130,115	-	-	-	1,130,115
Due from component units	500,000	-	-	-	500,000
Due from other funds	2,940,460	30,942,694	-	4,628,177	38,511,331
Other assets	8,427,442	-	-	-	8,427,442
Restricted assets:					
Cash and cash equivalents	32,479,142	5,257,709	-	-	37,736,851
Investments	-	-	26,259,987	-	26,259,987
Total assets	<u>\$ 627,659,580</u>	<u>\$ 38,912,664</u>	<u>\$ 26,259,987</u>	<u>\$ 4,633,904</u>	<u>697,466,135</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 5,077,429	\$ 4,658,139	\$ -	\$ 506,648	\$ 10,242,216
Other liabilities and accruals	8,899,184	111,189	-	13,975	9,024,348
Due to FSM State Governments	9,930,424	3,796,548	-	-	13,726,972
Due to other funds	35,570,871	2,850,198	-	90,262	38,511,331
Unearned revenue	-	9,507,363	-	45	9,507,408
Total liabilities	<u>59,477,908</u>	<u>20,923,437</u>	<u>-</u>	<u>610,930</u>	<u>81,012,275</u>
Fund balances:					
Non-spendable	44,493,313	-	26,259,987	-	70,753,300
Restricted	2,073,814	17,989,227	-	-	20,063,041
Committed	437,682,462	-	-	4,022,974	441,705,436
Assigned	23,288,733	-	-	-	23,288,733
Unassigned:					
General fund	60,643,350	-	-	-	60,643,350
Total fund balances	<u>568,181,672</u>	<u>17,989,227</u>	<u>26,259,987</u>	<u>4,022,974</u>	<u>616,453,860</u>
Total liabilities and fund balances	<u>\$ 627,659,580</u>	<u>\$ 38,912,664</u>	<u>\$ 26,259,987</u>	<u>\$ 4,633,904</u>	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds 189,375,626

Long-term liabilities, including loans payable, are not due and payable in the current period and, therefore, are not reported in the funds.

These liabilities include:

Lease liability	(964,298)
Loans payable	(36,017,797)
Compensated absences payable	(1,167,805)
	<u>151,225,726</u>
Net position of governmental activities	<u>\$ 767,679,586</u>

See accompanying notes.

Federated States of Micronesia
National Government

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

Year Ended September 30, 2023

	General	Special Revenue Grants Assistance	Permanent Compact Trust	Other Governmental Funds	Total
Revenues:					
Compact funding	\$ -	\$ 76,999,689	\$ -	\$ -	\$ 76,999,689
Taxes	20,679,040	-	-	230,203	20,909,243
Federal grants	-	27,925,212	-	-	27,925,212
Other grants	6,041	18,589,915	-	-	18,595,956
Fishing rights	62,453,758	-	-	-	62,453,758
Interest and dividends	2,361,849	-	-	-	2,361,849
Fees and charges	358,935	-	-	2,870,192	3,229,127
Net change in the fair value of investments	39,627,128	109,294	2,277,119	-	42,013,541
MiCare reimbursible	(6,077)	-	-	-	(6,077)
Other	3,135,256	-	-	-	3,135,256
Total revenues	128,615,930	123,624,110	2,277,119	3,100,395	257,617,554
Expenditures:					
Current:					
General government:					
Office of the President	7,403,859	1,801,533	-	-	9,205,392
Foreign affairs	7,748,868	28,370	-	-	7,777,238
Office of Personnel	248,360	-	-	-	248,360
Finance and administration	9,342,791	5,961,139	-	130,167	15,434,097
Resources and development	3,309,179	4,845,164	-	105,492	8,259,835
Transportation, communication and infrastructure	11,802,102	14,182,283	-	474,052	26,458,437
Health and social affairs	1,843,197	13,111,756	-	325	14,955,278
Education	5,465,827	2,360,228	-	444,462	8,270,517
Justice	7,438,696	-	-	902,361	8,341,057
Office of the Public Defender	955,437	-	-	-	955,437
Environment and emergency management	1,294,097	1,907,727	-	-	3,201,824
National archives, cultural and historic preservation	156,409	463,572	-	-	619,981
Legislature	11,967,763	-	-	-	11,967,763
Judiciary	2,393,314	-	-	-	2,393,314
Office of the National Public Auditor	1,470,360	-	-	-	1,470,360
Agencies, boards and commissions	4,087,805	2,298,413	-	370,848	6,757,066
Special programs	1,666,626	-	-	-	1,666,626
Payments to component units and fiduciary fund	8,398,224	-	-	-	8,398,224
Payments to state governments and others	-	78,261,187	-	-	78,261,187
Legislative public projects	16,884,520	-	-	-	16,884,520
Capital projects	-	1,170,574	-	-	1,170,574
Debt service:					
Principal and interest payments	2,209,757	-	-	-	2,209,757
Total expenditures	106,087,191	126,391,946	-	2,427,707	234,906,844
Excess (deficiency) of revenues over (under) expenditure	22,528,739	(2,767,836)	2,277,119	672,688	22,710,710

See accompanying notes.

**Federated States of Micronesia
National Government**

Statement of Revenues, Expenditures, and Changes in Fund Balances, continued
Governmental Funds

	189375626				
	General	Special Revenue Grants Assistance	Permanent Compact Trust	Other Governmental Funds	Total
Other financing sources (uses):					
Operating transfers in	2,577,073	-	-	-	2,577,073
Operating transfers out	-	-	-	(2,577,073)	(2,577,073)
Total other financing sources (uses), net	2,577,073	-	-	(2,577,073)	-
Net change in fund balances	25,105,812	(2,767,836)	2,277,119	(1,904,385)	22,710,710
Fund balances at the beginning of the year, as previously reported	543,075,860	6,898,087	23,982,868	5,927,359	579,884,174
Prior period adjustment (note 13)	-	13,858,976	-	-	13,858,976
Fund balances at the beginning of the year, as restated	543,075,860	20,757,063	23,982,868	5,927,359	593,743,150
Fund balances at the end of the year	<u>\$ 568,181,672</u>	<u>\$ 17,989,227</u>	<u>\$ 26,259,987</u>	<u>\$ 4,022,974</u>	<u>\$ 616,453,860</u>

See accompanying notes.

Federated States of Micronesia
National Government

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances of Governmental Funds to the Statement of Activities

Year Ended September 30, 2023

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$22,710,710
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Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense. For the current year, these amounts consist of:

Capital outlays, net of disposals	\$11,076,418	
Depreciation expense, net	<u>(15,466,337)</u>	(4,389,919)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position.

Lease liability	\$(964,298)	
Exchange loss from SDR	(998,669)	
Repayment of ADB loans, net	<u>3,018,803</u>	1,055,836

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in compensated absences payable, net	<u>538,649</u>
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Change in net position of governmental activities	<u>\$19,915,276</u>
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Federated States of Micronesia
National Government

Combining Statement of Fiduciary Net Position
Fiduciary Funds

September 30, 2023

		Private Purpose Trust		
		FSM	Yap State	
	Custodial	Social Security	Development	
	Funds	Administration	Loan Fund	Total
<u>ASSETS</u>				
Cash and cash equivalents	\$ -	\$ 1,594,290	\$ 129,708	\$ 1,723,998
Time certificates of deposit	-	-	152,362	152,362
Receivables:				
Contributions	-	3,971,610	-	3,971,610
Other	-	10,166	3,754	13,920
Investments	7,433,590	50,984,378	-	58,417,968
Capital assets, net of accumulated depreciation	-	128,039	-	128,039
Total assets	<u>\$ 7,433,590</u>	<u>\$ 56,688,483</u>	<u>\$ 285,824</u>	<u>\$ 64,407,897</u>
<u>LIABILITIES</u>				
Accounts payable	\$ -	\$ 40,665	\$ -	\$ 40,665
Other liabilities and accruals	-	31,566	-	31,566
Total liabilities	-	72,231	-	72,231
<u>NET POSITION</u>				
Held in trust for:				
Social security benefits	-	56,616,252	285,824	56,902,076
Other purposes	7,433,590	-	-	7,433,590
Total net position	<u>7,433,590</u>	<u>56,616,252</u>	<u>285,824</u>	<u>64,335,666</u>
	<u>\$ 7,433,590</u>	<u>\$ 56,688,483</u>	<u>\$ 285,824</u>	<u>\$ 64,407,897</u>

See accompanying notes.

**Federated States of Micronesia
National Government**

**Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds**

Year Ended September 30, 2023

		Private Purpose Trust		
	Custodial Funds	FSM Social Security Administration	Yap State Development Loan Fund	Total
Additions:				
Contributions	\$ -	\$ 23,150,999	\$ -	\$ 23,150,999
Investment earnings:				
Net change in the fair value of investments	1,009,900	7,788,159	-	8,798,059
Interest and dividends	156,737	548	27,298	184,583
Total investment earnings	1,166,637	7,788,707	27,298	8,982,642
Less investment expense	-	(251,164)	-	(251,164)
Net investment earnings	1,166,637	7,537,543	27,298	8,731,478
Contributions from primary government	-	2,500,000	-	2,500,000
Other	-	261,201	-	261,201
Total additions	1,166,637	33,449,743	27,298	34,643,678
Deductions:				
Benefits	-	25,653,036	-	25,653,036
Refunds/distribution	1,159,617	23,485	-	1,183,102
Administrative expenses	3,024	1,353,646	-	1,356,670
Total deductions	1,162,641	27,030,167	-	28,192,808
Change in net position	3,996	6,419,576	27,298	6,450,870
Net position at the beginning of the year	7,429,594	50,196,676	258,526	57,884,796
Net position at the end of the year	<u>\$ 7,433,590</u>	<u>\$ 56,616,252</u>	<u>\$ 285,824</u>	<u>\$ 64,335,666</u>

See accompanying notes.

**Federated States of Micronesia
National Government**

**Combining Statement of Net Position
Component Units**

September 30, 2023

	FSM Tele- Communications Corporation	FSM Development Bank	National Fisheries Corporation	College of Micronesia- FSM	FSM Petroleum Corporation	Caroline Islands Air, Inc.	Micare Health Insurance Plan	FSM Communications Cable Corporation	Telecommunication Regulation Authority	Total
ASSETS										
Current assets:										
Cash and cash equivalents	\$ 4,707,497	\$ 5,647,755	\$ 2,343,018	\$ 4,359,972	\$ 11,548,628	\$ 26,764	\$ 2,947,192	\$ 84,289	\$ 87,845	\$ 31,752,960
Time certificates of deposit	279,494	7,932,086	-	-	401,396	-	-	-	-	8,612,976
Investments	1,904,046	16,103,008	1,216,383	3,051,379	13,684,040	-	2,441,817	-	-	38,400,673
Receivables, net:										
General	842,206	-	986,068	5,815,631	3,849,055	-	180,224	173,401	12,855	11,859,440
Loans	-	8,652,397	-	-	-	-	-	-	-	8,652,397
Interest	-	181,012	-	-	-	-	-	-	-	181,012
Other	170,286	-	1,575	-	265,161	-	-	-	-	437,022
Inventories	1,475,964	-	39,195	916,589	16,321,127	-	-	467	-	18,753,342
Prepaid expenses	1,063,843	-	-	433,363	3,596,128	61,120	-	4,778	-	5,159,232
Total current assets	10,443,336	38,516,258	4,586,239	14,576,934	49,665,535	87,884	5,569,233	262,935	100,700	123,809,054
Noncurrent assets:										
Indefeasible right of use	1,837,899	-	440,786	-	-	-	-	3,904,604	-	6,183,289
Loans receivable, net of current portion	-	26,440,739	-	-	-	-	-	-	-	26,440,739
Capital assets:										
Nondepreciable capital assets	4,772,509	-	-	2,720,923	10,316,365	-	106,159	-	-	17,915,956
Capital assets, net of accumulated depreciation	21,534,556	1,174,995	194,299	3,982,503	21,190,283	-	51,434	21,472,639	23,275	69,623,984
Subscription-based IT assets, net	-	-	-	58,125	-	-	-	-	-	58,125
Lease assets	-	-	-	451,943	3,030,998	-	129,491	-	27,401	3,639,833
Other assets	295,132	-	-	-	734,630	-	219,162	1,277,499	-	2,526,423
Investments	-	6,585,691	-	10,909,450	-	-	-	-	-	17,495,141
Total noncurrent assets	28,440,096	34,201,425	635,085	18,122,944	35,272,276	-	506,246	26,654,742	50,676	143,883,490
Total assets	\$ 38,883,432	\$ 72,717,683	\$ 5,221,324	\$ 32,699,878	\$ 84,937,811	\$ 87,884	\$ 6,075,479	\$ 26,917,677	\$ 151,376	\$ 267,692,544
LIABILITIES										
Current liabilities:										
Current portion of long-term debt	\$ 1,043,340	\$ 399,463	\$ -	\$ -	\$ 1,412,502	\$ -	\$ -	\$ 349,531	\$ -	\$ 3,204,836
Current portion of lease liabilities	-	-	106,795	108,467	439,479	-	28,292	31,964	17,183	732,180
Current portion of subscription based IT liability	-	-	-	43,594	-	-	-	-	-	43,594
Accounts payable	22,023	124,379	31,578	1,529,421	6,477,020	36	2,706,938	754,919	8,442	11,654,756
Other liabilities and accruals	3,847,192	141,112	-	894,865	4,662,138	130,415	-	-	6,707	9,682,429
Compensated absences payable	-	-	-	278,084	-	-	-	-	-	278,084
Due to grantor agencies	511,644	85,035	-	2,238,325	-	-	-	-	-	2,835,004
Total current liabilities	5,424,199	749,989	138,373	5,092,756	12,991,139	130,451	2,735,230	1,136,414	32,332	28,430,883
Noncurrent liabilities:										
Compensated absences, net of current portion	-	-	-	489,605	-	-	-	-	-	489,605
Lease Liabilities	-	-	333,991	348,796	2,361,683	-	101,199	77,933	10,357	3,233,959
Noncurrent portion of long-term debt	6,647,846	2,210,185	-	-	3,899,706	-	-	-	-	12,757,737
Due to primary government	-	-	-	-	1,747,383	-	-	500,000	-	2,247,383
Subscription-based IT liability	-	-	-	14,531	-	-	-	-	-	14,531
Total noncurrent liabilities	6,647,846	2,210,185	333,991	852,932	8,008,772	-	101,199	577,933	10,357	18,743,215
Total liabilities	12,072,045	2,960,174	472,364	5,945,688	20,999,911	130,451	2,836,429	1,714,347	42,689	47,174,098
NET POSITION										
Net investment in capital assets	20,453,778	1,174,995	635,085	6,698,106	27,721,813	-	157,593	25,377,243	23,276	82,241,889
Restricted for:										
Nonexpendable	-	-	-	165,000	-	-	-	-	-	165,000
Unrestricted	6,357,609	68,582,514	4,113,875	19,891,084	36,216,087	(42,567)	3,081,457	(173,913)	85,411	138,111,557
Total net position	26,811,387	69,757,509	4,748,960	26,754,190	63,937,900	(42,567)	3,239,050	25,203,330	108,687	220,518,446
Total liabilities and net position	\$ 38,883,432	\$ 72,717,683	\$ 5,221,324	\$ 32,699,878	\$ 84,937,811	\$ 87,884	\$ 6,075,479	\$ 26,917,677	\$ 151,376	\$ 267,692,544

See accompanying notes.

**Federated States of Micronesia
National Government**

**Combining Statement of Revenues, Expenses, and Changes in Net Position
Component Units**

Year Ended September 30, 2023

	FSM Tele- Communications Corporation	FSM Development Bank	National Fisheries Corporation	College of Micronesia- FSM	FSM Petroleum Corporation	Caroline Islands Air, Inc.	Micare Health Insurance Plan	FSM Communications Cable Corporation	Telecommunication Regulation Authority	Total
Operating revenues:										
Charges for services	\$ 16,651,768	\$ -	\$ 1,534,208	\$ 4,475,144	\$ 92,878,668	\$ 169,655	\$ 5,793,050	\$ 727,691	\$ -	\$ 122,230,184
Other	-	3,433,786	-	378,286	865,941	-	324	-	314,064	4,992,401
Total operating revenues	16,651,768	3,433,786	1,534,208	4,853,430	93,744,609	169,655	5,793,374	727,691	314,064	127,222,585
Operating expenses:										
Cost of services	1,596,709	-	-	-	67,539,578	582,984	7,559,939	-	-	77,279,210
Depreciation and amortization	4,120,258	163,474	36,353	1,092,502	3,247,893	26,558	39,292	1,269,674	10,598	10,006,602
Administrative costs	11,068,364	2,214,919	1,255,943	28,645,082	18,262,920	83,761	646,671	2,259,233	400,095	64,836,988
Total operating expenses	16,785,331	2,378,393	1,292,296	29,737,584	89,050,391	693,303	8,245,902	3,528,907	410,693	152,122,800
Operating income (loss)	(133,563)	1,055,393	241,912	(24,884,154)	4,694,218	(523,648)	(2,452,528)	(2,801,216)	(96,629)	(24,900,215)
Nonoperating revenues (expenses):										
Federal grants and contracts	-	-	-	19,370,234	-	-	-	-	-	19,370,234
Government grants and contracts	-	-	-	4,310,340	-	-	-	-	-	4,310,340
Government contribution to Endowment Fund	-	-	-	730,042	-	-	-	-	-	730,042
Net change in the fair value of investments	328,107	-	169,557	1,359,654	1,055,300	-	31,657	-	-	2,944,275
Interest income (expense)	(164,330)	3,668,580	-	-	(705,073)	-	-	(30,044)	(450)	2,768,683
Contributions from primary government	-	-	-	-	-	563,150	-	2,039,872	1,760	2,604,782
Other income (expense)	-	-	8,608	-	-	-	9,529	-	10	18,147
Total nonoperating revenues (expenses), net	163,777	3,668,580	178,165	25,770,270	350,227	563,150	41,186	2,009,828	1,320	32,746,503
Change in net position	30,214	4,723,973	420,077	886,116	5,044,445	39,502	(2,411,342)	(791,388)	(95,309)	7,846,288
Net position at the beginning of the year, as previously reported	26,781,173	65,033,536	4,328,883	25,868,074	58,893,455	54,438	5,650,392	25,994,718	203,996	212,808,665
Prior Period Adjustments (note 13)	-	-	-	-	-	(136,507)	-	-	-	(136,507)
Net position at the beginning of the year, as restated	26,781,173	65,033,536	4,328,883	25,868,074	58,893,455	(82,069)	5,650,392	25,994,718	203,996	212,672,158
Net position at the end of the year	\$ 26,811,387	\$ 69,757,509	\$ 4,748,960	\$ 26,754,190	\$ 63,937,900	\$ (42,567)	\$ 3,239,050	\$ 25,203,330	\$ 108,687	\$ 220,518,446

See accompanying notes.

Federated States of Micronesia
National Government

Notes to Financial Statements

Year Ended September 30, 2023

1. Summary of Significant Accounting Policies

The Federated States of Micronesia (FSM) was constituted on July 12, 1978 under the provisions of the FSM Constitution (the Constitution) as approved by the people of Chuuk, Kosrae, Pohnpei and Yap. The ratification of the Constitution by these four districts recognized their sovereign right to form the Federated States of Micronesia and make the FSM Constitution the supreme law of the land. The Constitution provides for the separation of powers of the executive, legislative, and judicial branches of the government.

The accompanying financial statements of the FSM National Government have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the FSM National Government's accounting policies are described below.

A. Reporting Entity

The FSM is an independent sovereign nation made up of the four states of Chuuk, Kosrae, Pohnpei, and Yap (the States). The FSM National Government is a constitutional government comprised of three branches: the Legislative Branch (the Congress), consisting of 14 members (one from each State who are elected for a term of four years, and ten who are elected for a term of two years, whose seats are apportioned by population); the Executive Branch, headed by the President and Vice President who are primarily responsible for executing the laws and administering national government services; and the Judiciary Branch made up of the FSM Supreme Court, which consists of a Chief Justice and up to five Associate Justices. The Congress elects two of its four-year members at its first session following an election to serve as President and Vice President.

For financial reporting purposes, the FSM National Government has included all funds, organizations, agencies, boards, commissions and institutions. The FSM National Government has also considered all potential component units for which it is financially accountable as well as other entities for which the nature and significance of their relationship with the FSM National Government are such that exclusion would cause the FSM National Government's financial statements to be misleading or incomplete. The criteria to be considered in determining financial accountability include whether the FSM National Government, as the primary government, has appointed a voting majority of an organization's governing body and either has the ability to impose its will on that organization or there is potential for the organization to provide specific financial benefits to or impose specific financial burdens on the FSM National Government. Financial accountability also exists if an organization is determined to be fiscally dependent on the primary government, although the primary government does not appoint a voting majority of the organization's governing board.

Federated States of Micronesia
National Government

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Each component unit of the FSM National Government has a September 30 year-end except for the FSM Social Security Administration, the FSM Development Bank and the FSM Petroleum Corporation, which each have a December 31 year-end.

Component units are entities that are legally separate organizations for which the FSM National Government's elected officials are financially accountable or other organizations for which the nature and significance of their relationship with the FSM National Government are such that exclusion would cause the FSM National Government's basic financial statements to be misleading or incomplete. The FSM National Government is financially accountable because it appoints the members of the governing authorities of each of the component units and because it is able to impose its will on these organizations or because the organizations provide specific financial benefits or impose specific financial burdens on the FSM National Government.

The financial statements of the component units have been included in the financial reporting entity as discretely presented component units. The component units' column of the basic financial statements includes the financial data of the following discretely presented component units:

- **FSM Telecommunications Corporation (FSMTC):** FSMTC was incorporated under FSM Public Law No. 2-10 to engage in the business of providing telecommunications services, except radio and television broadcasting, throughout the FSM and to points outside the FSM. FSMTC is governed by a five-member Board of Directors, which includes one appointee by the President (with the advice and consent of the Congress) and four appointees by the Governor of each State (with the advice and consent of the respective State Legislatures). The FSM National Government provides financial support to FSMTC through legislative appropriations and has the ability to impose its will on FSMTC.
- **FSM Development Bank (FSMDB):** FSMDB was established under FSM Public Law No. 8-47 to advance the economic development of the FSM through the provision of economic development loans. FSMDB is governed by a seven-member Board of Directors appointed by election at the annual shareholders' meeting by the plurality of votes thereof. As of December 31, 2017, FSMDB has issued 3,236,883 shares to the FSM National Government (98.8%), the State of Chuuk (.92%), and the State of Kosrae (0.28%). The FSM National Government provides financial support to FSMDB through legislature appropriations and has the ability to impose its will on FSMDB.

Federated States of Micronesia
National Government

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

- National Fisheries Corporation (NFC): NFC was established under FSM Public Law No. 3-14 to promote the development of pelagic fisheries and related industries within the extended fishery zone for the benefit of the people of the FSM. NFC is governed by a seven-member Board of Directors, which includes one appointee by the President (with the advice and consent of the Congress), four appointees by the Governor of each State (with the advice and consent of the respective State legislatures), the Executive Director of the National Oceanic Resource Management Authority (NORMA), and the Secretary of the Department of Economic Affairs. The FSM National Government has the ability to impose its will on NFC.
- College of Micronesia-FSM (COM-FSM): COM-FSM was established under FSM Public Law No. 7-79 to serve the varied post-secondary and adult educational needs of the FSM. COM-FSM is governed by a five-member Board of Regents appointed by the President with the advice and consent of the Congress. The FSM National Government provides financial support to COM-FSM through legislature appropriations and has the ability to impose its will on COM-FSM.
- FSM Petroleum Corporation (FSMPC): FSMPC was established under FSM Public Law 15-08 for the purpose of providing oil and gas distribution for the entire FSM. FSMPC is governed by a seven-member Board of Directors, which includes one appointee by the President (with the advice and consent of the Congress) and four appointees by the Governor of each State (with the advice and consent of the respective State legislatures), and two appointees from the private sector by the President (with the advice and consent of the Congress). The FSM National Government has the ability to impose its will on FSMPC. Financial statement balances of FSMPC include Vital Energy, Inc., a blended component unit.
- Caroline Islands Air, Inc. (CIA): CIA was established under FSM Public Law No. 10-72 to operate, maintain, and administer an inter-island air service based in Pohnpei State. CIA is governed by a five-member Board of Directors, which includes one appointee by the President (with the advice and consent of the Congress) and four appointees by the Governor of each State (with the advice and consent of the respective State Legislatures). The FSM National Government provides financial support to CIA through legislative appropriations and has the ability to impose its will on CIA.

Federated States of Micronesia
National Government

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

- FSM National Government Employees' Health Insurance Plan also known as MiCare Plan, Inc. (the Plan or MHIP) was initially created by Public Law 3-82 in 1984 and amended by Public Law 12-77 of the Twelfth Congress of the Federated States of Micronesia (FSM) National Government in 2003. The purpose of the Plan is to provide, arrange for, pay for, or reimburse the costs of medical, dental and vision treatment and care, hospitalization, surgery, prescription drugs, medicine, prosthetic appliances, out-patient care, and other medical care benefits, in cash or the equivalent in medicines and supplies. The Plan is under the governance of a seven-member Board of Directors, four of whom represents each of the four states of the FSM, one represents the FSM National Government, and one the private healthcare sector. These six members are appointed by the FSM President with the confirmation of the FSM Congress. The seventh member of the Board is the Plan Administrator who is selected by the Board and serves as an ex-officio member. The FSM National Government provides financial support to the Plan through legislative appropriations and has the ability to impose its will on the Plan.
- FSM Telecommunications Cable Corporation (FSMTCC): FSMTCC was incorporated under FSM Public Law No. 18-52 to engage in the business of providing telecommunications services, except radio and television broadcasting, throughout the FSM and to points outside the FSM. FSMTCC is governed by a five-member Board of Directors, which includes one appointee by the President (with the advice and consent of the Congress) and four appointees by the Governor of each State (with the advice and consent of the respective State Legislatures). The FSM National Government provides financial support to FSMTCC through legislative appropriations and has the ability to impose its will on FSMTCC.
- The Telecommunications Regulatory Authority was established under Law 18-52 under the laws of the Federated States of Micronesia, the purpose of which is to be a regulator charged with setting standards and guidelines in enhancing access to and affordability of telecommunications services in the Federated States of Micronesia. The Corporation is governed by a Chief Executive and two members, all appointed by the President of the FSM with the advice and consent of the FSM Congress.

In addition, fiduciary component units are subject to legislative and executive controls. These component units, while meeting the definition of a component unit and while legally separate, are presented in the fund financial statements of the FSM National Government. They have been omitted from the government-wide financial statements as their resources are not available to fund operations of the FSM National Government. The fiduciary component units are as follows:

- FSM Social Security Administration (FSMSSA), a Fiduciary Fund Type - Private Purpose Trust Fund. FSMSSA was established under FSM Public Law No. 2-74 to provide retirement, disability and survivor benefits for the citizens of the FSM. FSMSSA is governed by a five-member Board of Directors appointed by the President with the advice and consent of the Congress.

Federated States of Micronesia
National Government

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

- Yap State Development Loan Fund (YDLF), a Fiduciary Fund Type - Private Purpose Trust Fund. YDLF is administered by the FSM Development Bank in a Trust capacity for the purpose of providing loans for the economic development of the State of Yap.

The FSM National Government's component units, departments, and funds that are separately audited issue their own financial statements. These statements may be obtained by directly contacting the various entities or by obtaining them directly from the Office of the FSM National Public Auditor:

P.O. Box PS05
Palikir, Pohnpei State, FM, 96941

B. Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities report financial information on all non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been eliminated from these statements except for other charges between the primary government and the discretely presented component units. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Primary government activities are defined as either governmental or business-type activities. Governmental activities, which normally are supported by taxes, intergovernmental revenues and other non-exchange revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties for goods or services. As such, business-type activities account for operations similarly to a for-profit business. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. Discretely presented component unit activities are presented with their business-type focus.

The Statement of Net Position presents all of the reporting entity's non-fiduciary assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

- *Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets.
- *Restricted net position - nonexpendable* consists of permanent funds in which donors or other outside sources have stipulated that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to the principal.

Federated States of Micronesia
National Government

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

B. Government-Wide Financial Statements, continued

- *Restricted net position - expendable* consists of resources in which the FSM National Government is legally or contractually obligated to spend resources in accordance with restrictions either externally imposed by creditors, grantors, contributors, and the like, or imposed by law.
- *Unrestricted net position* consists of net position, which does not meet the definition of the two preceding categories. Unrestricted net position often is designated, (for example, internally restricted), to indicate that management does not consider such to be available for general operations.

The government-wide Statement of Net Position reports \$32,339,898 of restricted net position, of which \$6,079,911 is restricted by enabling legislation.

The Statement of Activities demonstrates the degree to which the direct expenses of given functions or segments are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are, instead, reported as general revenue and offset or supplant the net operating deficit or surplus from governmental operations.

C. Fund Financial Statements

The fund financial statements present a balance sheet and a statement of revenues, expenditures, and changes in fund balances for its major and aggregated non-major funds. Separate financial statements are provided for governmental funds and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements pursuant to GASB reporting standards, with nonmajor governmental funds being combined into a single column.

The FSM National Government reports its financial position and results of operations in funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. Transactions between funds within a fund type, if any, have not been eliminated.

Federated States of Micronesia
National Government

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

D. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements - the government-wide financial statements are reported using the economic resources management focus and the full accrual basis of accounting, as are the fiduciary fund and component unit financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as program revenue include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. General revenue is derived from taxation, investment income and other fees that are not allocated to specific programs.

Governmental Fund Financial Statements - the governmental fund financial statements account for the general governmental activities of the FSM National Government and are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual; generally when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the FSM National Government considers most revenues to be available if they are collected within 90 days of the end of the current fiscal period. Federal grants and assistance awards made on the basis of entitlement periods are recorded as revenues when available and entitlement occurs, which is generally within 12 months of the end of the current fiscal period.

Significant revenues susceptible to accrual include income and gross receipts taxes, federal grants, federal reimbursements and other reimbursements for use of materials and services. Miscellaneous revenues from other financing sources are recognized when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures generally are recorded in the period in which the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Fiduciary Fund and Component Unit Financial Statements - the fiduciary funds and discretely presented component units financial statements are reported using the economic measurement focus and the accrual basis of accounting, similar to government-wide financial statements, as described above.

Federated States of Micronesia
National Government

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

D. Measurement Focus and Basis of Accounting, continued

Discretely presented component units distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a component unit's principal ongoing operations. All other revenues are reported as nonoperating. Operating expenses includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All expenses not meeting this definition are reported as nonoperating and expenses.

The FSM National Government has elected to add an additional major fund that is of specific public interest, namely the Compact Trust Fund. Major individual governmental funds are reported as separate columns in the fund financial statements. The nonmajor funds are combined in a column in the fund financial statements and detailed in the combining statements. The FSM National Government reports the following major funds:

- General Fund - this fund is the primary operating fund of the FSM National Government. It is used to account for all governmental transactions, except those required to be accounted for in another fund.
- Grants Assistance Fund - a Special Revenue Fund that accounts for funds received under sector grants pursuant to the amended Compact of Free Association; all financial transactions of federally assisted funds, which are subgranted to the FSM National Government, as well as other direct federal grants that the FSM National Government received from the United States government, and foreign assistance grants.
- Section 215 Compact Trust Fund - a Permanent Fund that accounts for the FSM National Government's contributions to the Trust Fund established in accordance with Section 215 of the Compact of Free Association, as amended, to provide for an additional source of revenue for the government budget that will be needed to substitute for the absence of Compact of Free Association funding.

The nonmajor governmental funds are comprised of special revenue funds, which account for financial resources obtained from specific revenue sources and used for restricted purposes.

In addition, the FSM National Government reports the following fund types:

- Private Purpose Trust Fund - this fund accounts for resources held in trust by the FSM National Government of the: (i) FSM Social Security Retirement Fund under which principal and income benefit certain individuals; and (ii) the Yap State Development Loan Fund, which is held in trust by the FSM Development Bank for the benefit of the State of Yap.
- Custodial Fund – This fund accounts for resources held in trust by the FSM National Government for the “Federated States of Micronesia – Early Retirement Program” which is for the benefit of the State Governments of Chuuk, Kosrae, Pohnpei and Yap.

Federated States of Micronesia
National Government

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

E. Cash and Cash Equivalents and Time Certificates of Deposit

Cash and cash equivalents of the primary government and the discretely presented component units include cash held in demand accounts as well as short-term investments with a maturity date within three months of the date acquired by the FSM National Government. Deposits maintained in time certificates of deposit with original maturity dates greater than ninety days are separately classified on the statement of net position.

F. Investments

Investments and related investment earnings of the primary government and the discretely presented component units are recorded at fair value using quoted market prices. Fair value is the price that would be received to sell an asset or paid to transfer a liability (ie., the exit price) in an orderly transaction between market participants at the date as of which the fair value of an asset or liability is determined.

The FSM National Government categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In certain instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy is based on the lowest level of input that is significant to the fair measurement. Investments not categorized under the fair value hierarchy are shown at either Net Asset Value (NAV) or amortized cost.

The FSM National Government participates in an external investment pool known as the Trust Fund for the People of the Federated States of Micronesia. The FSM National Government cannot directly access individual investments in the external investment pool.

G. Receivables

In general, tax revenue is recognized on the government-wide financial statements, when assessed or levied and on the governmental fund financial statements to the extent that it is both measurable and available. Receivables are stated net of estimated allowances for uncollectible accounts. Reimbursements due to the FSM National Government for expenditures on federally funded reimbursement and grant programs are reported as “receivables from federal agencies” on the governmental funds balance sheet.

Federated States of Micronesia
National Government

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

G. Receivables, continued

Receivables of the primary government and the discretely presented component units are primarily due from businesses and individuals residing in the FSM. The allowance for uncollectible amounts primarily represents estimated allowances for uncollectible amounts that are determined based upon past collection experience and aging of the accounts.

H. Prepaid Items

Certain payments made to vendors or persons for services reflecting costs applicable to future accounting periods are recorded as prepaid items in both government-wide and fund financial statements.

I. Interfund Receivables/Payables

During the course of its operations, the FSM National Government records transactions between individual funds for goods provided or services rendered. Receivables and payables resulting from transactions between funds are classified as “due from other funds” or “due to other funds” on the governmental funds balance sheet.

These balances result from time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made, and are scheduled to be collected in the subsequent year.

J. Inventories

Inventories of materials and supplies recorded by the discretely presented component units are valued at the lower of cost (principally average cost) or market.

K. Restricted Assets

Certain assets of the primary government are classified as restricted assets because their use is completely restricted through loan agreements or enabling legislation. Investments recorded in the Compact Trust Fund of \$26,259,987 are restricted in that they are not available to be used in current operations.

Federated States of Micronesia
National Government

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

K. Restricted Assets, continued

As of September 30, 2023, cash and cash equivalents of the primary government were restricted for the following uses:

Deposit accounts established for the purpose of receiving payments pursuant to the Compact of Free Association, as amended	\$ 13,469,251
Deposit accounts maintained for certain non-U.S. donor agencies (ADB, People's Republic of China, Japan, European Union)	23,115,193
Deposit account established for the Airport Improvement Program	250,493
Deposit account maintained for proceeds from dormant bank accounts established in accordance with Public Law 13-56	846,900
Deposit accounts established for imprest funds in accordance with ADB Loans 2099 and 2100	<u>55,014</u>
	<u>\$ 37,736,851</u>

L. Other Assets

FSM National Government owns 50,000 shares of the outstanding common stock of a commercial enterprise located in the Commonwealth of the Northern Marianas with a carrying value of \$1,500,000. In addition, the FSM National Government maintains equity membership shares in the Asian Development Bank of \$6,927,442 (SDR 4,260,000). These equity interests do not meet the definition of investments as the assets are held primarily for economic development and are presented as other assets in the accompanying financial statements.

M. Indefeasible Right of Use

The FSM Telecommunications Corporation has capitalized the cost of acquisition of the right to use a specified amount of fiber capacity for a period of time, which is amortized over the length of the term of the capacity agreement on the straight line method.

Federated States of Micronesia
National Government

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

N. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure (e.g. roads, bridges, ramps and other similar items), are reported in the governmental activity column of the government-wide financial statements. Singular pieces of equipment, vehicles, computer equipment and software that equal or exceed \$1,000 are capitalized. Buildings and infrastructure projects with a cost that equals or exceeds \$50,000 are capitalized. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at fair market value at the date of donation.

Property, plant and equipment of the primary government and the component units are depreciated using the straight-line method over their estimated useful lives, with a full year's depreciation charged in the year of acquisition and disposal, regardless of date. Estimated useful lives are as follows:

Buildings and improvements	20 - 50 years
Infrastructure	20 years
Computer equipment	5 years
Furniture, equipment and machinery	3 - 20 years
Boats	25 years
Aircraft	20 years
Motor vehicles	3 - 10 years

O. Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (deduction of net position) until then. The FSM National Government has no items that qualify for reporting in this category.

P. Unearned Revenue/Due to Grantor Agencies

In the government-wide financial statements, unearned revenue are recognized when cash, receivables or other assets are recorded prior to their being earned. In the governmental fund financial statements, unearned revenue/due to grantor agencies represent monies received or revenues accrued which have not been earned or do not meet the "available" criterion for revenue recognition under the modified accrual basis of accounting. The unearned revenue/due to grantor agencies in the governmental fund types has primarily resulted from grants assistance funds received in advance of eligible expenditures.

Federated States of Micronesia
National Government

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Q. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Annual leave accumulates at the rate of 4 hours bi-weekly, if less than 3 years of service, 6 hours bi-weekly, if between 3 and 10 years of service, and 8 hours bi-weekly if over 10 years of service, limited to 45 working days.

R. Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (additions to net position) until then. The FSM National Government has no items that qualify for reporting in this category.

S. Fund Balance

Fund balance classifications are based on the extent to which the FSM National Government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent and are reported under the following fund balance classifications:

- Non-spendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed.
- Unassigned - includes negative fund balances in other governmental funds.

Federated States of Micronesia
National Government

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

S. Fund Balance, continued

The FSM National Government has a general policy to first use restricted resources for expenditures incurred for which both restricted and unrestricted (committed, assigned, and unassigned) resources are available. When expenditures are incurred for which only unrestricted resources are available, the general policy of the FSM National Government is to use committed resources first, followed by assigned, and then unassigned. The use of restricted/committed resources may be deferred based on a review of the specific transaction.

A formal minimum fund balance policy has not been adopted.

T. Interfund/Intrafund Transactions

As a general rule, the effect of interfund activity has been eliminated in the government-wide financial statements. Exceptions to this rule are: 1) activities between funds reported as governmental activities and funds reported as business-type activities and 2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct costs and program revenues for the functions concerned.

U. Risk Financing

The FSM National Government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the primary government not to purchase commercial insurance for the risks of loss to which it is exposed. Instead, the FSM National Government management believes it is more economical to manage its risks internally. In the event of claim settlements and judgments, the FSM National Government reports all of its risk management activities in its General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. No losses have occurred as a result of these risks in any of the past three fiscal years.

V. Accounting Standards

In May 2019, GASB issued Statement No. 91, Conduit Debt Obligations. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

Federated States of Micronesia
National Government

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

V. Accounting Standards, continued

The adoption of GASB Statement No. 91 during the year ended September 30, 2023 did not have an effect on the accompanying financial statements.

In March 2020, GASB issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The adoption of GASB Statement No. 94 during the year ended September 30, 2023 did not have an effect on the accompanying financial statements.

In May 2020, GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The adoption of GASB Statement No. 96 during the year ended September 30, 2023 did not have an effect on the accompanying financial statements.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. This statement provides clarification guidance on several of its recent statements that addresses different accounting and financial reporting issues identified during implementation of the new standards and during the GASB's review of recent pronouncements. GASB Statement No. 99:

- Provides clarification of provisions in GASB Statement No. 87 related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives. This implementation did not have a material effect on the accompanying financial statements.
- Provides clarification of provisions in GASB Statement No. 94 related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset. This implementation did not have a material effect on the accompanying financial statements.
- Provides clarification of provisions in GASB Statement No. 96 related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability. This implementation did not have a material effect on the accompanying financial statements.

Federated States of Micronesia
National Government

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

V. Accounting Standards, continued

- Modifies accounting and reporting guidance in GASB Statement No. 53 related to termination of hedge. This implementation did not have a material effect on the accompanying financial statements.

In April 2022, GASB issued Statement No. 99. This Statement contains guidance whose effective dates are in future periods. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 99:

- Modifies guidance in GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, to bring all guarantees under the same financial reporting requirements and disclosures effective for fiscal year ending September 30, 2024.
- Provides guidance on classification and reporting of derivative instruments within the scope of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective for fiscal year ending September 30, 2024.

In June 2022, GASB issues Statement No. 100, *Accounting Changes and Error Corrections* An Amendment of GASB Statement No. 62. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability. The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections. GASB Statement No. 100 will be effective for fiscal year ending September 30, 2024.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. The model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences. GASB Statement No. 101 will be effective for fiscal year ending September 30, 2025.

Federated States of Micronesia
National Government

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

V. Accounting Standards, continued

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The primary objective of this Statement is to provide users of the government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 102 will be effective for fiscal year ending September 30, 2025.

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The primary objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues identified through agenda research conducted by the GASB. This Statement establishes new accounting and financial reporting requirements - or modifies existing requirements - related to the following: a) management's discussion and analysis (MD&A); b) unusual or infrequent items; c) presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position; d) information about major component units in basic financial statements; e) budgetary comparison information; and f) financial trends information in the statistical section. GASB Statement No. 103 will be effective for fiscal year ending September 30, 2026.

In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. GASB Statement No. 104 will be effective for fiscal years ending September 30, 2026.

The FSM National Government is currently evaluating the effects the above upcoming accounting pronouncements might have on its financial statements.

Federated States of Micronesia
National Government

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

W. Estimates

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

2. Deposits and Investments

The FSM National Government pools cash resources of its various funds in order to facilitate the management of cash. Unless otherwise required by law, interest income received on pooled cash accrues to the General Fund. Cash and cash equivalents applicable to a particular fund are readily identifiable. The FSM National Government has invested the majority of its excess funds in a pooled investment fund which is managed under the control of the Federated Development Authority (FDA), an entity comprised of the FSM National Government and its four component States. Investment income originating from the pool accrues to the various funds.

The deposit and investment policies of the FSM National Government are governed by legislation enacted by the Congress. The Secretary of Finance is responsible for ensuring that deposits of the General Fund are maintained in commercial checking or savings accounts of any financial institution whose assets are at least \$1 billion and whose deposits are subject to Federal Deposit Insurance Corporation (FDIC) insurance. Furthermore, the Secretary of Finance is responsible for the investment of any monies of the FSM National Government that are deemed not necessary for immediate use.

FDA has selected investment managers who are given authority to buy and sell securities. These investment managers may invest in stocks, bonds and cash equivalents, for which minimum standards of quality of such investments at the time of purchase shall be as follows:

- i. Cash equivalents - the investment manager may engage in all normally accepted short-term investment practices including, but not limited to U.S. Treasury and government agency securities, bankers acceptances, certificates of deposit, commercial paper and repurchase agreements using any of the foregoing as collateral. The following restrictions apply: (1) Commercial paper must be rated A-1/P-1 or higher by Standard & Poor Corporation and Moody's Investor Services; and (2) 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 \$2 billion. Deposits in smaller institutions are acceptable, but must not exceed the amount of the insurance, unless collateralized by U.S. Treasury obligations at 102%.

Federated States of Micronesia
National Government

Notes to Financial Statements, continued

2. Deposits and Investments, continued

- ii. 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.
- iii. Bonds - Confined to issues rated "A" or higher by a national rating service, except in the case of U.S. Treasury or government agency obligations which are not rated.

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 Poor 500 Index, unless prior approval is received from the Secretary of Finance.

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.

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the FSM National Government's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name. The FSM National Government does not have a deposit policy for custodial credit risk.

As of September 30, 2023, the carrying amount of the primary government's total cash and cash equivalents and time certificates of deposit was \$153,816,878 and the corresponding bank balances were \$158,913,831. Of the bank balances, \$119,514,688 is maintained in financial institutions subject to FDIC insurance or a credit union subject to National Credit Union Administration (NCUA) insurance; while \$39,399,143 represents short-term investments held and administered by FSM National Government's trustees in accordance with various trust agreements and bond indentures. Based on negotiated trust and custody contracts, all of these investments were held in FSM National Government's name by FSM National Government's custodial financial institutions at September 30, 2023 while the remaining amount of \$43,739,886 is maintained in financial institutions not subject to FDIC or NCUA insurance.

As of September 30, 2023, the carrying amount of the fiduciary funds' total cash and cash equivalents and time certificates of deposit was \$1,876,360 and the corresponding bank balances were \$2,204,937. Of the bank balances, \$750,000 is maintained in financial institutions subject to FDIC insurance. The fiduciary funds do not require collateralization of their cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

Federated States of Micronesia
National Government

Notes to Financial Statements, continued

2. Deposits and Investments, continued

A. Deposits, continued

As of September 30, 2023, the carrying amount of the discretely presented component units' total cash and cash equivalents and time certificates of deposit was \$40,365,936 and the corresponding bank balances were \$44,770,125 which are maintained in financial institutions subject to FDIC insurance. As of September 30, 2023, bank deposits in the amount of \$10,762,603 were FDIC insured. The component units do not require collateralization of their cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

B. Investments

Primary Government

As of September 30, 2023 the FSM National Government's investments are as follows:

General Fund:

Debt securities	\$ 452,073
Equity securities	1,429,745
Domestic equities	5,719,553
Private equity	55,373,284
Collective trust funds	366,182,349
Cash management account	<u>64,321</u>
	<u>429,221,325</u>

Compact Trust Fund:

Investment in an external investment pool	<u>26,259,987</u>
	<u>\$455,481,312</u>

The FSM National Government's Compact Trust Fund includes an investment in an external investment pool; Trust Fund for the People of the Federated States of Micronesia. The purpose of the Fund is to contribute to the economic advancement and long-term self-reliance of the FSM by providing an annual source of revenue after fiscal year 2023.

The credit quality rating for aforementioned external investment pool is unrated.

The fair value of the position in the external investment pool is the same as the value of the pool shares as provided by the pool sponsor. There is no regulatory oversight for the pool.

Federated States of Micronesia
National Government

Notes to Financial Statements, continued

2. Deposits and Investments, continued

Primary Government, continued

As of September 30, 2023 the primary government's fixed income securities, including their Moody's Investors Service credit ratings, had the following maturities:

Investment Type	Rating Type	Fair Value	Maturity (in years)			
			Less than 1	1 – 5	6 – 10	Over 10
U.S. Treasury Obligations	Aaa	\$184,675	\$31,722	\$107,160	\$18,220	\$27,573
U.S. Government Agencies Obligations	Aaa	15,057	---	15,057	---	---
U.S. Government Agencies Obligations	Aa1	35,727	---	13,284	7,025	15,418
Municipal Obligations	Aa2	19,160	---	5,665	5,761	7,734
Municipal Obligations	Aa3	1,300	---	1,300	---	---
Corporate Bonds	A1	33,822	2,224	21,582	7,859	2,157
Corporate Bonds	A2	20,781	9,572	9,750	---	1,459
Corporate Bonds	A3	35,328	5,826	23,926	---	5,576
Corporate Bonds	Aa1	7,971	---	7,971	---	---
Corporate Bonds	Aa3	9,018	---	2,640	1,484	4,894
Corporate Bonds	Aaa	11,071	---	8,795	---	2,276
Corporate Bonds	Baa1	24,836	6,058	10,333	717	7,728
Corporate Bonds	Baa2	24,641	---	18,470	1,513	4,658
Corporate Bonds	Baa3	4,831	---	4,831	---	---
Corporate Bonds	Not rated	23,855	7,055	15,030	---	1,770
		<u>\$452,073</u>	<u>\$62,457</u>	<u>\$265,794</u>	<u>\$42,579</u>	<u>\$81,243</u>

Investment Type (no aging schedule)	Rating Type	Fair Value
U.S. Treasury Notes and Bonds	Aaa	\$18,274,229
U.S. Agencies Obligations	Aa3	1,147,282
Mortgage Backed	Aa1	31,479,431
Asset Backed	B3	7,157,494
Corporate Bonds – Industrial	Baa1	10,939,953
Corporate Bonds – Finance	A3	10,856,508
Corporate Bonds - Yankee Bond	Baa1	1,001,252
Corporate Bonds – Utilities	Baa1	2,367,668
Corporate Bonds - Other	A1	6,695,578
		<u>\$89,919,395</u> Included in collective trust funds

Federated States of Micronesia
National Government

Notes to Financial Statements, continued

2. Deposits and Investments, continued

Primary Government, continued

The FSM National Government has the following recurring fair value measurements as of September 30, 2023:

General Fund:	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Investments by fair value level:				
Debt securities:				
U.S. Treasury obligations	\$ 184,679	\$ ---	\$ 184,679	\$ ---
U.S. Government agencies obligations	50,784	---	50,784	---
Municipal obligations	20,460	---	20,460	---
Corporate notes	196,150	---	196,150	---
	<u>452,073</u>	<u>---</u>	<u>452,073</u>	<u>---</u>
Equity securities:				
U.S. equities	673,301	---	673,301	---
International equities	285,058	---	285,085	---
Mutual funds	471,387	---	471,387	---
	<u>1,429,745</u>	<u>---</u>	<u>1,429,745</u>	<u>---</u>
Total investments at fair value	<u>1,881,818</u>	<u>\$ ---</u>	<u>\$ 1,881,818</u>	<u>\$ ---</u>
Investments measured at NAV:				
Equity in Bank of the FSM	5,719,553			
Private equities	55,373,284			
Collective trust funds	<u>366,182,349</u>			
Total investments in NAV	<u>427,275,186</u>			
Investments measured at amortized cost:				
Cash management account	<u>64,321</u>			
	<u>\$429,221,325</u>			
Compact Trust Fund:	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Investments in an external investment pool by fair value level	\$23,616,505	<u>\$21,367,755</u>	<u>\$ ---</u>	<u>\$2,248,750</u>
Investments in an external investment pool measured at NAV	2,645,091			
Investments in an external investment pool measured at amortized cost	(1,609)			
	<u>\$26,259,987</u>			

Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. With the exception of investments in U.S. government securities, which are explicitly or implicitly guaranteed by the United States government, all other investments must be rated in accordance with the FSM National Government's investment policy.

Federated States of Micronesia
National Government

Notes to Financial Statements, continued

2. Deposits and Investments, continued

Primary Government, continued

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, the FSM National Government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The FSM National Government's investments are held and administered by trustees. Based on negotiated trust and custody contracts, all of these investments were held in the FSM National Government's name by the FSM National Government's custodial financial institutions at September 30, 2023.

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. GASB Statement No. 40 requires disclosure by issuer and amount of investments in any one issuer that represents five percent (5%) or more of total investments for the FSM National Government. As of September 30, 2023, the FSM National Government did not hold an investment in any one issuer that represented more than 5% of the FSM National Government's total investments.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments. The FSM National Government does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Fiduciary Funds

FSM Social Security Administration (FSMSSA):

The deposit and investment policies are governed by the FSMSSA enabling legislation. The FSMSSA Board is required to engage one or more fund custodians to assume responsibility for the physical possession of their investments. Legally authorized investments are as follows:

- i. Government obligations - Obligations issued or guaranteed as to principal and interest by the FSM National Government and/or State governments of the FSM or by the Government of the United States, provided that the principal and interest on each obligation are payable in the currency of the United States.
- ii. Corporate obligations and mortgage-backed securities - Obligations of any public or private entity or corporation created or existing under the laws of the FSM or of the United States or any state, territory or commonwealth thereof, or obligations of any other government or economic community which are payable in United States dollars, or pass-through and other mortgage-backed securities provided that the obligation is issued by an agency of the United States Government, the FSM National Government, or is rated in one of the three highest categories by two nationally recognized rating agencies. No investment under this heading shall exceed ten percent of the market value of the FSMSSA Retirement Fund or ten percent of the outstanding value of the issue at the time of purchase.

Federated States of Micronesia
National Government

Notes to Financial Statements, continued

2. Deposits and Investments, continued

Primary Government, continued

Fiduciary Funds, continued

FSM Social Security Administration (FSMSSA), continued:

- iii. Preferred and common stocks - Shares of preferred or common stocks of any corporation created or existing under the laws of the FSM or under the laws of the United States or any state, territory or commonwealth thereof provided that the purchase of such shares shall be considered reasonable and prudent by the respective investment advisors at the time of purchase, that not more than five percent of the market value of the FSMSSA Retirement Fund shall be invested in the stock of any one corporation, and that not more than ten percent of the market value of the FSMSSA Retirement Fund shall be invested in any one industry group.
- iv. Insurance company obligations - Contracts and agreements supplemental thereto providing for participation in one or more accounts of a life insurance company authorized to do business in the FSM or in any state, territory or commonwealth of the United States provided that the total market value of these investments at no time shall exceed ten percent of all investments of the FSMSSA Retirement Fund.

As of December 31, 2023, investments are as follows:

Fixed income securities:	
Domestic fixed income	\$17,713,877
Other investments:	
Domestic equities	12,932,261
International equities	9,903,635
Exchange traded funds	6,332,270
Real estate investment trust and tangibles	<u>4,102,335</u>
	<u>\$50,984,378</u>

The Administration categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. As of December 31, 2023, all investments are quoted in active markets.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments. The Administrator does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Federated States of Micronesia
National Government

Notes to Financial Statements, continued

2. Deposits and Investments, continued

Primary Government, continued

Fiduciary Funds, continued

FSM Social Security Administration (FSMSSA), continued:

As of December 31, 2023, the Administration's investments in fixed income securities were as follows:

	<u>Investment Maturities (In Years)</u>			
	<u>1 to 5</u>	<u>6 to 10</u>	<u>Greater Than 10</u>	<u>Total</u>
U.S. Treasury and agencies obligations	\$1,646,560	\$4,749,648	\$ 1,199,798	\$ 7,596,006
Mortgage and asset-backed securities	---	---	8,049,870	8,049,870
Corporate notes and bonds	<u>62,052</u>	<u>2,005,949</u>	<u>---</u>	<u>2,068,001</u>
	<u>\$1,708,612</u>	<u>\$6,755,597</u>	<u>\$9,249,668</u>	<u>\$17,713,877</u>

Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligation.

FSMSSA's exposure to credit risk at December 31, 2023, was as follows:

Standard and Poors' Rating

AAA/AAA	\$ 7,596,006
A1/A-	717,713
A1/BBB+	359,626
A2/A-	---
A2/BBB+	227,849
A3/A-	361,103
A3/BBB+	401,709
Not rated	<u>8,049,871</u>
	<u>\$17,713,877</u>

Custodial Funds – Federated States of Micronesia Early Retirement Program

As of September 30, 2023, FSM Early Retirement Program investments are as follows:

Domestic fixed income	\$2,565,289
Mutual funds	<u>4,868,301</u>
	<u>\$7,433,590</u>

Federated States of Micronesia
National Government

Notes to Financial Statements, continued

2. Deposits and Investments, continued

Primary Government, continued

Fiduciary Funds, continued

As of September 30, 2023, the fixed income investment of the FSM Early Retirement Program were as follows:

	Investment Maturities (In Years)				Total
	Less than 1	1 to 5	6 to 10	Greater Than 10	
U.S. Treasury, agencies, and municipal obligations	\$233,240	\$473,993	\$291,934	\$511,486	\$1,510,653
Corporate notes and bonds	<u>133,614</u>	<u>456,156</u>	<u>142,373</u>	<u>322,493</u>	<u>1,054,636</u>
	<u>\$366,854</u>	<u>\$930,149</u>	<u>\$434,307</u>	<u>\$833,979</u>	<u>\$2,565,289</u>

FSM Early Retirement Program exposure to credit risk as of September 30, 2023 is as follows:

Moody's Credit Rating

AAA	\$1,409,904
AA1	150,377
AA2	197,397
AA3	60,651
A1	214,093
A2	127,105
A3	122,729
BAA1	206,025
BAA2	43,947
Not Rated	<u>33,061</u>
	<u>\$2,565,289</u>

Discretely Presented Component Units

FSM Telecommunication Corporation (FSMTC)

As of September 30, 2023, investments at fair value are as follows:

Fixed income:

U.S. Treasury obligations	\$ 183,111
Corporate notes	<u>201,282</u>
	384,393

Other investments:

Domestic and international equities	1,500,638
Real estate and tangibles	<u>19,015</u>
	<u>\$1,904,046</u>

Federated States of Micronesia
National Government

Notes to Financial Statements, continued

2. Deposits and Investments, continued

As of September 30, 2023, FSMTC's investments in debt securities were as follows:

	Moody's Credit Rating	Investment maturities (in Years)				Fair Value
		Less Than 1	1 to 5	6 to 10	Greater Than 10	
U.S. Treasury obligations	Aaa	\$ 9,896	\$101,191	\$72,024	\$ ---	\$183,111
Corporate notes	A1	---	30,638	28,491	---	59,129
Corporate notes	A2	8,555	11,634	---	---	20,189
Corporate notes	A3	---	9,652	36,024	---	45,676
Corporate notes	AA2	---	---	6,709	---	6,709
Corporate notes	AA3	---	---	8,833	---	8,833
Corporate notes	BAA1	9,666	20,665	---	---	30,331
Corporate notes	BAA2	<u>18,978</u>	<u>11,437</u>	<u>---</u>	<u>---</u>	<u>30,415</u>
		<u>\$47,095</u>	<u>\$185,217</u>	<u>\$152,081</u>	<u>\$ ---</u>	<u>\$384,393</u>

FSMTC categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. FSMTC has the following recurring fair value measurements as of September 30, 2023:

	September 30, 2023	Fair Value Measurements Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Fixed income:				
U.S. Treasury obligations	\$ 183,111	\$ ---	\$183,111	\$ ---
Corporate notes	<u>201,282</u>	<u>---</u>	<u>201,282</u>	<u>---</u>
Total fixed income	<u>384,393</u>	<u>---</u>	<u>384,393</u>	<u>---</u>
Equity securities:				
U.S. equities	1,189,491	1,189,491	---	---
Non U.S. equities	<u>311,147</u>	<u>311,147</u>	<u>---</u>	<u>---</u>
Total equity securities	<u>1,500,638</u>	<u>1,500,638</u>	<u>---</u>	<u>---</u>
Real estate and tangible	<u>19,015</u>	<u>19,015</u>	<u>---</u>	<u>---</u>
Total investments by fair value level	<u>\$1,904,046</u>	<u>\$1,500,638</u>	<u>\$403,408</u>	<u>\$ ---</u>

Federated States of Micronesia
National Government

Notes to Financial Statements, continued

2. Deposits and Investments, continued

Discretely Presented Component Units

College of Micronesia - FSM (COM-FSM):

As of September 30, 2023, COM-FSM's investments are as follows:

Fixed income securities:	
Domestic fixed income	\$ <u>3,913,655</u>
Other investments:	
Equity securities	8,570,487
Exchange traded funds	1,077,395
Certificates of deposit	<u>399,292</u>
	<u>10,047,174</u>
	<u>\$13,960,829</u>

As of September 30, 2023, COM-FSM's fixed income securities had the following maturities:

Investment Type	Fair Value	Investment Maturities (in years)				
		Less than 1	1- 3 Years	3 - 7 Years	7- 14 Years	more than 14 Years
Corporate bond	\$ 1,854,067	\$ 63,641	\$ 262,581	\$ 941,825	\$ 472,452	\$ 113,568
Government bond	<u>2,059,588</u>	<u>90,513</u>	<u>978,064</u>	<u>501,861</u>	<u>228,591</u>	<u>260,559</u>
	<u>\$ 3,913,655</u>	<u>\$ 154,154</u>	<u>\$ 1,240,645</u>	<u>\$ 1,443,686</u>	<u>\$ 701,043</u>	<u>\$ 374,127</u>

COM-FSM's exposure to credit risk at September 30, 2023, was as follows:

<u>Moody's Rating</u>	<u>Total</u>
AAA	\$2,116,215
AA	118,110
A	890,333
BAA	740,414
Not rated	<u>48,583</u>
	<u>\$3,913,655</u>

Federated States of Micronesia
National Government

Notes to Financial Statements, continued

2. Deposits and Investments, continued

Discretely Presented Component Units, continued

College of Micronesia - FSM (COM-FSM), continued:

COM-FSM has the following recurring fair value measurements as of September 30, 2023:

	September 30, 2023	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Fixed income securities	\$ 3,913,655	\$ ---	\$3,913,655	\$ ---
Equity securities	8,570,487	8,570,487	---	---
Exchange traded funds	<u>1,077,395</u>	<u>1,077,395</u>	<u>---</u>	<u>---</u>
Total investments by fair value level	13,561,537	<u>\$9,647,882</u>	<u>\$3,913,655</u>	<u>\$ ---</u>
Investment at cost (TCD)	<u>399,292</u>			
	<u>\$13,960,829</u>			

FSM Development Bank (FSMDB):

As of December 31, 2023, investments at fair value are as follows:

Fixed income securities:	
Domestic fixed income	\$ 5,018,427
Equity securities:	
Domestic equities	9,504,636
Shares in a mutual fund	<u>1,579,945</u>
	<u>\$ 16,103,008</u>

As of December 31, 2023, investments in domestic fixed income securities are as follows:

	Moody's Credit Rating	Investment maturities (in Years)				Fair Value
		Less Than 1	1 to 5	6 to 10	Greater Than 10	
U.S. Government securities:						
U.S. Treasury Notes	Aaa	\$ ---	\$1,814,624	\$ 264,534	\$ ---	\$2,079,158
U.S. Government agencies:						
Fannie Mae Pool	Not rated	---	---	---	1,284,030	1,284,030
Freddie Mac Group	Not rated	---	---	---	1,099,933	1,099,933
Corporate bonds	A1	---	192,661	151,282	---	343,943
Corporate bonds	A2	---	---	92,221	---	92,221
Corporate bonds	A3	<u>---</u>	<u>---</u>	<u>119,142</u>	<u>---</u>	<u>119,142</u>
		<u>\$ ---</u>	<u>\$2,007,285</u>	<u>\$ 627,179</u>	<u>\$2,383,963</u>	<u>\$5,018,427</u>

Federated States of Micronesia
National Government

Notes to Financial Statements, continued

2. Deposits and Investments, continued

FSM Development Bank (FSMDB), continued:

FSMDB has the following recurring fair value measurements as of December 31, 2023:

	December 31, 2023	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Fixed income:				
U.S. Treasury obligations	\$ 2,079,158	\$ ---	\$ 2,079,158	\$ ---
U.S. Government agencies	2,383,963	---	2,383,963	---
Corporate notes	<u>555,306</u>	<u>---</u>	<u>555,306</u>	<u>---</u>
Total fixed income	<u>5,018,427</u>	<u>---</u>	<u>5,018,427</u>	<u>---</u>
Equity securities:				
U.S. equities	6,853,686	6,853,686	---	---
Non U.S. equities	2,650,950	2,650,950	---	---
Mutual fund shares	<u>1,579,945</u>	<u>1,579,945</u>	<u>---</u>	<u>---</u>
Total investments at fair value	<u>\$ 16,103,008</u>	<u>\$ 11,084,581</u>	<u>\$ 5,108,427</u>	<u>\$ ---</u>

National Fisheries Corporation (NFC):

As of September 30, 2023, investments comprise Exchange-Traded Funds (ETF) which are listed on a national stock exchange and can be bought and sold in the equity trading markets. Under certain circumstances, issuers may cease or suspend creating new shares, which may cause ETF to trade at a price that differs significantly from the value of its underlying holdings or index. NFC's investment balance in ETF is \$1,216,383 as of September 30, 2023. Investments in securities are categorized as Level 1.

FSM Petroleum Corporation (FSMPC):

As of December 31, 2023, investments at fair value are as follows:

Fixed income securities:	
Domestic fixed income	<u>\$ 7,331,655</u>
Other investments:	
Common equities	2,477,358
Exchange traded funds	1,066,776
Money market funds	<u>2,808,251</u>
	<u>6,352,385</u>
	<u>\$13,684,040</u>

Federated States of Micronesia
National Government

Notes to Financial Statements, continued

2. Deposits and Investments, continued

Primary Government, continued

Discretely Presented Component Units, continued

FSM Petroleum Corporation (FSMPC), continued:

As of December 31, 2023, FSMPC's fixed income securities had the following maturities:

<u>Investment Type</u>	<u>Fair value</u>	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>5 to 10 years</u>	<u>More than 10 years</u>
Corporate bonds	\$1,590,130	\$ ---	\$ 787,457	\$ 732,492	\$ 70,181
U.S. treasury securities	2,200,818	74,530	1,359,484	642,462	124,342
Certificate of deposits	<u>3,540,707</u>	<u>3,540,707</u>	<u>---</u>	<u>---</u>	<u>---</u>
	<u>\$7,331,655</u>	<u>\$3,615,237</u>	<u>\$2,146,941</u>	<u>\$1,374,954</u>	<u>\$194,523</u>

FSMPC's exposure to credit risk as of December 31, 2023, was as follows:

<u>Moody's Rating</u>	
AAA	\$2,224,030
A1	437,554
A2	140,629
A3	140,934
BAA1	261,423
BAA2	563,117
BAA3	23,261
Not rated	<u>3,540,707</u>
	<u>\$7,331,655</u>

FSMPC has the following recurring fair value measurements as of December 31, 2023:

<u>Fair Value Measurements Using</u>				
	<u>December 31, 2023</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments by fair value level:				
Fixed income securities	\$ 7,331,655	\$ ---	\$7,331,655	\$---
Equity securities	2,477,358	2,477,358	---	---
Exchange-traded funds	<u>1,066,776</u>	<u>1,066,776</u>	<u>---</u>	<u>---</u>
Total investments by fair value level	<u>10,875,789</u>	<u>\$ 3,544,134</u>	<u>\$7,331,655</u>	<u>\$---</u>
Investments measured at amortized cost:				
Money market funds	<u>2,808,251</u>			
	<u>\$13,684,040</u>			

Federated States of Micronesia
National Government

Notes to Financial Statements, continued

2. Deposits and Investments, continued

B. Investments, continued

Discretely Presented Component Units, continued

FSM National Employees' Health Insurance Plan (the Plan):

As of September 30, 2023 investments are as follows:

Fixed income securities:

Domestic fixed income \$2,441,817

As of September 30, 2023 the Plan's fixed income securities had the following maturities:

	Moody's Credit Rating	Less than 1 Year	1 to 5 Years	6 to 10 Years	More than 10 Years	Fair Value
U.S. Treasury obligations	AAA	\$319,055	\$ 788,584	\$209,439	\$ ---	\$1,317,078
U.S. Government	AA	57,658	160,298	---	35,028	252,984
Corporate bonds	Aaa	---	1,849	6,347	---	8,196
Corporate bonds	Aa	---	5,477	27,937	---	33,414
Corporate bonds	A	49,322	156,790	363,082	---	569,194
Corporate bonds	Baa	<u>3,915</u>	<u>117,853</u>	<u>139,183</u>	<u>---</u>	<u>260,951</u>
		<u>\$429,950</u>	<u>\$1,230,851</u>	<u>\$745,988</u>	<u>\$35,028</u>	<u>\$2,441,817</u>

The Plan has the following recurring fair value measurements as of September 30, 2023:

<u>Fair Value Measurements Using</u>			
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:	<u>Total</u>		
Fixed income securities	<u>\$2,441,817</u>	<u>\$ ---</u>	<u>\$2,441,817</u>
			<u>\$ ---</u>

Federated States of Micronesia
National Government

Notes to Financial Statements, continued

3. Receivables

Primary Government

Receivables as of September 30, 2023 for the primary government's individual major governmental funds, and nonmajor governmental and fiduciary funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	General Fund	Grant Assistance	Compact Trust	Nonmajor and Fiduciary Funds	Totals
Receivables:					
General	\$ 323,970	\$ -	\$ -	\$ 372	\$ 324,342
Taxes	7,028,923	-	-	-	7,028,923
Federal agencies	-	7,238,891	-	-	7,238,891
Due from state government	-	1,737,228	-	-	1,737,228
Loans	31,809,472	-	-	-	31,809,472
Advances	3,711,775	408,550	-	5,355	4,125,680
Due from Component Units	500,000	-	-	-	500,000
Accrued interest	26,447	-	-	-	26,447
	43,400,587	9,384,669	-	5,727	52,790,983
Less: allowance for uncollectible accounts	(6,019,518)	(6,672,408)	-	-	(12,691,926)
Net receivables	\$37,381,069	\$ 2,712,261	\$ -	\$5,727	\$40,099,057

During the year ended September 30, 2023 certain loans receivable balances resulting from subsidiary loans of loan agreements between the FSM National Government and the Asian Development Bank (ADB) were increased as a result of foreign exchange loss recognized by these respective subsidiary borrowers. The non-cash increase in loans receivable of \$501,819 is presented in the accompanying statement of activities as a component of \$2,209,757 Debt service expenditures.

Loans receivable of the primary government are as follows:

General Fund

Loan receivable from Micronesia Longline Fishing Company, a majority-owned subsidiary of NFC, in the amount of SDR 3,514,000, interest at 6.64% per annum, repayments commencing January 15, 1998, with a maturity date of July 15, 2007. The loan is a subsidiary loan of a loan agreement (Loan Number 1257 FSM (SF)) between the FSM National Government and the ADB. As of September 30, 2023, \$ 2,058,501 has been provided for in the allowance for uncollectible accounts.

\$ 2,058,501

Federated States of Micronesia
National Government

Notes to Financial Statements, continued

3. Receivables, continued

Primary Government, continued

General Fund, continued

Loans receivable from the State of Chuuk (CSG), the Pohnpei Utilities Corporation (PUC), and the Yap State Public Service Corporation (YSPSC). These loans are subsidiary loans of a loan agreement (Loan Number 1459 FSM (SF)) between the FSM National Government and the ADB. The FSM National Government entered into Financing Agreements with the States of Chuuk, Pohnpei and Yap whereby a portion of the loan proceeds under this ADB loan were relent under the same terms and conditions imposed by the ADB. The States (with the exception of CSG) in turn relent the loan proceeds to PUC and YSPSC, respectively, as follows:

	<u>General Fund</u>	
State of Chuuk	\$1,933,424	
Pohnpei Utilities Corporation	1,189,802	
State of Yap	<u>1,269,664</u>	4,392,890

Loans receivable from the States to assist in the implementation of an Early Retirement Scheme (ERS) in which employees holding certain nonessential positions as identified by the States were retired early with a payout of the equivalent of two-years wages. These loans are subsidiary loans of a loan agreement (Loan Number 1520 FSM (SF)) between the FSM National Government and the ADB. The FSM National Government entered into Financing Agreements with the States whereby a portion of the loan proceeds under this ADB loan were relent under the same terms and conditions imposed by the ADB. The amounts outstanding from the States are as follows:

	<u>General Fund</u>	
State of Chuuk	\$2,876,289	
State of Yap	1,847,036	
State of Kosrae	1,054,739	
State of Pohnpei	<u>2,284,045</u>	8,062,109

Federated States of Micronesia
National Government

Notes to Financial Statements, continued

3. Receivables, continued

Primary Government, continued

General Fund, continued

Loans receivable from the States to assist in the implementation of the Private Sector Development Program. These loans are subsidiary loans of loan agreements (Loan Number 1873 FSM (SF) and Loan Number 1874 FSM (SF)) between the FSM National Government and the ADB. The FSM National Government entered into Financing Agreements with the States whereby a portion of the loan proceeds under these ADB loans were relent under the same terms and conditions imposed by the ADB. The amounts outstanding from the States are as follows:

	<u>General Fund</u>	
State of Chuuk	\$ 530,032	
State of Yap	319,475	
State of Kosrae	217,563	
State of Pohnpei	<u>527,797</u>	1,594,867

Loans receivable from the States and the States' component units to enhance public health and the environment through assistance to improve water supply infrastructure in Kosrae and Yap, and wastewater infrastructure in Pohnpei; and to support economic growth and poverty reduction in Chuuk through improvements to the electrical power sector. These loans are subsidiary loans of loan agreements Loan Number 2099 FSM (SF) and Loan Number 2100 FSM (SF) between the FSM National Government and the ADB. The FSM National Government entered into Financing Agreements with the States whereby a portion of the loan proceeds under these ADB loans were relent under the same terms and conditions imposed by the ADB. The amounts outstanding from the States and the States' component units are as follows:

	<u>General Fund</u>	
State of Pohnpei/PUC	\$3,577,912	
State of Chuuk/CPUC	3,015,068	
State of Yap	1,444,873	
State of Kosrae	<u>850,832</u>	8,888,685

Federated States of Micronesia
National Government

Notes to Financial Statements, continued

3. Receivables, continued

Primary Government, continued

General Fund, continued

Loans receivable from the States and the States' component units to enhance and to improve renewable energy infrastructure in Yap. These loans are subsidiary loans of loan agreements Loan Number 3004 FSM (SF) and Loan Number 3005 FSM (SF) between the FSM National Government and the ADB. The FSM National Government entered into Financing Agreements with the States whereby a portion of the loan proceeds under these ADB loans were relent under the same terms and conditions imposed by the ADB. The amounts outstanding from the States and the States' component units are as follows:

	<u>General Fund</u>	
State of Yap/YSPSC	\$6,812,421	<u>6,812,421</u>
Total		31,809,473
Less: Allowance		<u>(3,093,270)</u>
Net		<u>\$28,716,203</u>

Due from Component Units

On September 17, 2018, FSMT Cable Corporation entered into an interest-free loan with the FSM National Government for \$500,000, to support its initial operations and as emergency fund. The loan is uncollateralized and repayment shall commence once FSMT Cable Corporation has equity of \$1,000,000 and will be paid out of operational funds. Subject to this clause, repayment was initially set on October 1, 2023 after a five-year grace period and such grace period is subject to review of the parties. After repayment date is confirmed, the loan amount and frequency will be set and the loan is payable over a minimum period of seven years or due on October 1, 2030. The balance outstanding at December 31, 2023 is \$500,000.

\$ 500,000

\$ 500,000

Federated States of Micronesia
National Government

Notes to Financial Statements, continued

3. Receivables, continued

Primary Government, continued

Due from Component Units, continued

Discretely Presented Component Units

Receivables as of September 30 or December 31, 2023 for the discretely presented component units, including applicable allowances for uncollectible accounts, are as follows:

	FSM Tele- Communications Corporation	FSM Development Bank	National Fisheries Corporation	College of Micronesia- FSM	FSM Petroleum Corporation	Caroline Islands Air, Inc.	FSM National Government Employees Health Insurance Plan	FSM Telecomm Cable Corp.	Telecommunications Regulation Authority	Total
Receivables:										
General	\$1,513,615	\$ -	\$1,111,968	\$12,892,690	\$3,849,055	\$ -	\$1,757,646	\$ -	\$12,855	\$21,137,829
Loans	-	42,445,264	-	-	-	-	-	-	-	42,445,264
Interest	150,192	181,012	-	-	-	-	-	-	-	331,204
Other	2,547,334	-	1,575	596,778	265,161	-	185,553	173,401	-	3,769,802
	4,211,141	42,626,276	1,113,543	13,489,468	4,114,216	-	1,943,199	173,401	12,855	67,684,099
Less: allowance for uncollectible accounts	(3,198,649)	(7,352,128)	(125,900)	(7,673,837)	-	-	(1,762,975)	-	-	(20,113,489)
Net	\$1,012,492	\$35,274,148	\$ 987,643	\$ 5,815,631	\$4,114,216	\$ -	\$ 180,224	\$173,401	\$12,855	\$47,570,610

4 . Interfund Receivables and Payables

Primary Government

Receivables and payables between funds reflected as due to/from other funds in the combined balance sheet at September 30, 2023, are summarized as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Grants Assistance	General	\$30,942,694
General	Grants Assistance	2,850,198
Nonmajor government funds	General	4,628,177
General	Nonmajor government funds	<u>90,262</u>
		<u>\$38,511,331</u>

Federated States of Micronesia
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Notes to Financial Statements, continued

5. Capital Assets

Capital asset activities for the year ended September 30, 2023, are as follows:

Primary Government

	Balance Oct. 01, 2022	Additions and Reclassification	Retirements and Reclassification	Balance Sept. 30, 2023
Depreciable assets:				
Furniture, Equipment and Machinery	\$ 12,825,144	\$ 6,202,671	\$ -	\$ 19,027,815
Vehicles	8,492,599	1,686,678	(162,823)	10,016,454
Boats	22,955,497	439,735	-	23,395,232
Computer	2,752,982	-	-	2,752,982
Buildings	74,257,683	715,658	78,230	75,051,571
Aircraft	709,207	-	-	709,207
Infrastructure	206,437,007	-	-	206,437,007
Right-to-use assets	-	964,298	-	964,298
	<u>328,430,119</u>	<u>10,009,040</u>	<u>(84,593)</u>	<u>338,354,566</u>
Less: accumulated depreciation				
Furniture, Equipment and Machinery	(11,143,814)	(1,479,085)	-	(12,622,899)
Vehicles	(6,561,674)	(1,139,785)	67,527	(7,633,932)
Boats	(22,125,468)	(611,256)	22,620	(22,714,104)
Computer	(2,638,475)	(48,549)	2,532	(2,684,492)
Buildings	(19,897,141)	(1,386,924)	(98,229)	(21,382,294)
Aircraft	(709,207)	-	-	(709,207)
Infrastructure	(84,718,487)	(10,700,079)	-	(95,418,566)
Right-to-use assets	-	(100,659)	-	(100,659)
	<u>(147,794,266)</u>	<u>(15,466,337)</u>	<u>(5,550)</u>	<u>(163,266,153)</u>
Net depreciable capital assets	180,635,853	(5,457,297)	(90,143)	175,088,413
Construction in- progress	4,008,321	1,753,666	(596,145)	5,165,842
Land	9,121,371	-	-	9,121,371
Net assets	<u>\$ 193,765,545</u>	<u>\$ (3,703,631)</u>	<u>\$ (686,288)</u>	<u>\$ 189,375,626</u>

Federated States of Micronesia
National Government

Notes to Financial Statements, continued

5. Capital Assets, continued

Primary Government, continued

Depreciation expense was charged to functions/programs of the primary government's governmental activities as follows:

Office of the President	\$ 56,174
Foreign Affairs	14,201
Health and Social Affairs	773,414
Education	298,501
Resources and Development	42,064
Office of National Archives, Cultural and Historic Preservation	580
Transportation, Communication and Infrastructure	7,180,881
Finance and Administration	162,432
Justice	135,716
Office of the Public Defender	17,469
Judiciary	9,804
Legislature	178,409
Office of the National Public Auditor	18,885
Environment and Emergency Management	19,520
National Government Programs	6,473,876
Agencies, Boards and Commissions	<u>84,411</u>
	<u>\$15,466,337</u>

Discretely Presented Component Units:

	Balance <u>1-Oct-22</u>	Additions and <u>Reclassifications</u>	Retirements and <u>Reclassifications</u>	Balance September 30, <u>2023</u>
Depreciable assets:				
Buildings	\$ 38,348,796	\$ 771,394	\$ (335,422)	\$ 38,784,768
Plant and Equipment	120,255,084	4,458,461	(150,744)	124,562,801
Machinery, equipment, and others	27,934,575	2,723,802	(198,194)	30,460,183
Other	<u>20,501,005</u>	<u>391,236</u>	<u>-</u>	<u>20,892,241</u>
Total capital assets, being depreciated	207,039,460	8,344,893	(684,360)	214,699,993
Less accumulated depreciation	<u>(136,397,200)</u>	<u>(9,286,437)</u>	<u>607,628</u>	<u>(145,076,009)</u>
	70,642,260	(941,544)	(76,732)	69,623,984
Subscription-based IT assets, net		58,125		58,125
Lease assets, net	3,495,488	608,835	(464,490)	3,639,833
Nondepreciable assets:				
Construction work-in-progress	15,091,724	5,029,142	(4,160,595)	15,960,271
Land	<u>1,955,685</u>	<u>-</u>	<u>-</u>	<u>1,955,685</u>
	<u>\$ 91,185,157</u>	<u>\$ 4,754,558</u>	<u>\$ (4,701,817)</u>	<u>\$ 91,237,898</u>

Federated States of Micronesia
National Government

Notes to Financial Statements, continued

6. Indefeasible Right of Use (IRU)

FSMTC

In 2009, FSMTC entered into an IRU Capital Lease agreement with a third party for the exclusive use of eight wave lengths of fiber capacity of the two fibers of the Kwajalein Cable System (KCS) which runs between Guam and Kwajalein and which is known as the “HANTRU1 System”. Under the terms of the agreement, FSMTC made certain payments of \$3,656,301. The initial term of the agreement is for a period of ten years commencing on the date FSMTC is initially granted access, and which term is automatically renewable for a further 10-year period and an additional 5-year period thereafter. Prior to the tenth and twentieth anniversary dates, FSMTC has the option to terminate this agreement; however, such is subject to prior approval of the Rural Utilities Services (RUS) of the U.S. Department of Agriculture. FSMTC's policy is to amortize the right of use over the 25-year period. As of September 30, 2023, accumulated amortization expense of \$2,058,402 has been recorded, and the IRU's carrying amount totals \$1,837,899.

FSMTCC

On February 2, 2018, FSM Telecommunication Corporation (“FSMTC”) and FSMTCC entered into a deed granting FSMTCC a 25-year indefeasible exclusive right of use of fifty percent (50%) of the total available capacity on one fiber pair in the main HANTRU-1 submarine cable. FSMTC will not charge FSMTCC for the conveyances of the IRU granted under the agreement to recover FSMTC's sunk costs in, or to earn a profit on, its investment in the properties and facilities in which it has granted FSMTCC's right of use. In December 9, 2019, FSMNG assigned to FSMTCC all of its rights, titles and interests, and obligations, under the IRU Agreement, and transferred the IRU in the amount of \$4,660,000 with accumulated depreciation of \$113,883. The IRU shall continue in effect until the West Subsystem is decommissioned. In certain conditions, either party may initiate a termination of IRU, otherwise it is for the life of the Cable system (25 years). Accumulated amortization of \$755,396 has been recorded as of September 30, 2023. As of September 30, 2023 the IRU's carrying amount is \$3,904,604.

The deed further provides that costs incurred by FSMTCC to renovate and refurbish the existing building at the Yap Cable Landing Station will constitute full and complete consideration for the IRU and other rights and privileges in the site for the Yap Cable Landing Station granted by FSMTC to FSMTCC and FSMTCC will not pay FSMTC any further consideration for such use.

The deed provides that for as long as FSMTC is the only authorized retail communications service provider in the FSM, in consideration of FSMTCC satisfying FSMTC's requirements for international and interstate connectivity services within FSM on the routes traversed by the submarine cable system in which FSMTCC has interest, it will charge FSMTC, and FSMTC will pay FSMTCC on a monthly basis, all of the amounts chargeable to FSMTCC. The payment will be treated as a recurring lump-sum payment and not a per-unit and/or per-route capacity usage charge. As long as FSMNG owns both entities, FSMTCC will pay the costs of any designated capacity upgrade or provisioning on the cable system.

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Notes to Financial Statements, continued

7. Long-Term Obligations

Primary Government

Asian Development Bank (ADB) Loan Number 1257 FSM (SF) - Fisheries Development Project Loan (SDR 3,792,000), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. The loan is payable semi-annually commencing January 15, 2004 in an amount of SDR 46,100 increasing to SDR 92,400 on January 15, 2014, with a maturity date of July 15, 2033. \$ 2,058,502

ADB Loan Number 1459 FSM (SF) - Water Supply and Sanitation Project Loan (SDR 7,233,000), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. The loan is payable semi-annually commencing February 1, 2007 in an amount of SDR 69,200, increasing to SDR 138,500 on February 1, 2017, with a maturity date of August 1, 2036. 4,392,891

ADB Loan Number 1520 FSM (SF) - Public Sector Reform Program Loan (SDR 12,979,000), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. The loan is payable semi-annually commencing February 1, 2008 in an amount of SDR 129,800, increasing to SDR 259,600 on February 1, 2018, with a maturity date of August 1, 2037. 9,203,954

ADB Loan Number 1816 FSM (SF) - Basic Social Services Project Loan (SDR 6,199,000), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. The loan is payable semi-annually commencing February 1, 2009 in an amount of SDR 129,145, at which time the service charge increases to 1.5% per annum, with a maturity date of August 1, 2032. 1,272,662

ADB Loan Number 1873 FSM (SF) - Private Sector Development Program Loan (SDR 3,912,000), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. The loan is payable semi-annually commencing May 15, 2010 in an amount of SDR 122,250, at which time the service charge increases to 1.5% per annum, with a maturity date of November 15, 2025. 493,865

Federated States of Micronesia
National Government

Notes to Financial Statements, continued

7. Long-Term Obligations, continued

Primary Government, continued

ADB Loan Number 1874 FSM (SF) - Private Sector Development Project Loan (SDR 6,273,000), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. The loan is payable semi-annually commencing May 15, 2010 in an amount of SDR 130,687, at which time the service charge increases to 1.5% per annum, with a maturity date of November 15, 2033.

2,581,652

ADB Loan Number 2099 FSM (SF) - Omnibus Infrastructure Development Project (SDR 9,686,000), interest bearing at the rate of 1% per annum on the amount of the loan withdrawn from the Loan Account during the grace period. The loan is payable semi-annually commencing January 15, 2013 in an amount of SDR 201,791, at which time the interest rate increases to 1.5% per annum, with a maturity date of July 15, 2036.

6,637,421

ADB Loan Number 2100 FSM (SF) - Omnibus Infrastructure Development Project (SDR 9,686,000), interest bearing equivalent to the sum of LIBOR and .60% per annum on the amount of the loan withdrawn from the Loan account with a loan term of 25 years including a grace period of 5 years. The loan is payable semi-annually commencing January 15, 2010, in an amount of .83% of the outstanding loan balance and incrementing at certain years between .04% - .16% up to the maturity date of July 15, 2029.

2,564,432

ADB Loan Number 3004 FSM (SF) - Omnibus Infrastructure Development Project (UD 4,680,000), interest bearing equivalent to the sum of LIBOR and .60% per annum on the amount of the loan withdrawn from the Loan account with a loan term of 20 years including a grace period which was defined as period prior to the first principal payment due date. The loan is payable semi-annually commencing December 1, 2018, in an amount of .83% of the outstanding loan balance and incrementing at certain years between .04% - .16% up to the maturity date of June 1, 2038.

4,028,813

ADB Loan Number 3005 FSM (SF) - Omnibus Infrastructure Development Project (SDR 2,896,000), interest bearing equivalent to .2% per annum on the amount of the loan withdrawn from the Loan account with a loan term of 20 years including a grace period of 5 years. The loan is payable semi-annually commencing December 1, 2018, in an amount of .83% of the outstanding loan balance and incrementing at certain years between .04% - .16% up to the maturity date of June 1, 2038.

2,783,605

\$36,017,797

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Notes to Financial Statements, continued

7. Long-Term Obligations, continued

Primary Government, continued

The abovementioned ADB loans payable are uncollateralized and are backed by the full faith and credit of the FSM National Government.

Annual debt service requirements to maturity for principal and interest and service charges are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 3,040,568	\$ 502,536	\$ 3,543,104
2025	3,074,330	461,314	3,535,644
2026	3,098,066	419,041	3,517,107
2027	3,046,283	373,899	3,420,182
2028	3,090,968	328,586	3,419,554
2029 – 2033	13,344,635	1,027,122	14,371,757
2034 – 2038	<u>7,322,947</u>	<u>292,497</u>	<u>7,615,444</u>
	<u>\$36,017,797</u>	<u>\$3,404,995</u>	<u>\$39,422,792</u>

Other long-term liabilities will be liquidated in the future from governmental funds. During the year ended September 30, 2023, the following changes occurred in liabilities reported as part of the primary government's long-term liabilities in the statement of net position:

	Balance October 1, <u>2022</u>	<u>Additions</u>	<u>Reductions</u>	SDR Exchange <u>Loss (Gain)</u>	Balance September 30, <u>2023</u>	<u>Due within One Year</u>
Loans payable:						
ADB loan 1257	\$ 2,196,841	\$ ---	\$(209,301)	\$ 70,962	\$ 2,058,502	\$ 209,301
ADB loan 1459	4,590,172	---	(347,838)	150,557	4,392,891	347,838
ADB loan 1520	9,568,221	---	(672,492)	308,225	9,203,954	672,492
ADB loan 1816	1,372,024	---	(144,634)	45,272	1,272,662	144,634
ADB loan 1873	670,859	---	(200,188)	23,194	493,865	200,188
ADB loan 1874	2,743,450	---	(249,153)	87,355	2,581,652	249,153
ADB loan 2099	6,935,450	---	(518,848)	220,819	6,637,421	518,848
ADB loan 2100	2,863,823	---	(299,391)	---	2,564,432	330,670
ADB loan 3004	4,216,199	---	(187,386)	---	4,028,813	187,387
ADB loan 3005	<u>2,880,893</u>	<u>---</u>	<u>(189,573)</u>	<u>92,285</u>	<u>2,783,605</u>	<u>180,057</u>
	38,037,932	---	(3,018,804)	998,669	36,017,797	3,040,568
Other:						
Annual leave payable	<u>1,706,454</u>	<u>516,861</u>	<u>(1,055,510)</u>	<u>---</u>	<u>1,167,805</u>	<u>768,175</u>
	<u>\$39,744,386</u>	<u>\$516,861</u>	<u>\$(4,074,314)</u>	<u>\$998,669</u>	<u>\$37,185,602</u>	<u>\$3,808,743</u>

Federated States of Micronesia
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Notes to Financial Statements, continued

7. Long-Term Obligations, continued

Primary Government, continued

When the ADB extends credit to a particular country, the loan is booked in Special Drawing Rights (SDRs) but the actual loan is delivered in the currency of the borrower, at the current exchange rate between the currency and the SDR. The value of the SDR is subject to periodic review by the International Monetary Fund, which may result in the recognition of a foreign exchange gain or loss. During the year ended September 30, 2023, the FSM National Government recognized a foreign exchange loss of \$998,669 associated with valuation of the SDR, which results in a increase in ADB loans payable.

Discretely Presented Component Units

As of September 30, 2023, the discretely presented component units had the following long-term debt outstanding:

FSM Telecommunications Corporation (FSMTC):

Loans payable to RUS, with a 35-year term, interest at 5% per annum, collateralized by the Corporation's specific ground leases and essentially all other assets. Pursuant to loan agreements dated August 1, 1990 and March 12, 2009, the Corporation is required to make monthly payments of both principal and interest to RUS. The loans were originally in the amounts of \$32,000,000 and \$12,136,000 and the proceeds were used for capital related purposes. The balance is net of a partial loan forgiveness of \$8,209,255 approved by the RUS and recorded during the year ended December 30, 2020. Remaining balance is payable in monthly installments of approximately \$99,000 with final payment due in April 2030.

\$7,691,186

Less current portion of long term debt

(1,043,340)

Long term debt, net of current portion

\$6,647,846

On May 29, 2019, the Corporation was granted a two-year principal deferral period from June 01, 2019 to May 31, 2021. The deferred principal on the loans will be re-amortized such that all outstanding RUS debt will be due and payable in full by the maturity dates. The Corporation must continue to make interest payments during the deferral period.

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Notes to Financial Statements, continued

7. Long-Term Obligations, continued

Discretely Presented Component Units, continued

FSM Telecommunications Corporation (FSMTC), continued:

Future minimum principal and interest payments on notes payable for subsequent years ending September 30, are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$1,043,340	\$141,542	\$1,184,882
2025	1,063,237	121,645	1,184,882
2026	1,084,401	100,481	1,184,882
2027	1,105,986	78,896	1,184,882
2028	1,128,002	56,880	1,184,882
2029-2030	<u>2,266,220</u>	<u>50,430</u>	<u>2,316,650</u>
	<u>\$7,691,186</u>	<u>\$549,874</u>	<u>\$8,241,060</u>

These notes are subject to certain coverage ratio requirements. The Corporation is not in compliance with its ratio requirements as of September 30, 2023. Management is of the opinion that the lender is aware of this matter and will not call the debt. Therefore, the debt is classified in accordance with expected future payouts.

FSM Development Bank (FSMDB):

Long-term debt consists of the following at December 31, 2023:

Unsecured loans payable to European Investment Bank (EIB) under an August 2010 master finance contract of EUR 4 million:

Drawn on August 20, 2014; original amount of \$334,550 (equivalent EUR 250,000), bearing interest fixed at 4.520%, and payable through semi-annual principal and interest installments of \$17,997 on January 15, 2015 and equal installments of \$19,467 beginning on July 15, 2015 through maturity on July 15, 2025. \$ 73,660

Drawn on August 20, 2014; original amount of \$796,976 (equivalent EUR 595,558), bearing interest fixed at 4.520%, and payable through semi-annual principal and interest installments of \$42,873 on January 15, 2015 and equal installments of \$46,375 beginning on July 15, 2015 through maturity on July 15, 2025. 175,474

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Notes to Financial Statements, continued

7. Long-Term Obligations, continued

Discretely Presented Component Units, continued

FSM Development Bank (FSMDB), continued:

Unsecured loans payable to European Investment Bank (EIB) under a December 2018 master finance contract of USD 4 million. Drawn on March 9, 2020; original amount of \$3,193,637, bearing interest fixed at 2,774%, and payable through semi-annual interest payments beginning on September 9, 2020 and principal installments of \$138,854 beginning on March 9, 2021 through maturity on March 9, 2032.

2,360,514

Less current portion of long term debt

2,609,648
(399,463)

Long term debt, net of current portion

\$2,210,185

Annual debt service requirements to maturity for principal and interest are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 399,463	\$ 73,484	\$ 472,947
2025	405,087	60,214	465,301
2026	277,708	48,148	325,856
2027	277,708	40,444	318,152
2028	277,708	32,740	310,448
Thereafter	<u>971,974</u>	<u>53,925</u>	<u>1,025,899</u>
	<u>\$2,609,648</u>	<u>\$308,955</u>	<u>\$2,918,603</u>

FSM Petroleum Corporation (FSMPC):

A \$5,000,000 bank note from the Bank of Guam (BOG), dated December 2017, for capital asset projects. The loan bore interest fixed at 5.75% per annum and was payable in monthly installments of \$55,214 beginning January 20, 2018. In June 27, 2019, an amendment included deferment of principal payments from June 2019 to June 2020, changes in interest rate to variable rate at bank reference rate plus 0.75%, with minimum rate of 5.75% (effective rate of 5.75% at December 31, 2020 and 2019) and monthly installments of \$61,865 through December 2027. The loan is collateralized by an executed Pledge and Security Agreement for the assignment of the Reserve Bank Account and Revenue, an executed Notice of Security Interest and Chattel Mortgage and a guarantee by the FSM National Government.

\$2,643,938

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National Government

Notes to Financial Statements, continued

7. Long-Term Obligations, continued

Discretely Presented Component Units, continued

FSM Petroleum Corporation (FSMPC), continued:

A \$3,000,000 bank note from the FSM Development Bank (FSMDB), dated August 2017, a component unit of the FSM National Government, for capital asset projects. The loan bears interest fixed at 5% per annum and is payable in quarterly installments of \$170,461 beginning August 31, 2017 to September 25, 2022. On May 1, 2018, FSMDB approved FSMPC's request for deferment of principal payment from June 2018 to June 2019. On June 24, 2019, FSMDB approved another principal payment deferment up to June 2020. Maturity date has been extended through December 2024. The loan is collateralized by FSMPC's inventories and related petroleum products.

668,985

A \$3,000,000 bank note from the Bank of FSM (BFSM) drawn in March 2020, to finance earthwork/civil site preparation portion for Integrated Coconut Processing Facility. The loan bears variable interest at bank reference rate (effective 7.5% as of December 31, 2022) and is payable in monthly installments of \$32,558 beginning March 2020 to April 25, 2025. The loan is collateralized by future buildings, equipment, furniture and fixtures, inventory, vehicle and accounts receivables.

1,999,285

5,312,208
(1,412,502)

Less current portion of long term debt

Long term debt, net of current portion \$3,899,706

Future minimum loan repayments are as follows:

As of December 31, 2023, future minimum loan repayments are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$1,412,502	\$410,948	\$1,823,450
2025	2,340,055	224,778	2,564,833
2026	623,382	118,994	742,376
2027	<u>936,269</u>	<u>57,951</u>	<u>994,220</u>
	<u>\$5,312,208</u>	<u>\$812,671</u>	<u>\$6,124,879</u>

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Notes to Financial Statements, continued

7. Long-Term Obligations, continued

Discretely Presented Component Units, continued

FSM Petroleum Corporation (FSMPC), continued:

A bank loan includes covenants relating to timely submission of audited financial and other information as the lender may reasonably request. FSMPC is also covenanted to, at all times, permit lender through its agents and representatives to visit and inspect properties; maintain and keep in full force and effect its existence, rights and franchise and comply with all laws applicable to FSMPC ; pay or cause to be paid all taxes, assessments and other governmental charges levied upon any of FSMPC's properties, obtain hazard and liability insurance and other covenants.

The FSMDB loan requires FSMPC to purchase credit life insurance for its Chief Executive Officer for the coverage of the entire loan, assigning the lender as first beneficiary. FSMPC is also required to maintain insurance as security for the loan and to maintain aggregate loan value of at least 120% of loan amount.

The BFSM loan requires the loan to be secured by the highest security interest possible over all existing and future accounts receivables, inventory, equipment, furniture and fixture and buildings comprising the entire interest of FSMPC.

Events of default - the debt agreements specify a number of events of default and related remedies. Generally, in the event of default, the lenders reserve the right to accelerate the loan maturities in order to protect their interest or demand immediate settlement. The lenders collateral position must be a first lien on FSMPC's assets.

Management believes that FSMPC is in compliance with all covenants as of and for the year ended December 31, 2023 and no event of default has been declared by the lenders.

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Notes to Financial Statements, continued

7. Long-Term Obligations, continued

Discretely Presented Component Units, continued

FSM Petroleum Corporation (FSMPC), continued:

Changes in other long-term liabilities for the year ended December 31, 2023 are as follows:

	Balance at January 1 <u>2023</u>	<u>Additions</u>	<u>Repayments</u>	Balance at December 31 <u>2023</u>	Due Within <u>One Year</u>
Due to States and the FSM					
National Government	\$1,747,383	\$ ---	\$ ---	\$1,747,383	\$ ---
Lease liabilities	2,882,194	---	(81,032)	2,801,162	439,479
Other noncurrent liability	<u>165,097</u>	<u>---</u>	<u>(165,097)</u>	<u>---</u>	<u>---</u>
	<u>\$4,794,674</u>	<u>\$ ---</u>	<u>\$(246,129)</u>	<u>\$4,548,545</u>	<u>\$439,479</u>

College of Micronesia-FSM (COM-FSM)

COM-FSM's long-term obligation of \$767,689 represents employee accrued annual leave. COM-FSM accumulates annual leave balance, wherein accumulated leave of not in excess of 240 hours shall be paid to the employee upon resignation/termination of employment. COM-FSM has no other long-term debt as of the end of fiscal year 2023.

FSM Telecommunications Cable Corp (FSMTCC)

On September 17, 2018, FSMT Cable Corporation entered into an interest-free loan with the FSM National Government for \$500,000, to support its initial operations and as an emergency fund. The loan is uncollateralized and repayment shall commence once FSMT Cable Corporation has equity of \$1,000,000 and will be paid out of operational funds. Subject to this clause, repayment was initially set on October 1, 2023 after a five-year grace period and such grace period is subject to review of the parties. After repayment date is confirmed, the loan amount and frequency will be set and the loan is payable over a minimum period of seven years or due on October 1, 2030. The balance outstanding at September 30, 2023 is \$500,000.

On May 28, 2018, FSMTCC secured two lines of credit at \$1,000,000 each from FSM Development Bank (FSMDB), a component unit of FSMNG, which can be reapplied for extensions. The two lines of credit were extended and mature on January 1, 2023. On October 1, 2021, the Company has drawn down \$650,000 from one of its lines of credit from FSMDB, with an interest rate of 5%. On August 5, 2022, FSMDB restructured the repayment terms with required monthly payments of \$29,399 starting March 25, 2022 to February 25, 2024. Outstanding drawdowns total \$349,531. The unused portion of the lines of credit total \$1,650,469.

Federated States of Micronesia
National Government

Notes to Financial Statements, continued

7. Long-Term Obligations, continued

Discretely Presented Component Units, continued

FSM Telecommunications Cable Corp (FSMTCC), continued

Future minimum debt payments as of September 30, 2023, are as follows:

2024	\$349,531
2025	<u>500,000</u>
	<u>\$849,531</u>

Management is of the opinion that FSMTCC is in compliance with financial debt covenants associated with the long-term debt for the year ended September 30, 2023.

Changes in long-term liabilities of the discretely presented component units for the year ended September 30, 2023 or December 31, 2022, are as follows:

	Balance 1-Oct-22	Additions	Reductions	Balance September 30, 2023	Due within One Year
Loan payable:					
FSMTC	\$ 8,718,429.00	\$ -	\$ (1,027,243)	\$ 7,691,186	\$ 1,043,340
FSMDB	3,003,816	-	(394,168)	2,609,648	399,463
FSMPC	6,650,859	-	(1,338,651)	5,312,208	1,412,502
FSMTCC	<u>453,396</u>	<u>300,000</u>	<u>(403,865)</u>	<u>349,531</u>	<u>349,531</u>
	18,826,500	300,000	(3,163,927)	15,962,573	3,204,836
Due to government and others:					
FSMPC	1,912,480	-	(165,097)	1,747,383	-
FSMTCC	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>500,000</u>	<u>-</u>
	2,412,480	-	(165,097)	2,247,383	-
Lease liability:					
FSMPC	2,882,194	-	(81,032)	2,801,162	439,479
TRA	16,775	17,976	(7,211)	27,540	17,183
FSMTCC	27,356	137,134	(54,593)	109,897	31,964
MHIP	156,883	27,435	(54,827)	129,491	28,292
NFC	538,752	10,567	(108,533)	440,786	106,795
COM-FSM	<u>-</u>	<u>515,388</u>	<u>-</u>	<u>515,388</u>	<u>152,061</u>
	3,621,960	708,500	(306,196)	4,024,264	775,774
Compensated absences					
COM-FSM	<u>861,837</u>	<u>-</u>	<u>(94,148)</u>	<u>767,689</u>	<u>278,084</u>
	<u>\$ 25,722,777</u>	<u>\$ 1,008,500</u>	<u>\$ (3,729,368)</u>	<u>\$ 23,001,909</u>	<u>\$ 4,258,694</u>

Federated States of Micronesia
National Government

Notes to Financial Statements, continued

8. Short-Term Obligations

Discretely Presented Component Units

FSM Petroleum Corporation (FSMPC):

As of December 31, 2023, FSMPC has a bank standby letter of credit (LC) of \$3,000,000, with maturity date on September 13, 2025, in favor of Mobil Oil Guam in relation to its fuel purchase agreement. Additionally, FSMPC has a standby LC of \$4,396,900 for coconut production with maturity date on March 31, 2025.

Additionally, as of December 31, 2023, FSMPC has bank line of credit (LOC) facility of \$11,000,000 for working capital and support LCs. The facility was subsequently renewed to mature on April 20, 2027.

The LOCs and the related long-term obligations are secured and collateralized by an executed Pledge and Security Agreement for the assignment of the Reserve Bank Account and Revenue, an executed Notice of Security Interest and Chattel Mortgage and a guarantee by the FSM National Government.

Borrowings against the LOCs bear interest at the bank's effective reference rate plus 0.75%, with minimum rate of 5.75% per annum, with interest payable monthly and principal due within 180 days. No borrowings are outstanding against the LOCs as of December 31, 2023.

Borrowings against the LOCs bear interest at the bank's effective reference rate plus 0.75%, with minimum rate of 5.75% per annum, with interest payable monthly and principal due within 180 days. No borrowings are outstanding against the LOCs as of December 31, 2022.

9. Operating Transfers In/Out

Primary Government

Operating transfers in/out for each major governmental fund and nonmajor governmental funds in the aggregate, for the year ended September 30, 2023, are as follows:

<u>Source</u>	<u>Recipient</u>	<u>Transfers Out</u>	<u>Transfers In</u>
Other Governmental Fund	General Fund	\$(2,577,073)	\$2,577,073
		\$(2,577,073)	\$2,577,073

Federated States of Micronesia
National Government

Notes to Financial Statements, continued

9. Operating Transfers In/Out, continued

Primary Government, continued

Transfers are used to 1) move revenues from the fund that enabling legislation or budget requires to collect them to the fund that enabling legislation or budget requires to expend them, 2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and 3) record reductions in interfund loans for amounts that are not expected to be repaid.

10. Contingencies and Commitments

Sick Leave

It is the policy of the FSM National Government to record expenditures for sick leave when leave is actually taken. Sick leave is compensated time for absence during working hours arising from employee illness or injury.

FSM Petroleum Corporation (FSMPC) Loan Guarantee

The FSM National Government is a full faith and credit guarantor of FSMPC's loan from a bank. The FSM National Government is jointly and severally liable for FSMPC's obligations under the loan and waives the sovereign immunity of the FSM National Government with regard to any legal action arising from the guaranty.

FSMPC has received a grant from Japan to fund fuel acquisition. In 2009, FSMPC received the equivalent gallons of fuel from FSMPC's supplier, and this is now maintained as strategic inventory in each state. As of December 31, 2023, FSMPC recognized a liability to the States and the FSMNG of \$1,247,383.

Insurance Coverage

The FSM National Government does not maintain insurance coverage for a significant amount of capital assets. In the event of a catastrophe, the FSM National Government may be self-insured to a material extent.

Federated States of Micronesia
National Government

Notes to Financial Statements, continued

10. Contingencies and Commitments, continued

Federal Grants

The FSM National Government participates in a number of federally assisted grant programs. These programs are subject to financial and compliance audits to ascertain if Federal laws and guidelines have been followed. Cumulative questioned costs exist and have been set forth in the FSM National Government's Single Audit Report as of September 30, 2023. The ultimate disposition of these questioned costs can be determined only by final action of the respective grantor agencies. Therefore, no provision for any liability that may result upon resolution of this matter has been made in the accompanying financial statements. In addition, a material amount of questioned costs may exist from the four States, which receive federal funds in a subrecipient capacity. If these questioned costs are sustained, such will be funded by State resources.

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

Due to States and Primary Government

The FSM National Government is pursuing long outstanding receivables from federal grant agencies. Uncollectible accounts, if any, that result from this exercise will be accounted for prospectively.

Litigation

The FSM National Government is party to various legal proceedings, many of which are normal recurrences in governmental operations. The Attorney General of the FSM National Government is of the opinion that the probable outcome of suits existing at September 30, 2023, is not predictable.

Additionally, the FSM National Government is involved in litigation with certain States who are contesting ownership of certain corporate tax revenues. If the States prevail, the impact on the accompanying financial statements is uncertain but could represent a material impact.

Federated States of Micronesia
National Government

Notes to Financial Statements, continued

10. Contingencies and Commitments, continued

Encumbrances

The FSM National Government utilizes encumbrance accounting to identify fund obligations. Encumbrances represent commitments related to unperformed contracts for goods and services. At September 30, 2023, the FSM National Government has significant encumbrances summarized as follows:

	<u>General</u>	<u>Grants Assistance</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Encumbrances	\$23,288,733	\$102,242,986	\$1,137,934	\$126,669,653

Asian Development Bank (ADB) Loans

A substantial portion of the ADB loans are subject to currency exchange adjustments that can ultimately impact the carrying values of the debt.

11. Fund Balance

Classifications of fund balances comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following table enumerates the fund balance classifications:

	<u>General</u>	<u>Grants Assistance</u>	<u>Compact Trust</u>	<u>Other</u>	<u>Total</u>
Non-spendable:					
Loans receivable from States	\$ 28,716,203	\$ -	\$ -	\$ -	\$ 28,716,203
Loans receivable from FSMTCC	500,000	-	-	-	500,000
United Micronesia Dev. Association	1,500,000	-	-	-	1,500,000
Bank of FSM	5,719,553	-	-	-	5,719,553
ADB contribution	6,927,442	-	-	-	6,927,442
IMF contribution	-	-	-	-	-
Prepayments and advance	1,130,115	-	-	-	1,130,115
Permanent fund	-	-	26,259,987	-	26,259,987
Restricted For:					
Infrastructure	-	1,055,832	-	-	1,055,832
Disaster Assistance	-	4,856,673	-	-	4,856,673
Investment Development Fund	2,073,814	-	-	-	2,073,814
Foreign grant projects	-	12,076,722	-	-	12,076,722
Committed:					
CFSM Public projects	40,995,585	-	-	-	40,995,585
Future operations-FSM Trust fund	350,361,745	-	-	-	350,361,745
Other functions and programs	46,325,132	-	-	4,022,974	50,348,106
Assigned:					
Presidents (Executive branch)	8,854,505	-	-	-	8,854,505
Legislative branch	1,950,803	-	-	-	1,950,803
Judiciary branch	399,350	-	-	-	399,350
FSM projects (Fund 25)	1,845,385	-	-	-	1,845,385
Continuing appropriations (Fund 53)	10,238,690	-	-	-	10,238,690
Unassigned	60,643,350	-	-	-	60,643,350
	<u>\$ 568,181,672</u>	<u>\$ 17,989,227</u>	<u>\$ 26,259,987</u>	<u>\$ 4,022,974</u>	<u>\$ 616,453,860</u>

Federated States of Micronesia
National Government

Notes to Financial Statements, continued

12. Leases

Primary Government

The FSM National Government, as a lessee, has several lease agreements for office spaces.

As of September 30, 2023, the measurement of right of use asset, net of \$564,692 accumulated amortization, totals \$863,639.

A summary of future lease payments is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$207,562	\$ 9,362	\$ 216,924
2025	174,945	7,783	182,728
2026	156,078	6,250	162,328
2027	103,375	4,877	108,252
Thereafter	<u>322,338</u>	<u>10,244</u>	<u>332,582</u>
	<u>\$964,298</u>	<u>\$38,516</u>	<u>\$1,002,814</u>

Discretely Presented Component Units

FSM Petroleum Corporation (FSMPC)

FSMPC leases land, warehouse, airport facilities and other such space through various leases expiring through 2038. Certain lease agreements contain options to renew with rent escalations. Three lease agreements require additional lease payments contingent on the level of gallons sold by FSMPC from that leased facility. In 2019, an additional lease agreement was entered into by FSMPC for land situated on Tonoas Island, Chuuk State, for the new CDU project site. The agreements have an initial term of twenty-years, with certain options to renew, and require an initial seven-year prepayment. As of December 31, 2023 lease assets are as follows:

<u>Lease Description</u>	<u>Classification</u>	<u>Gross Balance</u>	<u>Accumulated Amortization</u>	<u>Net Balance</u>
Land leases - project site	Land	\$1,942,362	\$ 213,739	\$1,728,623
Land leases - facilities	Land and Building	1,052,779	313,406	739,373
Land leases - bulk plant	Land and Building	<u>1,097,319</u>	<u>534,317</u>	<u>563,002</u>
		<u>\$4,092,460</u>	<u>\$1,061,462</u>	<u>\$3,030,998</u>

Federated States of Micronesia
National Government

Notes to Financial Statements, continued

12. Leases, continued

Discretely Presented Component Units, continued

FSM Petroleum Corporation (FSMPC), continued

The future lease payments for this transaction are as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 439,479	\$ 209,218	\$ 648,697
2025	205,961	181,087	387,048
2026	217,484	164,040	381,524
2027	259,162	144,762	403,924
2028	246,226	125,298	371,524
2029 through 2033	814,855	416,520	1,231,375
2034 through 2038	<u>617,995</u>	<u>88,692</u>	<u>706,687</u>
	<u>\$2,801,162</u>	<u>\$1,329,617</u>	<u>\$4,130,779</u>

National Fisheries Corporation (NFC)

NFC leases land, warehouse, office space, and vessels under operating leases. Generally accepted accounting principles requires the use of the rate implicit in the lease whenever this rate is readily determinable. As the implicit rate is not readily determinable, NFC elected to use the risk-free interest rate with a similar term as the incremental borrowing rate ranging from 0.06% to 1.33% per annum upon initial adoption for the leases.

The carrying amounts of NFC's Right-of-use (ROU) asset and operating lease liabilities are as follows:

	<u>September 30, 2023</u>
ROU, net	<u>\$430,219</u>
Lease liabilities	
Current	<u>\$ 96,228</u>
Non-Current	<u>\$333,991</u>

Federated States of Micronesia
National Government

Notes to Financial Statements, continued

12. Leases, continued

Discretely Presented Component Units, continued

National Fisheries Corporation (NFC), continued

The following table provides the maturities of the operating lease liabilities at September 30, 2023:

<u>Year ending September 30,</u>	
2024	\$100,947
2025	80,000
2026	66,000
2027	66,000
2028	66,000
Thereafter	<u>66,000</u>
Total future lease payments	444,947
Amounts representing interest	(<u>14,728</u>)
Present value of operating lease liabilities	<u>\$430,219</u>

MiCare Health Insurance Plan (MHIP)

MHIP has a lease agreement for an office suite. The lease agreement contains an option to extend the term of the lease for an additional period of five years, on the same terms, covenants, and conditions of the original lease with rent escalations, expiring February 28, 2028. As of September 30, 2023 lease asset is as follows:

<u>Lease Description</u>	<u>Classification</u>	<u>Gross Balance</u>	<u>Accumulated Amortization</u>	<u>Net Balance</u>
Office lease	Building	<u>\$184,318</u>	<u>\$54,827</u>	<u>\$129,491</u>

Federated States of Micronesia
National Government

Notes to Financial Statements, continued

12. Leases, continued

Discretely Presented Component Units, continued

MiCare Health Insurance Plan (MHIP), continued

The future lease payments for this transaction are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$28,292	\$3,779	\$32,071
2025	29,222	2,849	32,071
2026	30,184	1,887	32,071
2027	31,176	895	32,071
2028	10,617	72	10,689
	<u>\$129,491</u>	<u>\$9,482</u>	<u>\$138,973</u>

Telecommunications Regulatory Authority (TRA)

TRA leases office space under a lease which expires in September 2023 with a monthly fixed lease payment of \$1,400 effective September 1, 2021.

As of September 30, 2023, the Authority's right-of-use lease asset, net of accumulated depreciation and lease liability are as follows:

Right-of-use lease asset, net	<u>\$27,401</u>
Lease liability	<u>\$27,540</u>

The approximate future minimum annual lease payments payable by TRA for the year ending September 30, 2023 totals \$27,540.

FSM Telecommunications Cable Corp (FSMTCC)

The carrying amounts of FSMTCC's Right-of-use (ROU) asset and operating lease liabilities are as follows:

	<u>September 30,</u> <u>2023</u>
ROU, net	<u>\$78,254</u>
Lease liabilities	
Current	<u>\$31,964</u>
Non-Current	<u>\$77,933</u>

Federated States of Micronesia
National Government

Notes to Financial Statements, continued

13. Restatement

Management of the FSM National Government determined that previously reported balance of due to grantor agencies was overstated. Accordingly, beginning net position of government activities and beginning fund balance of the grants assistance fund have been restated as follows:

	<u>Government Wide Governmental Activities</u>	<u>Grant Assistance Fund</u>
Net position/fund balance, at beginning of year, as previously reported	\$733,905,334	\$ 6,898,087
Overstatement due to grantor agencies	<u>13,858,976</u>	<u>13,858,976</u>
Net position/fund balance, at beginning of year, as restated	<u>\$747,764,310</u>	<u>\$20,757,063</u>

Subsequent to issuance of CIA's 2022 financial statements, CIA changed the reported September 30, 2022 assets, liabilities, beginning net position and change in net position for the year ended September 30, 2022 to correct errors. As a result of this determination, September 30, 2022 financial statements have been restated from the amounts previously reported as follows:

	<u>As previously Reported</u>	<u>As Restated</u>	<u>(Decrease) Increase</u>
Total assets	<u>\$235,893</u>	<u>\$ 92,887</u>	<u>\$(143,006)</u>
Total liabilities	<u>\$181,455</u>	<u>\$174,956</u>	<u>\$(6,499)</u>
Beginning net position	209,345	(56,884)	\$(266,229)
Change in net position	<u>(154,907)</u>	<u>(25,185)</u>	<u>129,722</u>
Ending net position	<u>54,438</u>	<u>(82,069)</u>	<u>(136,507)</u>
Liabilities and net position	<u>\$235,893</u>	<u>\$ 92,887</u>	<u>\$(143,006)</u>

14. Subsequent Events

On May 23, 2023, the Federated States of Micronesia (National Government, Chuuk State Government, Kosrae State Government, Pohnpei State Government, and Yap State Government) signed the Amended Compact Treaty with the United States of America for another 20 years of economic assistance for a total consideration of \$2.8 billion, commencing October 1, 2023. This Amended Compact Treaty is expected to assist the Government of the Federated States of Micronesia in its efforts to promote the economic advancement, budgetary self-reliance, and economic self-sufficiency of its people, and in recognition of a special relationship that exists between the FSM and the United States.

Required Supplementary Information -
Other Than Management's Discussion and Analysis

Federated States of Micronesia
National Government

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund

Year Ended September 30, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts (note 1)	Final Budget - Positive (Negative)
Revenues:				
Taxes	\$ 22,817,706	\$ 34,962,982	\$ 20,679,040	\$ (14,283,942)
Fishing rights	57,000,000	70,000,000	62,453,758	(7,546,242)
Investment earnings	1,000,000	1,000,000	3,648,635	2,648,635
Fees and charges	3,516,015	4,072,148	358,935	(3,713,213)
Other	780,300	780,300	3,135,221	2,354,921
Total revenues	85,114,021	110,815,430	90,275,589	(20,539,841)
Expenditures:				
Executive Branch - Core Operational	31,852,661	36,226,228	35,672,766	553,462
Executive Branch - Non-Core Operational	17,360,229	18,393,374	30,190,561	(11,797,187)
Judicial Branch-Core Operational	2,616,122	2,831,064	2,356,382	474,682
Judicial Branch-Non-core Operational	170,000	170,000	436,282	(266,282)
Legislative Branch-Core Operational	8,477,987	13,604,364	13,338,630	265,734
Legislative Branch-Non-core Operational	239,824	239,824	579,936	(340,112)
Office of the National Public Auditor-Core Operational	1,117,925	1,296,734	1,078,956	217,778
Office of the National Public Auditor-Non-Core Operational	813,150	813,150	813,250	(100)
Other National Programs	708,900	1,058,900	1,762,275	(703,375)
Boards and Commissions	4,665,237	5,366,353	4,687,949	678,404
Payments to Component Units	7,080,533	8,245,533	9,267,632	(1,022,099)
Other Noncore Programs	-	-	-	-
National projects - continuing projects	11,397,461	11,397,461	26,981,547	(15,584,086)
Total expenditures	86,500,028	99,642,984	127,166,166	(27,523,182)
Excess (deficiency) of revenues over (under) expenditures	(1,386,007)	11,172,446	(36,890,577)	(48,063,023)
Other financing sources (uses), net:				
Operating transfers in/(out), net	-	-	2,577,073	2,577,073
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes but in the year the supplies are received for financial reporting purposes	-	-	23,288,733	23,288,733
Net change in fund balance	(1,386,007)	11,172,446	(11,024,771)	(22,197,217)
Fund balance at the beginning of the year	199,515,334	199,515,334	199,515,334	-
Fund balance at the end of the year	\$ 198,129,327	\$ 210,687,780	\$ 188,490,563	\$ (22,197,217)

Federated States of Micronesia
National Government

Notes to Required Supplementary Information - Budgetary Reporting

September 30, 2023

Budgetary Information

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

During fiscal year 2023, supplemental appropriations were also made for both operating and capital purposes, to reflect the evolving priorities of the FSM National Government.

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

Formal budget integration is employed as a management control device during the year for all funds. The Congress of the FSM has the authority to reprogram budgeted estimates in accordance with the Constitution. All annual appropriations lapse at fiscal year end unless otherwise specified by law. Supplemental appropriations may occur throughout the year. Unexpended encumbrances at each fiscal year end are carried forward until they are expended or canceled without further legislative action.

Accounting principles used in developing data on a budgetary basis differ from those used in preparing the basic financial statements in conformity with GAAP. Amounts included on the Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund (which is presented on a non-GAAP budgetary basis) are reconciled to fund balance of the Governmental Fund Balance Sheet at footnote 2.

Encumbrance accounting is employed in governmental funds. For budgetary purposes, the encumbrances (i.e., purchase orders, contracts) are considered expenditures when incurred. For GAAP reporting purposes, encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent fiscal year.

Federated States of Micronesia
National Government

Notes to Required Supplementary Information - Budgetary Reporting, continued

Reconciliation - GAAP and Budgetary Bases of Accounting

The Budget Act for fiscal year 2022, Public Law No. PL 22-42, was approved for the Executive branch and the Legislative branch. Budgets for Special Revenue Funds are generally not submitted. Accordingly, a budget to actual presentation for Special Revenue Funds is not required or presented. Project length financial plans are adopted for capital projects funds. The accompanying Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund presents solely the financial activities of the General Fund administered by the Department of Finance and Administration, and does not include other financial activities administered by that Department and the impact of implementation of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Accounting principles used in developing data on a budgetary basis differ from those used in preparing the financial statements in conformity with GAAP. The net change in fund balance on a budgetary basis reconciled to the net change in fund balance for the General Fund is as follows:

Net change in fund balance - Budgetary basis	\$(11,156,973)
Add:	
Net change in fund balance - GAAP for GASB 54 Funds:	
ADB Loan Fund (Fund 91)	(1,739,320)
IDF Fund	32,587
ERP Fund	(174,559)
FSM Trust Fund	<u>(38,011,873)</u>
Net change in fund balance - GAAP	<u>\$24,973,608</u>

Other Supplementary Information

Federated States of Micronesia
National Government

Combined Schedule of Expenditures by Account - Governmental Fund Types

Year Ended September 30, 2023

		Special Revenue	Permanent		
	General	Grants Assistance	Compact Trust	Other Governmental Funds	Total
Expenditures:					
Personnel	\$ 24,975,809	\$ 5,733,650	\$ -	\$ 790,531	\$ 31,499,990
Travel and transportation	7,399,943	3,107,956	-	146,100	10,653,999
Books and library materials	57,071	-	-	-	57,071
Communications	836,824	202,099	-	5,741	1,044,664
Customs and taxes	7,056	(6,776)	-	-	280
Dues, membership and subscription	964,236	217,311	-	-	1,181,547
Food stuffs	2,100,691	275,405	-	75,951	2,452,047
Freight	243,474	175,819	-	11,115	430,408
Expendable equipment	1,070,307	1,417,142	-	10,338	2,497,787
Office supplies and materials	5,121,072	3,176,142	-	36,531	8,333,745
POL	3,126,260	217,806	-	192,241	3,536,307
Advertising, printing and reproduction	159,443	113,151	-	7,284	279,878
Rental services	686,020	557,042	-	18,310	1,261,372
Repair and maintenance	197,027	13,276	-	2,018	212,321
Utilities	1,558,351	430,098	-	11,898	2,000,347
Miscellaneous goods and services	712,280	390,915	-	1,034	1,104,229
Medical supplies	(8,301)	669,230	-	-	660,929
Medical services/claims	145,538	-	-	-	145,538
Contributions, subsidies and grants	9,916,327	819,251	-	-	10,735,578
General contractual services	14,754,582	20,538,392	-	630,934	35,923,908
Professional services	1,699,912	5,520,927	-	-	7,220,839
Employee housing and household storage	1,822,275	64,850	-	-	1,887,125
Recruit and repatriation	205,532	-	-	-	205,532
Compensation-nonpayroll	722,301	87,181	-	-	809,482
Educational allowance	37,254	-	-	-	37,254
Training and registration fees	76,852	43,251	-	-	120,103
Scholarships	3,394,385	-	-	444,462	3,838,847
Official and meeting allowances	612,698	70,498	-	-	683,196
Representation	8,858,134	-	-	-	8,858,134
Insurance and fees	1,267,763	2,053	-	30,926	1,300,742
Leased housing, offices, buildings and lanc	1,829,739	154,864	-	12,293	1,996,896
Bank charges and custodial fees	142,244	10,445	-	-	152,689
Fishing day vessels	-	-	-	-	-
Equipment	2,276,498	4,041,911	-	-	6,318,409
Furnitures and fixtures	266,609	-	-	-	266,609
Vehicle and vessels	2,311,052	86,870	-	-	2,397,922
Land	34,500	-	-	-	34,500
Building	793,888	-	-	-	793,888
Payment to the state governments and othe	-	78,261,187	-	-	78,261,187
Bad debt expense	3,501,787	-	-	-	3,501,787
Principal and interest payments	2,209,757	-	-	-	2,209,757
Total expenditures	<u>\$ 106,087,190</u>	<u>\$ 126,391,946</u>	<u>\$ -</u>	<u>\$ 2,427,707</u>	<u>\$ 234,906,843</u>

See accompanying Report of Independent Auditors.

**Federated States of Micronesia
National Government**

GENERAL FUND (FUND 1)

**Statement of Revenues, Expenditures by Function and Department,
and Changes in Fund Balance**

Year Ended September 30, 2023

(with comparative totals for the year ended September 30, 2022)

	2023	2022
Revenue:		
Taxes:		
Import	\$ 3,896,440	\$ 3,631,447
Fuel	122,727	155,993
Corporate tax	8,003,456	59,163,561
Income tax, individuals, net of tax refunds	3,715,526	3,011,942
Gross receipts tax, businesses	4,172,165	3,286,564
Tobacco revenue share	768,726	860,907
	<u>20,679,040</u>	<u>70,110,414</u>
Fishing rights	<u>62,453,758</u>	<u>73,021,600</u>
Fees and charges:		
Postal collections	239,949	240,584
Business license and various fees	118,986	104,518
	<u>358,935</u>	<u>345,102</u>
Investment earnings:		
Net change in the fair value of investments	1,319,375	(4,523,565)
Dividend and interest income	2,329,260	396,659
	<u>3,648,635</u>	<u>(4,126,906)</u>
MiCare reimbursible, net	(6,077)	101,512
Other	3,141,298	-
Total revenues	<u>90,275,589</u>	<u>139,451,722</u>
Expenditures:		
Executive Branch:		
Core operational:		
President's Office	2,697,154	2,113,469
Department of External Affairs and LNO's	6,358,433	7,475,102
Office of Personnel	248,360	179,218
Department of Health and Social Affairs	1,192,346	847,961
Department of Education	611,106	606,635
Office of Resources and development	1,671,577	1,218,250
National archives, cultural and historic prevention	150,872	150,005
Office of Environment and emergency management	1,002,012	630,112
Department of Transportation, Communication and Infrastructure	4,374,520	2,686,954
Department of Finance and Administration	6,954,442	2,601,223
Department of Justice	6,237,663	4,786,608
Office of the Public Defender	955,437	860,347
Sub-total	<u>32,453,922</u>	<u>24,155,884</u>

**Federated States of Micronesia
National Government**

GENERAL FUND (FUND 1)

Statement of Revenues, Expenditures by Function and Department,
and Changes in Fund Balance, continued

	2023	2022
Expenditures, continued:		
Executive Branch:		
Non-core operational:		
President's Office	4,706,705	2,867,968
Department of External Affairs and LNO's	1,390,435	423,306
Department of Health and Social Affairs	650,851	1,895,677
Department of Education	4,854,721	4,931,159
Office of Resources and development	1,637,515	979,602
National archives, cultural and historic prevention	5,537	5,657
Office of Environment and emergency management	292,172	63,379
Department of Transportation, Communication and Infrastructure	8,918,681	6,209,591
Department of Finance and Administration	2,388,349	7,505,769
Department of Justice	1,201,033	855,642
Office of the Public Defender	-	600,000
Sub-total	<u>26,045,999</u>	<u>26,337,750</u>
Total Executive Branch	<u>58,499,921</u>	<u>50,493,634</u>
Judicial Branch-core operational	1,957,032	1,466,772
Judicial Branch-non-core operational	<u>436,282</u>	<u>243,590</u>
Total Judicial Branch	<u>2,393,314</u>	<u>1,710,362</u>
Legislative Branch:		
Office of the Speaker and members	5,176,411	3,927,843
Congress staff	3,104,614	2,364,243
Delegation offices	3,285,531	2,873,984
Legislative Noncore	<u>401,207</u>	<u>80,825</u>
Total Legislative Branch	<u>11,967,763</u>	<u>9,246,895</u>
Office of the National Public Auditor-Core operational	1,004,515	843,299
Office of the National Public Auditor-Non-Core operational	<u>465,845</u>	<u>149,070</u>
Total Office of the Public Auditor	<u>1,470,360</u>	<u>992,369</u>
Agencies, Boards and Commissions:		
National Oceanic Resource Management Authority	931,400	781,806
FSM Banking Board	229,767	149,778
FSM Insurance Board	625,799	428,600
FSM Postal Services	1,113,894	936,085
Forum Fisheries Agency	57,657	67,657
Micronesia Legal Service Corporation	250,000	250,000
MLFC Loan Subsidy	232,496	238,952
National Olympic Committee	15,000	
Saint Cecilia Catholic School	40,481	-
2019 Constitutional Convention Election	72,528	310,739
Tuna Commission Membership Fee	434,202	318,397
Commemoration of World Tuna	1,590	50,818
T3 Monitoring	-	6,081
Other	<u>-</u>	<u>10,317</u>
	<u>4,004,814</u>	<u>3,549,230</u>

**Federated States of Micronesia
National Government**

GENERAL FUND (FUND 1)

Statement of Revenues, Expenditures by Function and Department,
and Changes in Fund Balance, continued

	2023	2022
Expenditures, continued:		
Agencies, Boards and Commissions, continued:		
Special Programs		
National Election Office	528,075	408,027
Special and General Elections	1,138,551	50,409
	<u>1,666,626</u>	<u>458,436</u>
Payments to Component Units:		
College of Micronesia-FSM (Board of Regents)	125,000	120,000
College of Micronesia-FSM	3,263,700	4,014,951
College of Micronesia-FSM FMI	-	-
College of Micronesia-FSM Endowment Fund	500,000	500,000
FSM Social Security Administration	3,000,000	1,000,000
FSMTCC	250,000	-
Caroline Air Inc.	554,610	638,540
FSM NGEIP (MiCare)	-	-
	<u>7,693,310</u>	<u>6,273,491</u>
Legislative public projects	16,181,325	13,841,983
Total expenditures	<u>103,877,433</u>	<u>86,566,400</u>
Excess of revenues over expenditures	<u>(13,601,844)</u>	<u>52,885,322</u>
Other financing sources (uses):		
Operating transfers in:		
Reimbursable Fund	-	-
Entry Fee Revolving Fund	-	86,677
Postal Services Revolving Fund	587,447	931,832
Insurance Board Revolving Fund	65,465	17,399
Fisheries Observation Revolving Fund	335,943	390,433
Maritime Surveillance Revolving Fund	302,123	351,767
Permit Revolving Fund	118,254	-
Passport Revolving Fund	1,167,841	870,790
	<u>2,577,073</u>	<u>2,648,898</u>
Operating transfers out:		
FSM Trust Fund	-	(400,000)
Reimbursable Fund	-	-
Non-U.S. Grant Fund	-	-
	<u>-</u>	<u>(400,000)</u>
Total other financing sources (uses), net	<u>2,577,073</u>	<u>2,248,898</u>
Special item:		
Write-off of receivable balances	-	-
Net change in fund balance	(11,024,771)	55,134,220
Fund balance at the beginning of the year	<u>199,515,334</u>	<u>144,381,114</u>
Fund balance at the end of the year	<u>\$ 188,490,563</u>	<u>\$ 199,515,334</u>

**Federated States of Micronesia
National Government**

GENERAL FUND (FUND 1)

Statement of Revenues, Expenditures by Function and Department,
and Changes in Fund Balance, continued

Reconciliation:

Fund balance, General Fund	\$ 188,490,563
Add:	
ADB Loan Fund	29,193,029
IDF with FSMDB	2,073,811
Early Retirement Fund	(1,937,478)
FSM Trust Fund	350,361,745
Fund balance, GAAP	\$ <u><u>568,181,670</u></u>

**Federated States of Micronesia
National Government**

NONMAJOR GOVERNMENTAL FUNDS

Combining Balance Sheet

September 30, 2023

	27	28	29	31	32	33	34	35	36	39	41	42	43	45	
	Permit Revolving	Filling Office Revolving	Maritime Operations Revolving	Passport Revolving	Aquaculture Revolving	Fisheries Observer Revolving	Medical Revolving	Nurse Board Revolving	ICQ Overtime Revolving	Scholarship	Maritime Surveillance Revolving	Postal Services Revolving	Insurance Board Revolving	Vessel Day Acquisition	Total
<u>ASSETS</u>															
Receivables:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
General	-	-	-	-	-	372	-	-	-	-	-	-	-	-	372
Advances	-	-	-	-	-	5,355	-	-	-	-	-	-	-	-	5,355
Due from other funds	40,000	120,336	233,569	100,000	28,653	1,000,000	42,826	42,818	-	167,476	500,000	20,000	50,000	2,282,499	4,628,177
	<u>\$ 40,000</u>	<u>\$ 120,336</u>	<u>\$ 233,569</u>	<u>\$ 100,000</u>	<u>\$ 28,653</u>	<u>\$ 1,005,727</u>	<u>\$ 42,826</u>	<u>\$ 42,818</u>	<u>\$ -</u>	<u>\$ 167,476</u>	<u>\$ 500,000</u>	<u>\$ 20,000</u>	<u>\$ 50,000</u>	<u>\$ 2,282,499</u>	<u>\$ 4,633,904</u>
<u>LIABILITIES AND FUND BALANCES</u>															
Liabilities:															
Accounts payable	\$ 2,856	\$ -	\$ 70	\$ 482,225	\$ -	\$ 4,141	\$ -	\$ -	\$ -	\$ -	\$ 16,128	\$ 1,228	\$ -	\$ -	\$ 506,648
Other liabilities and accruals	-	-	3,316	-	-	10,659	-	-	-	-	-	-	-	-	13,975
Due to other funds	-	-	-	-	-	-	100	-	90,162	-	-	-	-	-	90,262
Due to grantor agencies	45	-	-	-	-	-	-	-	-	-	-	-	-	-	45
	<u>2,901</u>	<u>-</u>	<u>3,386</u>	<u>482,225</u>	<u>-</u>	<u>14,800</u>	<u>100</u>	<u>-</u>	<u>90,162</u>	<u>-</u>	<u>16,128</u>	<u>1,228</u>	<u>-</u>	<u>-</u>	<u>610,930</u>
Fund balances:															
Committed	37,099	120,336	230,183	(382,225)	28,653	990,927	42,726	42,818	(90,162)	167,476	483,872	18,772	50,000	2,282,499	4,022,974
Total liabilities and fund balances	<u>\$ 40,000</u>	<u>\$ 120,336</u>	<u>\$ 233,569</u>	<u>\$ 100,000</u>	<u>\$ 28,653</u>	<u>\$ 1,005,727</u>	<u>\$ 42,826</u>	<u>\$ 42,818</u>	<u>\$ -</u>	<u>\$ 167,476</u>	<u>\$ 500,000</u>	<u>\$ 20,000</u>	<u>\$ 50,000</u>	<u>\$ 2,282,499</u>	<u>\$ 4,633,904</u>

See accompanying Report of Independent Auditors.

**Federated States of Micronesia
National Government**

NONMAJOR GOVERNMENTAL FUNDS

Combining Statement of Revenues, Expenditures by Function, and Changes in Fund Balances

Year Ended September 30, 2023

	27	28	29	31	32	33	34	35	36	39	41	42	43	45	
	Permit Revolving	Filling Office Revolving	Maritime Operations Revolving	Passport Revolving	Aquaculture Revolving	Fisheries Observer Revolving	Medical Revolving	Nurse Board Revolving	ICQ Overtime Revolving	Scholarship	Maritime Surveillance Revolving	Postal Services Revolving	Insurance Board Revolving	Vessel Day Acquisition	Total
Revenues:															
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 230,203	\$ -	\$ -	\$ -	\$ -	\$ 230,203
Fees and charges	174,435	8,145	287,565	1,209,258	-	656,930	5,610	4,965	271,098	-	24,530	639,948	67,783	(480,075)	2,870,192
Total revenues	174,435	8,145	287,565	1,209,258	-	656,930	5,610	4,965	271,098	230,203	24,530	639,948	67,783	(480,075)	3,100,395
Expenditures by function:															
Current:															
Transportation, communication and infrastructure	-	-	474,052	-	-	-	-	-	-	-	-	341	-	-	474,393
Health	-	-	-	-	-	-	-	325	-	-	-	-	-	-	325
Education	-	-	-	-	-	-	-	-	-	444,462	-	-	-	-	444,462
Finance and administration	-	-	-	-	-	-	-	-	130,167	-	-	-	-	-	130,167
Resources and development	-	-	-	-	-	-	-	-	105,492	-	-	-	-	-	105,492
Justice	59,531	-	-	482,452	-	-	-	-	128,487	-	231,891	-	-	-	902,361
Agencies, boards and commissions	-	-	-	-	-	314,266	-	-	-	-	-	53,823	2,418	-	370,507
Legislative public projects	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	59,531	-	474,052	482,452	-	314,266	-	325	364,146	444,462	231,891	54,164	2,418	-	2,427,707
Excess (deficiency) of revenue over (under) expenditure	114,904	8,145	(186,487)	726,806	-	342,664	5,610	4,640	(93,048)	(214,259)	(207,361)	585,784	65,365	(480,075)	672,688
Other financing uses:															
Operating transfers out	(118,254)	-	-	(1,167,841)	-	(335,943)	-	-	-	-	(302,123)	(587,447)	(65,465)	-	(2,577,073)
Net change in fund balances	(3,350)	8,145	(186,487)	(441,035)	-	6,721	5,610	4,640	(93,048)	(214,259)	(509,484)	(1,663)	(100)	(480,075)	(1,904,385)
Fund balances at the beginning of the year	40,449	112,191	416,670	58,810	28,653	984,206	37,116	38,178	2,886	381,735	993,356	20,435	50,100	2,762,574	5,927,359
Fund balances at the end of the year	\$ 37,099	\$ 120,336	\$ 230,183	\$ (382,225)	\$ 28,653	\$ 990,927	\$ 42,726	\$ 42,818	\$ (90,162)	\$ 167,476	\$ 483,872	\$ 18,772	\$ 50,000	\$ 2,282,499	\$ 4,022,974

**Federated States of Micronesia
National Government**

NONMAJOR GOVERNMENTAL FUNDS

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

Year Ended September 30, 2023

	27	28	29	31	32	33	34	35	36	39	41	42	43	45	Total
	Permit Revolving	Filling Office Revolving	Maritime Operations Revolving	Passport Revolving	Aquaculture Revolving	Fisheries Observer Revolving	Medical Revolving	Nurse Board Revolving	ICQ Overtime Revolving	Scholarship	Maritime Surveillance Revolving	Postal Services Revolving	Insurance Board Revolving	Vessel Day Acquisition	
Revenues:															
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 230,203	\$ -	\$ -	\$ -	\$ -	\$ 230,203
Fees and charges	174,435	8,145	287,565	1,209,258	-	656,930	5,610	4,965	271,098	-	24,530	639,948	67,783	(480,075)	2,870,192
Total revenues	174,435	8,145	287,565	1,209,258	-	656,930	5,610	4,965	271,098	230,203	24,530	639,948	67,783	(480,075)	3,100,395
Expenditures by account:															
Personnel	-	-	401,783	-	-	24,411	-	-	364,146	-	-	191	-	-	790,531
Travel and transportation	2,906	-	18,182	11,804	-	110,768	-	175	-	-	20	-	2,245	-	146,100
Communications	-	-	-	-	-	5,741	-	-	-	-	-	-	-	-	5,741
Food stuffs	-	-	37,143	-	-	5,328	-	-	-	-	33,480	-	-	-	75,951
Freight	-	-	3,751	7,364	-	-	-	-	-	-	-	-	-	-	11,115
Expendable equipment	-	-	-	-	-	420	-	-	-	-	-	9,918	-	-	10,338
Office supplies and materials	-	-	4,277	2,450	-	5,090	-	-	-	-	4,646	20,068	-	-	36,531
Miscellaneous goods & services	-	-	500	-	-	134	-	150	-	-	151	99	-	-	1,034
POL	-	-	-	-	-	3,791	-	-	-	-	188,175	275	-	-	192,241
Advertising, printing and reproduction	-	-	-	-	-	7,284	-	-	-	-	-	-	-	-	7,284
Rental	-	-	3,183	-	-	14,354	-	-	-	-	-	600	173	-	18,310
Repair and maintenance	-	-	343	-	-	1,525	-	-	-	-	-	150	-	-	2,018
Utilities	-	-	-	-	-	10,000	-	-	-	-	1,898	-	-	-	11,898
General contractual services	56,625	-	4,890	460,834	-	85,722	-	-	-	-	-	22,863	-	-	630,934
Training and registration fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Scholarships	-	-	-	-	-	-	-	-	-	444,462	-	-	-	-	444,462
Representation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Insurance and fees	-	-	-	-	-	30,926	-	-	-	-	-	-	-	-	30,926
Leased housing, offices, buildings and land	-	-	-	-	-	8,772	-	-	-	-	3,521	-	-	-	12,293
Bank charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fishing vessel days	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	59,531	-	474,052	482,452	-	314,266	-	325	364,146	444,462	231,891	54,164	2,418	-	2,427,707
Excess (deficiency) of revenue over (under) expenditure	114,904	8,145	(186,487)	726,806	-	342,664	5,610	4,640	(93,048)	(214,259)	(207,361)	585,784	65,365	(480,075)	672,688
Other financing uses:															
Operating transfers out	(118,254)	-	-	(1,167,841)	-	(335,943)	-	-	-	-	(302,123)	(587,447)	(65,465)	-	(2,577,073)
Net change in fund balances	(3,350)	8,145	(186,487)	(441,035)	-	6,721	5,610	4,640	(93,048)	(214,259)	(509,484)	(1,663)	(100)	(480,075)	(1,904,385)
Fund balances at the beginning of the year	40,449	112,191	416,670	58,810	28,653	984,206	37,116	38,178	2,886	381,735	993,356	20,435	50,100	2,762,574	5,927,359
Fund balances at the end of the year	\$ 37,099	\$ 120,336	\$ 230,183	\$ (382,225)	\$ 28,653	\$ 990,927	\$ 42,726	\$ 42,818	\$ (90,162)	\$ 167,476	\$ 483,872	\$ 18,772	\$ 50,000	\$ 2,282,499	\$ 4,022,974

**Federated States of Micronesia
National Government**

GRANTS ASSISTANCE FUND

Combining Balance Sheet

September 30, 2023

	10	11	12	13	14	15	16	18	19	20	23	26	
	Section 211(a)(1) Education Sector	Section 211(a)(2) Health Sector	Section 211(a)(5) Environment	Section 211(a)(3) Private Sector Development	Section 211(a)(4) Capacity Building	Supplemental Education	Enhanced Reporting Accountability	Infrastructure Maintenance	Section 211(a)(6) Infrastructure	U.S. Federal Grants	Non-U.S. Grants	Disaster Assistance Emergency	Total
<u>ASSETS</u>													
Cash & equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,204	\$ -	\$ -	\$ -	\$ 5,256,505	\$ 5,257,709
Receivables:													
Federal agencies	-	-	-	-	-	-	-	-	-	678,786	-	-	678,786
FSM State Governments	-	1,118,615	-	-	382,942	-	235,670	-	-	-	-	-	1,737,227
Advance	-	-	-	-	-	35,219	-	-	-	149,080	106,329	5,620	296,248
Prepayments	-	-	-	-	-	-	-	-	-	-	-	-	-
Due from other funds	2,679,981	-	8,880	123,806	-	-	-	1,054,628	1,035,658	2,839,820	23,196,356	3,565	30,942,694
	<u>\$ 2,679,981</u>	<u>\$ 1,118,615</u>	<u>\$ 8,880</u>	<u>\$ 123,806</u>	<u>\$ 382,942</u>	<u>\$ 35,219</u>	<u>\$ 235,670</u>	<u>\$ 1,055,832</u>	<u>\$ 1,035,658</u>	<u>\$ 3,667,686</u>	<u>\$ 23,302,685</u>	<u>\$ 5,265,690</u>	<u>\$ 38,912,664</u>
<u>LIABILITIES AND FUND BALANCES</u>													
Liabilities:													
Accounts payable	\$ 92,042	\$ (85,408)	\$ -	\$ -	\$ 438,400	\$ (63,990)	\$ -	\$ -	\$ 1,026,469	\$ 2,663,229	\$ 341,489	\$ 245,908	\$ 4,658,139
Due to FSM State Governments	2,587,939	-	8,880	123,806	-	316,900	-	-	-	759,023	-	-	3,796,548
Accrued liabilities and others	-	-	-	-	-	2,527	-	-	9,189	51,641	47,832	-	111,189
Due to other funds	-	1,204,023	-	-	839,765	570,740	235,670	-	-	-	-	-	2,850,198
Unearned revenues	-	-	-	-	-	-	-	-	-	-	9,507,363	-	9,507,363
Total liabilities	<u>2,679,981</u>	<u>1,118,615</u>	<u>8,880</u>	<u>123,806</u>	<u>1,278,165</u>	<u>826,177</u>	<u>235,670</u>	<u>-</u>	<u>1,035,658</u>	<u>3,473,893</u>	<u>9,896,684</u>	<u>245,908</u>	<u>20,923,437</u>
Fund balances:													
Restricted	-	-	-	-	(895,223)	(790,958)	-	1,055,832	-	193,793	13,406,001	5,019,782	17,989,227
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(895,223)</u>	<u>(790,958)</u>	<u>-</u>	<u>1,055,832</u>	<u>-</u>	<u>193,793</u>	<u>13,406,001</u>	<u>5,019,782</u>	<u>17,989,227</u>
Total liabilities and fund balances	<u>\$ 2,679,981</u>	<u>\$ 1,118,615</u>	<u>\$ 8,880</u>	<u>\$ 123,806</u>	<u>\$ 382,942</u>	<u>\$ 35,219</u>	<u>\$ 235,670</u>	<u>\$ 1,055,832</u>	<u>\$ 1,035,658</u>	<u>\$ 3,667,686</u>	<u>\$ 23,302,685</u>	<u>\$ 5,265,690</u>	<u>\$ 38,912,664</u>

See accompanying Report of Independent Auditors.

**Federated States of Micronesia
National Government**

GRANTS ASSISTANCE FUND

Combining Statement of Revenues and Expenditures by Function, and Changes in Fund Balances

Year Ended September 30, 2023

	10	11	12	13	14	15	16	18	19	20	23	26	
	Section 211(a)(1) Education Sector	Section 211(a)(2) Health Sector	Section 211(a)(5) Environment	Section 211(a)(3) Private Sector Development	Section 211(a)(4) Capacity Building	Supplemental Education	Enhanced Reporting Accountability	Infrastructure Maintenance	Section 211(a)(6) Infrastructure	U.S. Federal Grants	Non-U.S. Grants	Disaster Assistance Emergency	Total
Revenues:													
Compact funding	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,728,192	\$ -	\$ -	\$ 200,000	\$ 4,928,192
Compact funding - state gov'ts and others	26,403,145	25,318,631	102,870	140,348	903,306	11,526,227	1,421,793	686,761	5,568,416	-	-	-	72,071,497
Federal grants	-	-	-	-	-	-	-	-	-	21,735,522	-	-	21,735,522
Federal grants - state gov'ts and others	-	-	-	-	-	-	-	-	-	6,189,690	-	-	6,189,690
Other grants	-	-	-	-	-	-	-	-	-	-	18,589,915	-	18,589,915
Net change in the fair value of investments	-	-	-	-	-	-	-	-	-	-	-	108,583	108,583
Others	-	-	-	-	-	-	-	711	-	-	-	-	711
	<u>26,403,145</u>	<u>25,318,631</u>	<u>102,870</u>	<u>140,348</u>	<u>903,306</u>	<u>11,526,227</u>	<u>1,421,793</u>	<u>687,472</u>	<u>10,296,608</u>	<u>27,925,212</u>	<u>18,589,915</u>	<u>308,583</u>	<u>123,624,110</u>
Expenditures by function:													
Current:													
General government:													
Office of the President	-	-	-	-	-	-	-	-	-	-	1,801,533	-	1,801,533
Foreign affairs	-	-	-	-	-	-	-	-	-	-	28,370	-	28,370
Finance and administration	-	-	-	-	-	-	-	-	-	1,978,133	3,983,006	-	5,961,139
Resources and development	-	-	-	-	-	-	-	-	-	29,673	4,815,491	-	4,845,164
Transportation, communication and infrastructure	-	-	-	-	895,223	150,351	-	-	3,202,663	7,618,587	2,410,031	-	14,276,855
Health and social affairs	-	-	-	-	-	-	-	-	-	10,583,225	2,528,531	-	13,111,756
National archives, cultural and historic preservation	-	-	-	-	-	-	-	-	-	467,759	(4,187)	-	463,572
Education	-	-	-	-	-	640,607	-	-	-	829,376	890,245	-	2,360,228
Justice	-	-	-	-	-	-	-	-	-	-	-	-	-
Legislative	-	-	-	-	-	-	-	-	-	-	-	-	-
Environment and emergency management	-	-	-	-	-	-	-	-	-	34,976	1,872,751	-	1,907,727
Office of the National Public Auditor	-	-	-	-	-	-	-	-	-	-	-	-	-
Boards and commissions	-	-	-	-	-	-	-	-	354,955	-	1,848,886	-	2,203,841
Payment to state governments and others	26,403,145	25,318,631	102,870	140,348	903,306	11,526,227	1,421,793	686,761	5,568,416	6,189,690	-	-	78,261,187
Capital Projects	-	-	-	-	-	-	-	-	1,170,574	-	-	-	1,170,574
	<u>26,403,145</u>	<u>25,318,631</u>	<u>102,870</u>	<u>140,348</u>	<u>1,798,529</u>	<u>12,317,185</u>	<u>1,421,793</u>	<u>686,761</u>	<u>10,296,608</u>	<u>27,731,419</u>	<u>20,174,657</u>	<u>-</u>	<u>126,391,946</u>
Total expenditures													
Net change in fund balances	-	-	-	-	(895,223)	(790,958)	-	711	-	193,793	(1,584,742)	308,583	(2,767,836)
Fund balances at the beginning of the year, as previously reported	-	-	-	-	-	-	-	1,055,121	-	-	1,294,876	4,548,090	6,898,087
Prior period adjustment	-	-	-	-	-	-	-	-	-	-	13,695,867	163,109	13,858,976
Fund balances at the beginning of the year, as restated	-	-	-	-	-	-	-	1,055,121	-	-	14,990,743	4,711,199	20,757,063
Fund balances at the end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (895,223)</u>	<u>\$ (790,958)</u>	<u>\$ -</u>	<u>\$ 1,055,832</u>	<u>\$ -</u>	<u>\$ 193,793</u>	<u>\$ 13,406,001</u>	<u>\$ 5,019,782</u>	<u>\$ 17,989,227</u>

See accompanying Report of Independent Auditors.

**Federated States of Micronesia
National Government**

GRANTS ASSISTANCE FUND

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

Year Ended September 30, 2023

	10	11	12	13	14	15	16	18	19	20	23	26	
	Section 211(a)(1) Education Sector	Section 211(a)(2) Health Sector	Section 211(a)(5) Environment	Section 211(a)(3) Private Sector Development	Section 211(a)(4) Capacity Building	Supplemental Education	Enhanced Reporting Accountability	Infrastructure Maintenance	Section 211(a)(6) Infrastructure	U.S. Federal Grants	Non-U.S. Grants	Disaster Assistance Emergency	Total
Revenues:													
Compact funding	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,728,192	\$ -	\$ -	\$ 200,000	\$ 4,928,192
Compact funding - state gov'ts and others	26,403,145	25,318,631	102,870	140,348	903,306	11,526,227	1,421,793	686,761	5,568,416	-	-	-	72,071,497
Federal grants	-	-	-	-	-	-	-	-	-	21,735,522	-	-	21,735,522
Federal grants - state gov'ts and others	-	-	-	-	-	-	-	-	-	6,189,690	-	-	6,189,690
Other grants	-	-	-	-	-	-	-	-	-	-	18,589,915	-	18,589,915
Net change in the fair value of investments	-	-	-	-	-	-	-	-	-	-	-	108,583	108,583
Others	-	-	-	-	-	-	-	711	-	-	-	-	711
	<u>26,403,145</u>	<u>25,318,631</u>	<u>102,870</u>	<u>140,348</u>	<u>903,306</u>	<u>11,526,227</u>	<u>1,421,793</u>	<u>687,472</u>	<u>10,296,608</u>	<u>27,925,212</u>	<u>18,589,915</u>	<u>308,583</u>	<u>123,624,110</u>
Expenditures by account:													
Personnel	-	-	-	-	-	217,757	-	-	-	3,802,865	1,713,028	-	5,733,650
Travel and transportation	-	-	-	-	58,816	196,255	-	-	-	1,793,451	1,059,434	-	3,107,956
Books and materials	-	-	-	-	-	-	-	-	-	-	-	-	-
Communications	-	-	-	-	-	1,525	-	-	-	176,588	23,986	-	202,099
Customs and taxes	-	-	-	-	-	-	-	-	-	(6,776)	-	-	(6,776)
Dues, membership and subscription	-	-	-	-	-	-	-	-	-	209,118	8,193	-	217,311
Food stuffs	-	-	-	-	-	-	-	-	-	28,078	247,327	-	275,405
Freight	-	-	-	-	-	-	-	-	-	90,395	85,424	-	175,819
Expendable equipment/furniture	-	-	-	-	-	22,373	-	-	-	533,672	861,097	-	1,417,142
Office supplies and materials	-	-	-	-	-	60,335	-	-	-	1,980,550	1,135,257	-	3,176,142
POL	-	-	-	-	-	283	-	-	-	168,295	49,228	-	217,806
Advertising, printing and reproduction	-	-	-	-	-	-	-	-	-	26,657	86,494	-	113,151
Rental services	-	-	-	-	-	-	-	-	-	225,439	331,603	-	557,042
Repair and maintenance	-	-	-	-	-	-	-	-	-	11,901	1,375	-	13,276
Utilities	-	-	-	-	-	55	-	-	-	190,226	239,817	-	430,098
Miscellaneous goods and services	-	-	-	-	-	-	-	-	-	10,781	380,134	-	390,915
Medical supplies	-	-	-	-	-	-	-	-	-	632,185	37,045	-	669,230
Contribution, subsidies	-	-	-	-	-	-	-	-	-	-	819,251	-	819,251
General Contractual services	-	-	-	-	500,000	292,075	-	-	4,728,192	10,238,844	4,779,281	-	20,538,392
Professional services	-	-	-	-	336,407	-	-	-	-	213,526	4,970,994	-	5,520,927
Employee housing and household storage	-	-	-	-	-	-	-	-	-	47,250	17,600	-	64,850
Compensation-nonpayroll	-	-	-	-	-	-	-	-	-	31,847	55,334	-	87,181
Training and registration fees	-	-	-	-	-	-	-	-	-	40,981	2,270	-	43,251
Official and meeting allowances	-	-	-	-	-	-	-	-	-	65,578	4,920	-	70,498
Insurance and fees	-	-	-	-	-	-	-	-	-	2,053	-	-	2,053
Leased housing, offices, buildings and land	-	-	-	-	-	-	-	-	-	154,864	-	-	154,864
Bank charges	-	-	-	-	-	300	-	-	-	1,100	9,045	-	10,445
Payment to state governments and others	26,403,145	25,318,631	102,870	140,348	903,306	11,526,227	1,421,793	686,761	5,568,416	6,189,690	-	-	78,261,187
Equipment	-	-	-	-	-	-	-	-	-	872,261	3,169,650	-	4,041,911
Vehicle	-	-	-	-	-	-	-	-	-	-	86,870	-	86,870
	<u>26,403,145</u>	<u>25,318,631</u>	<u>102,870</u>	<u>140,348</u>	<u>1,798,529</u>	<u>12,317,185</u>	<u>1,421,793</u>	<u>686,761</u>	<u>10,296,608</u>	<u>27,731,419</u>	<u>20,174,657</u>	<u>-</u>	<u>126,391,946</u>
Total expenditures													
Net change in fund balances	-	-	-	-	(895,223)	(790,958)	-	711	-	193,793	(1,584,742)	308,583	(2,767,836)
Fund balances at the beginning of the year, as previously reported	-	-	-	-	-	-	-	1,055,121	-	-	1,294,876	4,548,090	6,898,087
Prior period adjustment	-	-	-	-	-	-	-	-	-	-	13,695,867	163,109	13,858,976
Fund balances at the beginning of the year, as restated	-	-	-	-	-	-	-	1,055,121	-	-	14,990,743	4,711,199	20,757,063
Fund balances at the end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (895,223)</u>	<u>\$ (790,958)</u>	<u>\$ -</u>	<u>\$ 1,055,832</u>	<u>\$ -</u>	<u>\$ 193,793</u>	<u>\$ 13,406,001</u>	<u>\$ 5,019,782</u>	<u>\$ 17,989,227</u>

See accompanying Report of Independent Auditors.

Other Information

**Federated States of Micronesia
National Government**

GENERAL FUND (FUND 01 ONLY)

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual, Budgetary Basis

Year Ended September 30, 2023

	Budgeted Amounts		Expenditures on Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Local taxes	\$ 9,817,706	10,962,982	12,675,584	\$ 1,712,602
Fishing right fees	57,000,000	70,000,000	62,453,758	(7,546,242)
Corporate Fees	13,000,000	24,000,000	8,003,456	(15,996,544)
Postal revenues	200,000	200,000	239,949	39,949
Investment earnings	1,000,000	1,000,000	3,648,635	2,648,635
Fees and charges	3,316,015	3,872,148	118,986	(3,753,162)
Other	780,300	780,300	3,135,221	2,354,921
Total revenues	85,114,021	110,815,430	90,275,589	(20,539,841)
Expenditures-budgetary basis by department:				
Executive Branch-Core Operational:				
Office of the President	1,880,807	2,599,606	2,920,107	(320,501)
President's Office - Public Information	200,680	225,768	165,712	60,056
President's Office - ODA & Compact Management	580,210	634,059	261,229	372,830
Total Office of the President	2,661,697	3,459,433	3,347,048	112,385
Department of Foreign Affairs				
Administration	452,471	547,649	663,283	(115,634)
Division of APA and Multilateral Affairs	120,567	159,001	150,102	8,899
Division of American and European Affairs	99,393	131,184	90,940	40,244
FSM Embassy - China	639,560	669,497	580,027	89,470
FSM Consulate - Guam	569,371	655,399	663,297	(7,898)
FSM Consulate - Honolulu	699,397	803,703	681,456	122,247
FSM Embassy - Tokyo	1,105,630	1,175,491	942,838	232,653
FSM Embassy - Washington D.C.	856,864	933,551	876,693	56,858
FSM Embassy - Fiji	481,308	500,508	330,199	170,309
FSM Permanent Mission - New York	903,553	929,253	887,816	41,437
FSM Consulate - Portland, Oregon	919,624	1,032,250	631,048	401,202
Total Department of Foreign Affairs	6,847,738	7,537,486	6,497,699	1,039,787
Department of Health and Social Affairs:				
Administration	200,673	233,040	187,262	45,778
Health System Support	276,545	321,542	336,829	(15,287)
Environmental Health	582,149	710,083	675,707	34,376
Gender Development Unit	87,463	120,387	78,344	42,043
Sports and Youth Unit	85,449	99,040	53,102	45,938
Total Department of Health and Social Affairs	1,232,278	1,484,091	1,331,244	152,847
Department of Education:				
Administration	371,709	402,559	357,882	44,677
Division of Formal & Non Formal Educaiton	212,314	262,855	137,377	125,478
Division of Quality & effectiveness(Domestic)	64,704	124,935	5,085	119,850
Division of Quality & effectiveness(SEG)	358,448	358,448	174,697	183,751
Total Department of Education	1,007,175	1,148,797	675,041	473,756
Department of Resources and Development:				
Administration	228,782	262,499	258,635	3,864
Division of Tourism	131,129	164,439	132,275	32,164
Division of Marine Resources	126,471	168,954	150,523	18,431
Division of Agriculture	457,378	581,385	580,272	1,113
Division of Trade and Investment	212,574	254,291	209,118	45,173
Division of Energy	67,210	102,198	70,811	31,387
Division of Statistics	473,062	579,982	452,784	127,198
Total Department of Resources and Development	1,696,606	2,113,748	1,854,418	259,330
Office of National Archives, Culture and Historic Preservation	266,670	266,670	156,276	110,394

See accompanying Report of Independent Auditors.

**Federated States of Micronesia
National Government**

GENERAL FUND (FUND 01 ONLY)

**Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual, Budgetary Basis, continued**

	Budgeted Amounts		Actual	Variance with
		Final	Amounts	Final Budget - Positive (Negative)
Expenditures-budgetary basis by department, continued:				
Department of Environment, Climate Change and Emergency Management:				
Office of the Director	383,314	430,271	486,581	(56,310)
Division of Environment	190,751	262,485	241,753	20,732
Division of Climate Change	235,147	308,002	229,963	78,039
Division of Emergency Management	192,468	266,796	255,255	11,541
Total Department of Environment, Climate Change and Emergency Management	1,001,681	1,267,555	1,213,552	54,003
Office of Veteran's Affairs	158,641	169,962	-	169,962
Office of Personnel	202,940	256,674	249,388	7,286
Department of Transportation, Communication and Infrastructure:				
Administration	249,525	284,436	275,933	8,503
Division of Marine Transportation	1,918,882	2,167,566	1,629,445	538,121
Division of Infrastructure	820,356	906,301	798,672	107,629
Civil Aviation	229,976	274,645	227,752	46,893
Communication	173,053	207,150	190,718	16,432
Project Management Unit	485,412	528,605	480,404	48,201
Total Department of Transportation, Communication and Infrastructure	3,877,205	4,368,704	3,602,924	765,780
Department of Finance and Administration:				
Administration	367,781	434,191	426,589	7,602
Division of National Treasury	1,145,412	1,406,034	4,698,090	(3,292,056)
Division of Customs and Tax Administration	1,667,004	2,022,103	1,757,637	264,466
Division of Investment & International Finance	206,163	266,791	207,476	59,315
Division of Budget & Economic Management	446,313	547,415	413,348	134,067
Total Department of Finance and Administration	3,832,672	4,676,533	7,503,140	(2,826,607)
Department of Justice:				
Administration	646,659	646,659	776,929	(130,270)
Registrar of Corporation	159,785	159,785	148,944	10,841
Division of Law	482,464	482,464	366,427	116,037
Division of Litigation	677,887	677,887	372,645	305,242
Division of Anti-Human Trafficking Services	287,599	287,599	275,216	12,383
Division of Immigration and Passport Services	1,019,936	1,019,936	1,004,528	15,408
Division of Labor	552,559	575,977	590,767	(14,790)
FSM National Police	1,914,007	1,964,007	2,624,015	(660,008)
Division of Cyber Security	-	-	28,008	-
Division of Border Control & Maritime Surveillance	1,898,361	1,898,361	1,922,047	(23,686)
Total Department of Justice	7,639,257	7,712,675	8,109,526	(368,843)
Office of the Public Defender	1,428,101	1,763,900	1,132,510	631,390
Total Executive Branch-Core Operational	31,852,661	36,226,228	35,672,766	581,470
Executive Branch-Non-Core Operational:				
President's Office	4,118,926	4,528,926	8,349,345	(3,820,419)
Department of Foreign Affairs	351,476	423,476	1,417,886	(994,410)
Department of Health and Social Affairs	1,030,003	1,030,003	718,950	311,053
Department of Education	5,185,392	5,185,392	4,864,488	320,904
Department of Resources and Development	463,076	715,076	1,650,914	(935,838)
Office of National Archives, Culture, Historic Prevention	7,064	7,064	5,537	1,527
Department of Environment, Climate Change and Emergency Management	501,659	501,659	293,270	208,389
Department of Transportation, Communications and Infrastructure	2,719,462	3,018,607	8,888,681	(5,870,074)
Department of Finance and Administration	601,020	601,020	2,388,349	(1,787,329)
Department of Justice	2,382,151	2,382,151	1,613,141	769,010
Office of the Public Defender	-	-	-	-
Total Executive Branch-Non-Core Operational	17,360,229	18,393,374	30,190,561	(11,797,187)
Total Executive Branch	49,212,890	54,619,602	65,863,327	(11,215,717)

See accompanying Report of Independent Auditors.

**Federated States of Micronesia
National Government**

GENERAL FUND (FUND 01 ONLY)

**Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual, Budgetary Basis, continued**

	Budgeted Amounts		Actual	Variance with
		Final	Amounts	Final Budget - Positive (Negative)
Judicial Branch-Core Operational	2,616,122	2,831,064	2,356,382	474,682
Judicial Branch-Non-core Operational	170,000	170,000	436,282	(266,282)
Total Judiciary Branch	2,786,122	3,001,064	2,792,664	208,400
Legislative Branch:				
Office of the Speaker and members	4,243,056	6,161,073	6,173,228	(12,155)
Members and staff	3,672,200	4,620,560	3,741,544	879,016
Delegation offices	562,730	2,822,730	3,423,858	(601,128)
Total Legislative Branch - Core	8,477,987	13,604,364	13,338,630	265,734
Legislative Branch - Noncore	239,824	239,824	579,936	(340,112)
Total Legislative Branch	8,717,810	13,844,187	13,918,566	(74,379)
Office of the National Public Auditor				
Public Auditor (Core)	1,117,925	1,296,734	1,078,956	217,778
Single Audit (Non-core)	813,150	813,150	813,250	(100)
Total Office of the National Public Auditor	1,931,075	2,109,884	1,892,206	217,678
Special Programs:				
National Election	686,663	686,663	598,546	88,117
General Election	22,237	372,237	1,163,729	(791,492)
Total Special Programs	708,900	1,058,900	1,762,275	(703,375)
Agencies, Board and Commissions:				
National Oceanic Resource Management Authority	1,451,107	1,697,404	1,250,810	446,594
Tuna Commission Membership	434,201	605,001	434,202	170,799
Forum Fisheries Agency	-	-	57,657	(57,657)
MLFC Loan Subsidy	260,000	260,000	290,231	(30,231)
Micronesia Legal Services Corporation	250,000	250,000	250,000	-
FSM Insurance	736,582	801,599	764,353	37,246
FSM Banking Board	258,113	312,810	254,515	58,295
Pacific Missionary Aviation Subsidy	100,000	100,000	-	100,000
2019 Constitutional Convention Election	-	-	72,528	(72,528)
Commemoration of World Tuna	-	-	62,381	(62,381)
National Olympic Committee	-	-	15,000	(15,000)
St. Cecilia Catholic School	-	-	40,481	(40,481)
PNA membership fee	-	-	10,000	(10,000)
Continental Shelf Work	-	-	1,060	(1,060)
Capital and human resources development	-	-	6,140	(6,140)
Hosting WPCFC, TTC, & SC NORMA	-	-	6,668	(6,668)
Postal Services	1,175,234	1,339,539	1,171,923	167,616
Other	-	-	-	-
Total Agencies, Boards and Commissions	4,665,237	5,366,353	4,687,949	678,404
Payments to component units:				
CIA Subsidy	6,000	656,000	1,424,018	(768,018)
FSM Social Security Administration	1,000,000	1,000,000	3,000,000	(2,000,000)
Board of Regents-COM	120,000	120,000	125,000	(5,000)
COM-FSM Operation	4,000,000	4,000,000	3,263,700	736,300
COM-FSM (FMI)	965,735	965,735	704,914	260,821
COM-FSM Endowment Fund	500,000	715,000	500,000	215,000
COM-FSM Public Health Initiative	488,798	488,798	-	488,798
FSM TCC	-	300,000	250,000	50,000
Total payments to component units	7,080,533	8,245,533	9,267,632	(1,022,099)
Other Non Core programs and appropriations	-	-	-	-
Other National government programs-continuing appropriations	11,397,461	11,397,461	26,981,547	(15,584,086)
Total expenditures	86,500,028	99,642,984	127,166,166	(27,495,174)
Excess (deficiency) of revenues over (under) expenditures	(1,386,007)	11,172,446	(36,890,577)	(48,035,015)

See accompanying Report of Independent Auditors.

Federated States of Micronesia
National Government

GENERAL FUND (FUND 01 ONLY)

**Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual, Budgetary Basis, continued**

	Budgeted Amounts		Actual	Variance with
		Final	Amounts	Final Budget - Positive (Negative)
Other financing sources (uses):				
Operating Transfers in (out):				
Entry Fee fund		-	-	-
Passport Fund	-	-	1,167,841	1,167,841
Entry Fee Fund	-	-	118,254	118,254
Fisheries Observation Fund	-	-	335,943	335,943
National Postal Services Fund	-	-	587,447	587,447
Insurance Board Revolving Fund	-	-	65,465	65,465
Maritime Sueveillance Revolving Fund			302,123	302,123
FSM Trust Fund - National fund			-	-
Total Operating Transfers in/out	-	-	2,577,073	2,577,073
Total other financing sources (uses), net	-	-	2,577,073	2,577,073
	(1,386,007)	11,172,446	(34,313,504)	(45,457,942)
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes but in the year the supplies are received for financial reporting purposes		-	23,288,733	23,288,733
Net change in fund balance	(1,386,007)	11,172,446	(11,024,771)	(22,169,209)
Fund balance at beginning of year	199,515,334	199,515,334	199,515,334	-
Fund balance at end of year	\$ 198,129,327	\$ 210,687,780	\$ 188,490,563	\$ (22,169,209)

**Federated States of Micronesia
National Government**

WORLD BANK PROJECT FINANCIAL SUMMARY

For the Year Ended September 30, 2023

GRANT NAMES	GRANT AMOUNT	PRIOR YEAR EXPENDITURE	CURRENT YEAR EXPENDITURE	TOTAL EXPENDITURE	CURRENT YEAR ENCUMBRANCES	TOTAL EXPENSES & ENCUMBRANCES	GRANT BALANCE
FSM-PALAU CONNECTIVITY PROJECT (ICT):							
Micronesia & Terrestrial Work	56,893,649	41,782,938	206,688	41,989,626	701,919	42,691,545	14,202,103.93
Component 2 - DTCL	1,860,000	613,277	-	613,277	-	613,277	1,246,723
Component 3 - TRA	2,145,000	1,484,054	-	1,484,054	369,850	1,853,904	291,097
Component 4 - Project Management	2,801,351	1,100,229	189,708	1,289,936	44,619	1,334,555	1,466,796
Subtotal	63,700,000	44,980,498	396,395	45,376,893	1,116,287	46,493,280	17,206,720
NEW PROGRAMMATIC PREPARATION ADVANCE (PPA2):							
Component 1 - SEEP preparation	875,000	3,409	3,025	6,434	810	7,244	867,756
Component 2 - PROPER preparation	1,328,163	127,849	414,301	542,150	225,583	767,733	560,430
Component 3 - SCORE preparation	875,000	41,609	(41,599)	10	-	10	874,990
Component 4 -	421,837	-	-	-	-	-	421,837
Subtotal	3,500,000	172,867	375,727	548,594	226,393	774,987	2,725,013
PROJECT FOR STRENGTHENING PUBLIC FINANCIAL MANAGEMENT (PFM):							
COMPONENT 1 - Strengthening FMIS Environment	550,000	53,399	226,196	279,596	238,562	518,158	31,842
COMPONENT 2 - FMIS	6,350,000	535,581	64,607	600,188	458,791	1,058,978	5,291,022
COMPONENT 3 - RMS	4,250,256	792,411	673,595	1,466,006	2,653,367	4,119,373	130,883
COMPONENT 4 - Change Management & Human Resource Development	1,585,579	650,347	266,319	916,666	110,522	1,027,189	558,390
COMPONENT 5 - Project Management	3,264,165	1,342,320	291,865	1,634,185	117,610	1,751,795	1,512,370
Subtotal	16,000,000	3,374,058	1,522,583	4,896,641	3,578,853	8,475,494	7,524,506
SUSTAINABLE ENERGY DEVELOPMENT AND ACCESS PROJECT (SEDAP)							
COMPONENT 1 - Improving Reliability of Electricity Supply in Pohnpei State	12,700,000	818,586	1,175,075	1,993,661	10,474,226	12,467,888	232,112
COMPONENT 2 - Expanding Access to Electricity in Chuuk State	3,450,000	52,974	-	52,974	101,584	154,558	3,295,442
COMPONENT 3 - Scaling up Renewable Energy Generation in Chuuk, Yap, and Kosrae States	9,900,000	148,769	653,675	802,444	2,248,857	3,051,301	6,848,699
COMPONENT 4 - Institutional Strengthening and Capacity Building in the Energy Sector	1,000,000	-	-	-	-	-	1,000,000
COMPONENT 5 - Technical Assistance and Project Management	2,950,000	1,083,546	247,281	1,330,827	239,311	1,570,138	1,379,862
Subtotal	30,000,000	2,103,876	2,076,031	4,179,906	13,063,978	17,243,885	12,756,115
FSM MARITIME INVESTMENT PROJECT (FMIP)							
Component 1 - Maritime Infrastructure	20,500,000	-	-	-	-	-	20,500,000
Component 2 - Maritime Safety and Security	7,550,000	-	-	-	-	-	7,550,000
Component 3A - Technical Assistance for Port Planning & Project Management	6,940,000	1,651,054	681,282	2,332,335	651,918	2,984,253	3,955,747
Component 3B - Technical Assistance for Port Planning & Project Management	3,500,000	1,797,678	503,468	2,301,146	142,440	2,443,586	1,056,414
Component 4/CERC - Contingency	2,500,000	758,004	348,117	1,106,121	1,393,879	2,500,000	-
Subtotal	40,990,000	4,206,735	1,532,866	5,739,601	2,188,237	7,927,838	33,062,162
DIGITAL FSM (DFSM)							
COMPONENT 1 - National Digital Connectivity Infrastructure	15,000,000	919,279	1,718,600	2,637,879	2,279,269	4,917,147	10,082,852.51
COMPONENT 2 - Digital Government Platform	6,500,000	51,000	305,698	356,698	506,413	863,111	5,636,889.44
COMPONENT 3A - Enabling Environment for Digital Gov't & Digital Economy	750,000	34,335	96,478	130,813	263,362	394,175	355,824.85
COMPONENT 3B - Enabling Environment for Digital Gov't & Digital Economy	500,000	-	-	-	-	-	500,000.00
COMPONENT 3C - Enabling Environment for Digital Gov't & Digital Economy	750,000	-	-	-	-	-	750,000.00
COMPONENT 3D - Enabling Environment for Digital Gov't & Digital Economy	1,000,000	-	-	-	-	-	1,000,000.00
COMPONENT 4A - Project Management (PIU)	1,300,000	231,658	91,858	323,516	153,776	477,291	822,708.66
COMPONENT 4B - Project Management (CIU Budget)	5,000,000	693,136	708,896	1,402,032	714,829	2,116,861	2,883,138.52
Subtotal	30,800,000	1,929,408	2,921,530	4,850,937	3,917,649	8,768,586	22,031,414
PRIORITIZED ROAD INVESTMENT AND MANAGEMENT ENHANCEMENTS PROJECT (PRIME)							
COMPONENT 1 - Spatial and Sector Planning Tools	1,500,000	89,075	89,653	178,729	45,479	224,208	1,275,791.85
COMPONENT 2 - Climate Resilient Infrastructure Solutions	34,000,000	10	340,403	340,413	1,278,208	1,618,621	32,381,379.00
COMPONENT 3A - Strengthening the Enabling Environment	4,500,000	125,279	262,548	834,918	125,279	960,197	3,539,803.22
Subtotal	40,000,000	214,364	692,604	1,354,059	1,448,966	2,803,026	37,196,974
STRATEGIC CLIMATE-ORIENTED ROAD ENHANCEMENTS PROJECT (SCORE)							
COMPONENT 1 -	310,000	-	-	-	-	-	310,000.00
COMPONENT 2 -	28,000,000	-	-	-	-	-	28,000,000.00
COMPONENT 3 -	6,940,000	-	43,630	43,630	-	43,630	6,896,370.49
Subtotal	35,250,000	0	43,630	43,630	0	43,630	35,206,370
FSM Skills and Employability Enhancement Project (SEEP)							
COMPONENT 1 -	3,330,000	-	-	-	-	-	3,330,000.00
COMPONENT 2 -	11,560,000	-	500	500	-	500	11,559,500.00
COMPONENT 3 -	2,290,000	-	-	-	-	-	2,290,000.00
COMPONENT 4 -	2,290,000	-	57,198	57,198	135,550	192,748	2,097,252.00
Subtotal	17,700,000	0	57,698	57,698	135,550	193,248	17,506,752
TOTAL FOR ACTIVE GRANTS	277,940,000	56,981,806	9,619,063	67,047,961	25,676,013	92,723,974	185,216,026
PROJECT IN PIPELINE							
Federated States of Micronesia Maritime Investment Project II	13,000,000						
FSM Strengthening Public Financial Management II	5,000,000						
FSM Agriculture and Food Security Project	20,000,000						
Federated States of Micronesia Access & Reliability Improvement and Sustainable Energy PROPER	20,000,000						
	30,000,000						
	88,000,000						
CLOSED PROJECT							
ESDP	14,400,000.00						
PROP	5,500,000.00						
	19,900,000.00						
TOTAL PROJECTS GRANTS	385,840,000.00						

**Federated States of Micronesia
National Government**

WORLD BANK PROJECT FINANCIAL SUMMARY

For the Year Ended September 30, 2022

GRANT NAMES	GRANT AMOUNT	PRIOR YEAR EXPENDITURE	CURRENT YEAR EXPENDITURE	TOTAL EXPENDITURE	CURRENT YEAR ENCUMBRANCES	TOTAL EXPENSES & ENCUMBRANCES	GRANT BALANCE	TOTAL REPLENISHED FROM WORLD BANK	OUTSTANDING REPLENISHMENTS	NOTES
FSM-PALAU CONNECTIVITY PROJECT (ICT):										
Component 1	56,893,649	40,393,468	1,389,470	41,782,938	804,909	42,587,848	14,305,800.93			
Component 2	1,860,000	639,302	(26,025)	613,277	6,486	619,763	1,240,237			
Component 3	2,145,000	1,453,743	30,311	1,484,054	369,850	1,853,904	291,097			
Component 4	2,801,351	877,241	222,988	1,100,229	107,386	1,207,615	1,593,736			
Subtotal	63,700,000	43,363,753	1,616,744	44,980,498	1,288,632	46,269,129	17,430,871	44,284,009	696,489	
NEW PROGRAMMATIC PREPARATION ADVANCE (PPA2):										
Component 1 - SEEP preparation	875,000	-	3,409	3,409	-	3,409	871,591			
Component 2 - PROPER preparation	990,000	-	127,849	127,849	-	127,849	862,151			
Component 3 - SCORE preparation	875,000	-	41,599	41,599	-	41,599	833,401			
unallocated	760,000	-	-	-	-	-	760,000			
Subtotal	3,500,000	-	172,857	172,857	-	172,857	3,327,143	-	172,857	A
PROJECT FOR STRENGTHENING PUBLIC FINANCIAL MANAGEMENT (PFM):										
COMPONENT 1	350,000	33,750	19,649	53,399	228,851	282,250	67,750			
COMPONENT 2	5,145,000	519,749	15,832	535,581	248,412	783,993	4,361,007			
COMPONENT 3	1,945,000	600,012	-	600,012	105,829	705,841	1,239,159			
COMPONENT 4	1,360,000	514,001	138,800	652,800	261,813	914,613	445,387			
COMPONENT 5	2,200,000	1,130,310	212,000	1,342,310	12,574	1,354,885	845,115			
ADDITIONAL FINANCING	5,000,000	-	-	-	-	-	-			
Subtotal	16,000,000	2,797,821	386,281	3,184,103	857,479	4,041,582	6,958,418	3,223,729	(39,627)	B
SUSTAINABLE ENERGY DEVELOPMENT AND ACCESS PROJECT (SEDAP)										
COMPONENT 1	11,800,000	483,362	335,214	818,576	269,795	1,088,371	10,711,629			
COMPONENT 2	3,450,000	13,263	39,711	52,974	1,584	54,558	3,395,442			
COMPONENT 3	9,900,000	57,350	91,419	148,769	578,781	727,550	9,172,450			
COMPONENT 4	1,900,000	-	-	-	-	-	1,900,000			
COMPONENT 5	2,950,000	659,380	424,781	1,084,161	186,063	1,270,225	1,679,775			
Subtotal	30,000,000	1,213,355	891,126	2,104,481	1,036,223	3,140,704	26,859,296	2,013,556	90,925	
FSM MARITIME INVESTMENT PROJECT (FMIP)										
Component 1	20,500,000	-	-	-	-	-	20,500,000			
Component 2	7,550,000	-	-	-	-	-	7,550,000			
Component 3A	6,940,000	994,989	657,347	1,652,336	163,740	1,816,076	5,123,924			
Component 3B	3,500,000	1,351,159	446,868	1,798,027	356,849	2,154,876	1,345,124			
Component 4/CERC	2,500,000	758,004	-	758,004	-	758,004	1,741,996			
Subtotal	40,990,000	3,104,152	1,104,215	4,208,367	520,589	4,728,956	36,261,044	4,019,725	188,643	
DIGITAL FSM (DFSM)										
COMPONENT 1	15,000,000	615,774	303,504	919,279	527,186	1,446,464	13,553,535.75			
COMPONENT 2	6,500,000	-	51,000	51,000	166,880	217,880	6,282,120.00			
COMPONENT 3A	750,000	-	34,335	34,335	109,865	144,200	605,800.00			
COMPONENT 3B	500,000	-	-	-	-	-	500,000.00			
COMPONENT 3C	750,000	-	-	-	-	-	750,000.00			
COMPONENT 3D	1,000,000	-	-	-	-	-	1,000,000.00			
COMPONENT 4A	1,300,000	204,896	27,124	232,020	-	232,020	1,067,979.63			
COMPONENT 4B	5,000,000	345,234	349,742	694,975	296,415	991,390	4,008,609.99			
Subtotal	30,800,000	1,165,904	765,706	1,931,609	1,100,345	3,031,955	27,768,045	899,384	1,032,225	
PRIORITIZED ROAD INVESTMENT AND MANAGEMENT ENHANCEMENTS PROJECT (PRIME)										
COMPONENT 1	1,500,000	21,836	67,240	89,075	135,133	224,208	1,275,791.85			
COMPONENT 2	34,000,000	-	10	10	-	10	33,999,990.00			
COMPONENT 3	4,500,000	35,591	537,147	572,739	189,688	762,427	3,737,573.36			
Subtotal	40,000,000	57,427	604,397	661,824	324,821	986,645	39,013,355	607,346	54,478	
STRATEGIC CLIMATE-ORIENTED ROAD ENHANCEMENTS PROJECT (SCORE)										
COMPONENT 1	310,000	-	-	-	-	-	310,000.00		-	
COMPONENT 2	28,000,000	-	-	-	-	-	28,000,000.00		-	
COMPONENT 3 -	6,940,000	-	-	-	-	-	6,940,000.00		-	
Subtotal	35,250,000	0	0	0	0	0	35,250,000	0	0	C
TOTAL FOR ACTIVE GRANTS	260,240,000	51,702,413	5,541,326	57,243,739	5,128,089	62,371,828	192,868,172	55,047,749	2,195,990	

See Accompanying Independent Auditors' Report

NOTES TO 2022 FINANCIAL SUMMARY

- A In Sept. 2021, PPA2 was made effective to be used in the preparation for the projects in the pipeline.
B In June 2022, World Bank approved additional financing of Five Million for PFM project.
C FSM Strategic Climate Oriented Road Enhancements (SCORE) project was made effective on July 20, 2022.