

FEDERATED STATES OF MICRONESIA

**COMBINED FINANCIAL STATEMENTS
AND INDEPENDENT ACCOUNTANTS'
COMPILATION REPORT**

SEPTEMBER 30, 2006

INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Honorable Emmanuel Mori
President,
Federated States of Micronesia

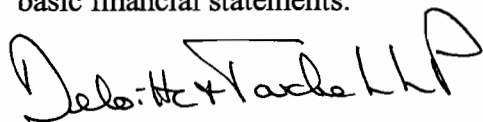
We have compiled the accompanying combined financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Federated States of Micronesia (FSM) National Government and the States of the FSM as of and for the year ended September 30, 2006, and the other supplementary information as set forth in pages 13 through 31, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The other supplementary information is presented only for purposes of additional analysis and is not a required part of the basic combined financial statements. The combined financial statements include the accounts of the FSM National Government and the four States of the FSM, being the State of Chuuk, the State of Kosrae, the State of Pohnpei, and the State of Yap. These entities comprise the sovereign nation of the Federated States of Micronesia.

A compilation is limited to presenting, in the form of financial statements and other supplementary information, information that is the representation of management. We have not audited or reviewed the accompanying combined financial statements and other supplementary information and, accordingly, we do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the combined financial statements, they might influence the user's conclusions about the combined financial position and combined results of operations of the FSM National Government and the States of the FSM. Accordingly, these combined financial statements are not designed for those who are not informed about such matters.

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the respective financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the FSM National Government, the State of Chuuk, the State of Kosrae, the State of Pohnpei, and the State of Yap as of and for the year ended September 30, 2006. Those financial statements were the basis from which we compiled the accompanying combined financial statements. Copies of the respective financial statements and the independent auditors' reports dated July 25, 2007, July 18, 2007, June 25, 2007, June 15, 2007, and June 25, 2007, respectively, which expressed certain qualified or disclaimer of opinions, may be obtained from the FSM Office of the Public Auditor.

The FSM National Government and the States of the FSM have not presented the Management's Discussion and Analysis and budgetary comparison information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.


August 30, 2007

FEDERATED STATES OF MICRONESIA

Combined Statement of Net Assets September 30, 2006

(See Accompanying Independent Accountants' Compilation Report)

	Primary Governments	Component Units
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 7,012,971	\$ 17,613,054
Time certificates of deposit	558,515	4,335,119
Investments	89,240,124	17,712,235
Receivables, net of allowance for uncollectibles	31,878,388	16,428,315
Due from component units	305,721	-
Due from primary government	-	426,441
Advances	2,017,727	79,048
Inventories	107,405	4,708,106
Other current assets	3,308,483	1,808,220
Restricted assets	72,165	1,741,706
Total current assets	134,501,499	64,852,244
Noncurrent assets:		
Time certificates of deposit	2,276,002	-
Investments	10,954,768	14,543,102
Receivables, net of current portion	28,020,063	18,133,078
Capital assets, net of accumulated depreciation	187,531,302	114,508,278
Due from component units	3,355,288	-
Other noncurrent assets	-	586,355
Restricted assets	50,628,192	-
Total noncurrent assets	282,765,615	147,770,813
Total assets	\$ 417,267,114	\$ 212,623,057
<u>LIABILITIES</u>		
Current liabilities:		
Bank overdraft	\$ 3,439,719	\$ 34,682
Current portion of long-term obligations	390,486	6,163,690
Accounts payable	27,641,885	8,560,358
Compensated absences payable	760,383	-
Other liabilities and accruals	3,941,111	5,997,469
Tax refunds payable	516,604	-
Due to FSM State Governments	8,037,530	-
Due to primary government	-	3,871,134
Deferred revenue	9,474,730	4,106,251
Total current liabilities	54,202,448	28,733,584
Noncurrent liabilities:		
Noncurrent portion of long-term obligations	55,496,836	34,310,046
Other noncurrent liabilities	1,809,607	-
Compensated absences payable	2,401,376	-
Total noncurrent liabilities	59,707,819	34,310,046
Total liabilities	113,910,267	63,043,630
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	187,202,123	78,645,895
Restricted for:		
Future operations	33,383,214	-
Compact related	55,000,320	-
Capital projects	968,292	-
Other purposes	9,133,128	6,858,121
Unrestricted	17,669,770	64,075,411
Total net assets	303,356,847	149,579,427
Total liabilities and net assets	\$ 417,267,114	\$ 212,623,057

FEDERATED STATES OF MICRONESIA

Combined Statement of Activities Year Ended September 30, 2006 (See Accompanying Independent Accountants' Compilation Report)

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governments	Component Units
Primary governments:						
Governmental activities:						
President's office	\$ 2,800,435	\$ -	\$ 2,047,840	\$ -	\$ (752,595)	\$ -
External affairs and LNOs	2,985,154	-	-	-	(2,985,154)	-
Health, education and social affairs	55,072,762	1,419,614	53,581,525	-	(71,623)	-
Economic development	5,972,837	98,500	2,577,858	100,722	(3,195,757)	-
Transportation, communication and infrastructure	13,801,760	1,615,563	6,409,082	15,000	(5,762,115)	-
Finance and administration	37,846,714	782,466	12,012,434	320,226	(24,731,588)	-
Justice	6,266,873	504,199	1,206,549	-	(4,556,125)	-
Office of the Public Defender	661,261	-	-	-	(661,261)	-
Judiciary	1,514,745	14,220	394,565	-	(1,105,960)	-
Legislature	3,376,796	-	-	-	(3,376,796)	-
Office of the Public Auditor	726,444	-	46,127	-	(680,317)	-
National government programs	4,582,373	-	908,604	-	(3,673,769)	-
Other appropriations	17,128,159	104,942	845,189	-	(16,178,028)	-
Payments to component units	5,454,599	-	4,698,998	-	(755,601)	-
Boards, commissions, councils and other	2,696,482	396,537	1,420,323	-	(879,622)	-
Future operations	-	-	999,661	1,218,032	2,217,693	-
Capital projects	927,525	-	81,820	11,484	(834,221)	-
Total primary governments	\$ 161,814,919	\$ 4,936,041	\$ 87,230,575	\$ 1,665,464	(67,982,839)	-
Component units:						
FSM Telecommunications Corporation	\$ 13,281,051	\$ 12,848,046	\$ -	\$ -	-	(433,005)
FSM Development Bank	2,577,926	1,834,913	427,721	-	-	(315,292)
National Fisheries Corporation	758,899	276,808	135,000	-	-	(347,091)
College of Micronesia - FSM	23,534,086	23,106,732	-	-	-	(427,354)
FSM Coconut Development Authority	323,329	65,542	198,106	-	-	(59,681)
MiCare Plan, Inc.	5,720,628	5,551,328	-	-	-	(169,300)
Chuuk State Health Care Plan	868,456	906,079	-	-	-	37,623
Chuuk Public Utilities Corporation	4,591,524	2,363,191	480,000	-	-	(1,748,333)
Chuuk State Housing Corporation	165,716	94,879	52,177	-	-	(18,660)
Kosrae Utilities Corporation	2,371,646	1,646,297	-	-	-	(725,349)
Micronesian Petroleum Corporation	3,920,997	4,030,074	-	-	-	109,077
Pohnpei Utilities Corporation	11,920,059	9,990,600	-	2,445,371	-	515,912
Pohnpei Port Authority	1,409,588	2,245,357	-	75,033	-	910,802
Pohnpei Fisheries Corporation	790,012	436,567	-	-	-	(353,445)
Pohnpei Transportation Authority	1,905,752	1,313,419	-	-	-	(592,333)
Small Business Guarantee and Finance Corp.	105,957	8,908	70,530	-	-	(26,519)
Economic Development Authority	251,873	210,412	-	-	-	(41,461)
Pohnpei State Housing Authority	186,359	142,105	90,912	-	-	46,658
Public Transportation System	347,072	151,924	164,688	-	-	(30,460)
Yap Visitor's Bureau	378,899	5,198	-	-	-	(373,701)
Yap State Public Service Corporation	4,631,024	4,492,869	-	-	-	(138,155)
Yap Fishing Authority	357,685	135,219	-	-	-	(222,466)
The Diving Seagull, Inc.	5,327,085	5,299,294	-	-	-	(27,791)
Total component units	\$ 85,725,623	\$ 77,155,761	\$ 1,619,134	\$ 2,520,404	-	(4,430,324)
General revenues:						
Taxes:					26,682,186	-
Fishing rights					15,973,337	-
Unrestricted investment earnings					7,912,499	2,411,375
Other					5,005,987	3,490,020
Total general revenues					55,574,009	5,901,395
Special items:						
Bad debts					(13,022,588)	-
Write down of investments					(2,232,000)	-
Total special items					(15,254,588)	-
Change in net assets					(27,663,418)	1,471,071
Net assets at the beginning of the year, as restated					331,020,265	148,108,356
Net assets at the end of the year					\$ 303,356,847	\$ 149,579,427

FEDERATED STATES OF MICRONESIA

Combined Balance Sheet
Governmental Funds
September 30, 2006
(See Accompanying Independent Accountants' Compilation Report)

	Special Revenue					Capital Projects	Permanent	Other Governmental Funds	Total	
	General	U.S Federal Grants	Section 111 Investment Development	Early Retirement Program	Asian Development Bank Loan	Compact Sector Grants	Compact Capital Projects			Compact Trust
ASSETS										
Cash and cash equivalents	\$ 5,383,237	\$ 2,000	\$ -	\$ -	\$ 1,397,526	\$ -	\$ -	\$ -	\$ 230,208	\$ 7,012,971
Time certificates of deposit	1,198,630	-	509,735	-	-	-	-	-	-	1,708,365
Equity in internal investment pool	60,317,719	-	-	-	-	-	4,861,158	-	4,131,114	69,309,991
Investments	8,957,201	-	5,139,752	3,724,199	-	-	7,464,829	-	5,598,920	30,884,901
Receivables, net:										
General	702,708	-	-	-	-	-	-	-	-	702,708
Taxes	4,987,856	-	-	-	-	-	-	-	-	4,987,856
Federal agencies	-	3,581,264	-	-	-	333,365	-	-	726,755	4,641,384
Loans	920,913	-	7,491,351	-	27,955,334	-	-	-	171,225	36,538,823
Other governments and agencies	1,465,473	3,858,525	-	-	-	2,762,997	37,272	-	500,500	8,624,767
Accrued interest	-	-	4,614	-	-	-	-	-	10,971	15,585
Other	3,990,620	-	-	-	-	-	1,664	-	395,044	4,387,328
Due from component units	905,288	-	305,721	-	-	-	2,450,000	-	-	3,661,009
Due from other funds	12,391,275	2,055,435	-	-	-	8,083,514	16,453,948	-	14,660,359	53,644,531
Advances	1,579,375	286,324	-	-	-	87,739	20,742	-	43,547	2,017,727
Inventories	67,865	-	-	-	-	-	-	-	39,540	107,405
Other assets	1,790,481	-	-	-	-	1,518,002	-	-	-	3,308,483
Restricted assets:										
Cash and cash equivalents	3,837,889	-	-	-	-	-	785,246	-	511,364	5,134,499
Investments	7,427,340	-	-	-	-	-	419,256	33,383,214	5,462,200	46,692,010
Total assets	\$ 115,923,870	\$ 9,783,548	\$ 13,451,173	\$ 3,724,199	\$ 29,352,860	\$ 12,785,617	\$ 32,494,115	\$ 33,383,214	\$ 32,481,747	\$ 283,380,343

LIABILITIES AND FUND BALANCES

Liabilities:										
Bank overdraft	\$ 3,439,719	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,439,719
Accounts payable	17,713,035	2,601,247	-	1,253	40,679	4,120,096	1,168,664	-	1,996,911	27,641,885
Other liabilities and accruals	3,475,469	4,557	-	-	2,184	-	329,428	-	129,473	3,941,111
Tax refunds payable	516,604	-	-	-	-	-	-	-	-	516,604
Due to FSM State Governments	4,636,285	3,391,790	-	-	-	-	-	-	9,455	8,037,530
Due to other funds	41,253,256	1,512,048	-	3,862,491	440,953	1,151,211	1,149,809	-	4,274,763	53,644,531
Deferred revenue	-	2,398,277	-	-	-	5,296,273	-	-	1,780,180	9,474,730
Total liabilities	71,034,368	9,907,919	-	3,863,744	483,816	10,567,580	2,647,901	-	8,190,782	106,696,110
Fund balances (deficits):										
Reserved for:										
Related assets	19,539,108	-	7,491,351	3,724,199	29,352,860	1,518,002	8,755,377	33,383,214	9,464,639	113,228,750
Encumbrances	5,652,889	10,266,764	-	-	56,935	7,799,689	1,843,078	-	2,012,072	27,631,427
Continuing appropriations	7,487,011	-	-	-	80,000	55,079,594	2,868,347	-	2,846,174	68,361,126
Compact programs	-	-	5,959,822	-	-	-	370,573	-	419,148	6,749,543
Debt service fund	-	-	-	-	-	-	-	-	3,883,094	3,883,094
Special projects	-	-	-	-	-	-	-	-	321,067	321,067
Unreserved:										
General fund	12,210,494	-	-	-	-	-	-	-	-	12,210,494
Special revenue funds	-	(10,391,135)	-	(3,863,744)	(620,751)	(62,179,248)	-	-	6,624,562	(70,430,316)
Debt service fund	-	-	-	-	-	-	-	-	(91,337)	(91,337)
Capital projects funds	-	-	-	-	-	-	16,008,839	-	(1,188,454)	14,820,385
Total fund balances (deficit)	44,889,502	(124,371)	13,451,173	(139,545)	28,869,044	2,218,037	29,846,214	33,383,214	24,290,965	176,684,233
Total liabilities and fund balances	\$ 115,923,870	\$ 9,783,548	\$ 13,451,173	\$ 3,724,199	\$ 29,352,860	\$ 12,785,617	\$ 32,494,115	\$ 33,383,214	\$ 32,481,747	

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

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

\$ 187,531,302

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

Loans payable	(55,887,322)
Compensated absences payable	(3,161,759)
Claims payable	(1,809,607)

126,672,614

Net assets of governmental activities

\$ 303,356,847

FEDERATED STATES OF MICRONESIA

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits)
Governmental Funds
Year Ended September 30, 2006
(See Accompanying Independent Accountants' Compilation Report)

	Special Revenue					Capital Projects	Permanent	Other	Total	
	General	U.S Federal Grants	Section 111 Investment Development	Early Retirement Program	Asian Development Bank Loan	Compact Sector Grants	Compact Capital Projects	Compact Trust		Governmental Funds
Revenues:										
Compact funding	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 62,281,290	\$ -	\$ -	\$ -	\$ 62,281,290
Taxes	29,019,416	-	-	-	-	-	-	-	472,348	29,491,764
Federal and other grants	-	21,171,581	-	-	-	-	-	-	1,726,874	22,898,455
Fishing rights	13,163,759	-	-	-	-	-	-	-	-	13,163,759
Interest and dividends	147,362	-	100,722	-	86,720	-	-	-	-	334,804
Fees and charges	2,021,625	-	-	-	-	483,899	-	-	2,013,589	4,519,113
Net increase in the fair value of investments	7,375,808	16	453,050	-	-	4,363	27,216	2,217,693	289,929	10,368,075
Other	4,688,319	1,327,331	5,670	-	170,934	-	37,736	-	118,839	6,348,829
Total revenues	56,416,289	22,498,928	559,442	-	257,654	62,769,552	64,952	2,217,693	4,621,579	149,406,089
Expenditures:										
Current:										
General government:										
President's office	729,014	2,047,840	-	-	-	-	-	-	-	2,776,854
External affairs and LNOs	3,158,558	-	-	-	-	-	-	-	-	3,158,558
Health, education and social affairs	395,102	11,212,731	-	-	-	42,527,072	-	-	847,846	54,982,751
Economic development	1,270,648	170,897	50,000	-	-	1,886,592	11,605	-	444,278	3,834,020
Transportation, communication and infrastructure	4,390,262	2,427,772	-	-	-	2,465,063	34,548	-	780,206	10,097,851
Finance and administration	12,656,891	7,459,168	-	-	5,006,417	8,201,759	25,196	-	2,498,124	35,847,555
Justice	4,675,941	36,542	-	-	-	900,460	-	-	200,700	5,813,643
Office of the Public Defender	645,192	-	-	-	-	-	-	-	-	645,192
Judiciary	1,459,783	-	-	-	-	394,565	-	-	-	1,854,348
Legislature	4,017,537	-	-	-	-	-	-	-	-	4,017,537
Office of the Public Auditor	674,083	22,809	-	-	-	14,378	-	-	-	711,270
National government programs	3,875,834	908,604	-	-	-	-	-	-	-	4,784,438
Other appropriations	12,663,595	3,156	-	-	-	108,583	-	-	86,575	12,861,909
Payments to component units	584,814	71,892	250,000	-	-	4,547,893	-	-	-	5,454,599
Boards, commissions, councils and other	3,799,425	187,788	-	-	-	735,871	-	-	743,994	5,467,078
Capital projects	-	-	-	-	-	-	748,353	-	179,172	927,525
Total expenditures	54,996,679	24,549,199	300,000	-	5,006,417	61,782,236	819,702	-	5,780,895	153,235,128
Excess (deficiency) of revenues over (under) expenditures	1,419,610	(2,050,271)	259,442	-	(4,748,763)	987,316	(754,750)	2,217,693	(1,159,316)	(3,829,039)
Other financing sources (uses):										
Loan proceeds	161,379	-	-	-	2,491,531	-	-	-	1,312,844	3,965,754
Operating transfers in	6,719,424	1,770,517	-	-	-	164,490	-	-	881,552	9,535,983
Operating transfers out	(2,642,783)	-	-	-	-	-	(6,573,776)	-	(319,424)	(9,535,983)
Total other financing sources (uses), net	4,238,020	1,770,517	-	-	2,491,531	164,490	(6,573,776)	-	1,874,972	3,965,754
Special items:										
Bad debts	(13,022,588)	-	-	-	-	-	-	-	-	(13,022,588)
Write down of investments	(500,000)	-	-	-	-	-	(1,732,000)	-	-	(2,232,000)
Total special items	(13,522,588)	-	-	-	-	-	(1,732,000)	-	-	(15,254,588)
Net change in fund balances (deficits)	(7,864,958)	(279,754)	259,442	-	(2,257,232)	1,151,806	(9,060,526)	2,217,693	715,656	(15,117,873)
Fund balances (deficit) at the beginning of the year	52,754,460	155,383	13,191,731	(139,545)	31,126,276	1,066,231	38,906,740	31,165,521	23,575,309	191,802,106
Fund balances (deficit) at the end of the year	\$ 44,889,502	\$ (124,371)	\$ 13,451,173	\$ (139,545)	\$ 28,869,044	\$ 2,218,037	\$ 29,846,214	\$ 33,383,214	\$ 24,290,965	\$ 176,684,233

FEDERATED STATES OF MICRONESIA

**Reconciliation of the Combined Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds to
the Combined Statement of Activities
Year Ended September 30, 2006
(See Accompanying Independent Accountants' Compilation Report)**

Amounts reported for governmental activities in the combined statement of activities on page 3 are different because:

Net change in fund balances - total governmental funds from page 5	\$ (15,117,873)
Governmental funds report capital outlays as expenditures. However, in the combined statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period, including increases to construction in progress	(6,784,252)
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 assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(4,250,127)
Some expenses reported in the combined statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds. These expenses include accrued annual leave and claims and judgments payable that are reported in the combined statement of activities, but not in funds	<u>(1,511,166)</u>
Change in net assets of governmental activities as presented on page 3	<u>\$ (27,663,418)</u>

FEDERATED STATES OF MICRONESIA

Combining Statement of Fiduciary Net Assets

Fiduciary Funds - Private Purpose Trusts

September 30, 2006

(See Accompanying Independent Accountants' Compilation Report)

	FSM Social Security Administration	Pohnpei State Development Loan Fund	Yap State Development Loan Fund	Total
<u>ASSETS</u>				
Cash and cash equivalents	\$ 1,556,975	\$ 193,455	\$ 52,397	\$ 1,802,827
Time certificates of deposit	-	522,397	131,933	654,330
Receivables, net:				
Contributions	1,969,335	-	-	1,969,335
Loans	-	78,913	166,164	245,077
Accrued interest	115,170	3,780	340	119,290
Other	135,513	-	-	135,513
Investments	41,806,275	-	-	41,806,275
Capital assets, net of accumulated depreciation	71,988	-	-	71,988
Total assets	<u>45,655,256</u>	<u>798,545</u>	<u>350,834</u>	<u>46,804,635</u>
<u>LIABILITIES</u>				
Accounts payable	101,841	-	-	101,841
Other liabilities and accruals	145,778	92	2,182	148,052
Due to component units	-	78,538	127,289	205,827
Total liabilities	<u>247,619</u>	<u>78,630</u>	<u>129,471</u>	<u>455,720</u>
<u>NET ASSETS</u>				
Held in trust for:				
Social security benefits	45,407,637	-	-	45,407,637
Other purposes	-	719,915	221,363	941,278
Total net assets	<u>\$ 45,407,637</u>	<u>\$ 719,915</u>	<u>\$ 221,363</u>	<u>\$ 46,348,915</u>

FEDERATED STATES OF MICRONESIA

Combining Statement of Changes in Fiduciary Net Assets
 Fiduciary Funds - Private Purpose Trusts
 Year Ended September 30, 2006
 (See Accompanying Independent Accountants' Compilation Report)

	<u>FSM Social Security Administration</u>	<u>Pohnpei State Development Loan Fund</u>	<u>Yap State Development Loan Fund</u>	<u>Total</u>
Additions:				
Contributions:	\$ 12,049,988	\$ -	\$ -	\$ 12,049,988
Total contributions	<u>12,049,988</u>	<u>-</u>	<u>-</u>	<u>12,049,988</u>
Investment earnings:				
Net increase in the fair value of investments	3,565,656	18,347	3,305	3,587,308
Interest and dividends	<u>893,007</u>	<u>8,456</u>	<u>13,384</u>	<u>914,847</u>
Total investment earnings	4,458,663	26,803	16,689	4,502,155
Less investment expense	<u>315,102</u>	<u>-</u>	<u>-</u>	<u>315,102</u>
Net investment earnings	<u>4,143,561</u>	<u>26,803</u>	<u>16,689</u>	<u>4,187,053</u>
Other	<u>445,332</u>	<u>687</u>	<u>211</u>	<u>446,230</u>
Total additions	<u>16,638,881</u>	<u>27,490</u>	<u>16,900</u>	<u>16,683,271</u>
Deductions:				
Benefits	12,828,256	-	-	12,828,256
Refunds	23,797	-	-	23,797
Administrative expenses	<u>1,036,253</u>	<u>27,490</u>	<u>8,450</u>	<u>1,072,193</u>
Total deductions	<u>13,888,306</u>	<u>27,490</u>	<u>8,450</u>	<u>13,924,246</u>
Change in net assets	2,750,575	-	8,450	2,759,025
Net assets at the beginning of the year	<u>42,657,062</u>	<u>719,915</u>	<u>212,913</u>	<u>43,589,890</u>
Net assets at the end of the year	<u>\$ 45,407,637</u>	<u>\$ 719,915</u>	<u>\$ 221,363</u>	<u>\$ 46,348,915</u>

FEDERATED STATES OF MICRONESIA

Combining Statement of Net Assets
Component Units

September 30, 2006

(See Accompanying Independent Accountants' Compilation Report)

ASSETS

Current assets:	FSM Tele-Communications Corporation	FSM Development Bank	National Fisheries Corporation	College of Micronesia-FSM	FSM Coconut Development Authority	MiCare Plan, Inc.	Chuuk State Health Care Plan	Chuuk Public Utility Corporation	Chuuk State Housing Corporation	Kosrae Utilities Authority	Micronesian Petroleum Corporation	Pohnpei Utilities Corporation
Cash and cash equivalents	\$ 2,276,011	\$ 3,733,002	\$ 19,823	\$ 5,969,278	\$ 45,357	\$ 135,234	\$ 369,361	\$ 1,314	\$ 65,443	\$ 255,952	\$ 88,787	\$ 521,763
Time certificates of deposit	107,966	-	-	1,620,451	-	-	700,000	-	340,702	-	-	-
Investments	13,732,900	-	-	-	-	833,637	-	-	-	1,575,952	31,824	637,506
Receivables, net:												
General	587,505	5,533	506,868	4,024,159	610	334,087	35,644	247,347	152,232	211,386	471,721	2,605,737
Loans	-	782,673	-	-	-	-	-	-	956,183	-	-	-
Interest	356,714	122,262	498,290	196,837	-	-	-	-	-	18,461	-	232,950
Other	157,959	-	-	-	-	-	-	-	-	220,614	-	-
Due from primary government	-	205,827	-	-	-	-	-	-	-	-	-	-
Advances	35,634	-	43,414	-	-	-	-	-	-	-	-	-
Inventories	355,316	-	30,748	233,795	98,846	-	-	195,861	-	466,344	940,837	1,604,871
Prepaid expenses	590,761	2,500	-	192,809	15,980	260,070	403	188,038	-	5,300	1,233	-
Restricted assets	-	-	-	-	-	-	-	-	-	-	-	-
Total current assets	18,200,766	4,851,797	1,099,143	12,237,329	160,793	1,563,028	1,105,408	632,560	1,514,560	2,754,009	1,534,402	5,602,827
Noncurrent assets:												
Capital assets, net of accumulated depreciation	41,008,133	254,438	232,904	12,391,481	226,329	10,004	22,902	4,967,361	136,241	5,088,838	2,178,093	29,912,393
Investments	-	11,268,732	486,855	2,655,010	-	-	-	-	-	-	-	132,505
Loans receivable	-	18,133,078	-	-	-	-	-	-	-	-	-	-
Other noncurrent assets	-	-	-	-	-	-	-	-	-	-	-	355,011
Total noncurrent assets	41,008,133	29,656,248	719,759	15,046,491	226,329	10,004	22,902	4,967,361	136,241	5,088,838	2,178,093	30,399,909
Total assets	\$ 59,208,899	\$ 34,508,045	\$ 1,818,902	\$ 27,283,820	\$ 387,122	\$ 1,573,032	\$ 1,128,310	\$ 5,599,921	\$ 1,650,801	\$ 7,842,847	\$ 3,712,495	\$ 36,002,736

LIABILITIES

Current liabilities:												
Bank overdraft	-	-	-	-	-	-	-	-	-	-	-	-
Current portion of long-term debt	784,740	-	3,600,000	-	-	-	-	34,682	-	-	-	118,536
Accounts payable	96,132	95,318	367,946	316,325	3,416	3,127,336	67,108	213,827	-	201,340	300,460	1,356,696
Other liabilities and accruals	558,428	114,396	912,748	1,847,924	1,308	-	-	1,304,997	418	31,397	11,033	254,323
Due to primary government	-	305,721	-	-	-	-	-	-	-	-	62,278	-
Deferred revenue	137,647	-	-	2,634,829	-	-	-	230,695	-	-	-	318,636
Total current liabilities	1,576,947	515,435	4,880,694	4,799,078	4,724	3,127,336	67,108	2,495,325	418	232,737	950,408	2,048,191
Noncurrent liabilities:												
Noncurrent portion of long-term debt	23,686,864	-	-	-	-	-	-	3,431,865	-	-	951,865	2,645,682
Total noncurrent liabilities	23,686,864	-	-	-	-	-	-	3,431,865	-	-	951,865	2,645,682
Total liabilities	25,263,811	515,435	4,880,694	4,799,078	4,724	3,127,336	67,108	5,927,190	418	232,737	1,902,273	4,693,873
NET ASSETS												
Invested in capital assets, net of related debt	16,536,529	254,438	(803,953)	12,391,481	226,329	10,004	22,902	824,371	136,241	5,088,838	2,178,093	26,694,528
Restricted for:												
Nonexpendable	17,408,559	33,738,172	(2,257,839)	2,655,010	156,069	(1,564,308)	1,038,300	(1,151,640)	1,514,142	90,000	-	132,505
Unrestricted	33,945,088	33,992,610	(3,061,792)	22,484,742	382,398	(1,554,304)	1,061,202	(327,269)	1,650,383	7,610,110	1,810,222	31,308,863
Total net assets	\$ 59,208,899	\$ 34,508,045	\$ 1,818,902	\$ 27,283,820	\$ 387,122	\$ 1,573,032	\$ 1,128,310	\$ 5,599,921	\$ 1,650,801	\$ 7,842,847	\$ 3,712,495	\$ 36,002,736
Total liabilities and net assets												

FEDERATED STATES OF MICRONESIA
Combining Statement of Net Assets, Continued
Component Units
September 30, 2006
(See Accompanying Independent Accountants' Compilation Report)

	Pohnpei Port Authority	Pohnpei Fisheries Corporation	Pohnpei Transportation Authority	Small Business Guarantee and Finance Corporation	Economic Development Authority	Pohnpei State Housing Authority	Public Transportation System	Yap Visitor's Bureau	Yap State Public Service Corporation	Yap Fishing Authority	The Diving Seagull, Inc.	Total
ASSETS												
Current assets:												
Cash and cash equivalents	\$ 1,355,411	\$ 234,631	\$ -	\$ 14,731	\$ 10,543	\$ 49,232	\$ 42,933	\$ 171,483	\$ 727,343	\$ 5,513	\$ 1,519,909	\$ 17,613,054
Time certificates of deposit	-	-	-	-	502,400	-	-	-	-	398,016	1,566,000	4,335,119
Investments	-	-	-	-	-	-	-	-	-	-	-	17,712,235
Receivables, net:												
General	385,135	-	293,570	4,924	191,489	-	2,149	-	591,748	20,038	-	10,671,882
Loans	-	-	-	-	-	2,043,729	-	-	-	-	-	3,782,585
Interest	-	-	-	-	-	-	-	-	-	-	-	478,976
Other	87,118	-	26,840	6,627	18,951	138,334	-	60,694	9,017	2,383	40,411	1,494,872
Due from primary government	-	-	-	-	-	-	-	-	-	-	-	426,441
Advances	-	-	-	-	-	-	-	-	-	-	-	79,048
Inventories	-	-	75,565	-	-	115	-	-	705,808	-	-	4,708,106
Prepaid expenses	-	-	-	-	-	-	32,625	326	20,385	1,516	496,274	1,808,220
Restricted assets	333,450	-	-	1,408,256	-	-	-	-	-	-	-	1,741,706
Total current assets	2,161,114	234,631	395,975	1,434,538	723,383	2,231,410	77,707	232,503	2,054,301	427,466	3,622,594	64,852,244
Noncurrent assets:												
Capital assets, net of accumulated depreciation	4,873,347	548,339	133,077	6,560	35,206	9,364	93,801	21,486	9,288,010	2,158,583	911,388	114,508,278
Investments	-	-	-	-	-	-	-	-	-	-	-	14,543,102
Loans receivable	-	-	-	-	-	-	-	-	-	-	-	18,133,078
Deferred charges	-	-	-	231,344	-	-	-	-	-	-	-	586,355
Total noncurrent assets	4,873,347	548,339	133,077	237,904	35,206	9,364	93,801	21,486	9,288,010	2,158,583	911,388	147,770,813
Total assets	\$ 7,034,461	\$ 782,970	\$ 529,052	\$ 1,672,442	\$ 758,589	\$ 2,240,774	\$ 171,508	\$ 253,989	\$ 11,342,311	\$ 2,586,049	\$ 4,533,982	\$ 212,623,057
LIABILITIES												
Current liabilities:												
Bank overdraft	-	-	-	-	-	-	-	-	-	-	-	34,682
Current portion of long-term debt	100,232	1,122,151	34,108	4,790	560,301	-	570	17,629	87,812	13,462	159,859	6,163,690
Accounts payable	191,724	-	8,686	2,336	-	-	3,542	1,183	218,809	78,363	342,402	8,560,358
Other liabilities and accruals	-	2,450,000	905,288	-	136,000	11,847	-	-	351,880	-	322,783	5,997,469
Due to primary government	-	166,667	10,505	-	298,530	-	243	-	-	-	-	3,871,134
Deferred revenue	308,499	-	-	-	-	-	-	-	-	-	-	4,106,251
Total current liabilities	600,455	3,863,800	958,587	7,126	994,831	11,847	4,355	18,812	658,501	91,825	825,044	28,733,584
Noncurrent liabilities:												
Noncurrent portion of long-term debt	-	55,000	-	-	-	-	-	-	2,905,255	-	633,515	34,310,046
Total noncurrent liabilities	-	55,000	-	-	-	-	-	-	2,905,255	-	633,515	34,310,046
Total liabilities	600,455	3,918,800	958,587	7,126	994,831	11,847	4,355	18,812	3,563,756	91,825	1,458,559	63,043,630
NET ASSETS												
Invested in capital assets, net of related debt	4,873,347	548,339	133,077	6,560	35,206	9,364	93,801	21,486	6,294,943	2,158,583	911,388	78,645,895
Restricted for:												
Nonexpendable	1,560,659	(3,684,169)	(562,612)	1,639,600	(271,448)	2,219,563	73,352	213,691	121,443	335,641	2,164,035	6,858,121
Unrestricted	6,434,006	(3,135,830)	(429,535)	1,665,316	(236,242)	2,228,927	167,153	231,177	7,778,555	2,494,224	3,075,423	149,579,427
Total net assets	\$ 7,034,461	\$ 782,970	\$ 529,052	\$ 1,672,442	\$ 758,589	\$ 2,240,774	\$ 171,508	\$ 253,989	\$ 11,342,311	\$ 2,586,049	\$ 4,533,982	\$ 212,623,057
Total liabilities and net assets												

FEDERATED STATES OF MICRONESIA

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

Year Ended September 30, 2006

(See Accompanying Independent Accountants' Compilation Report)

	FSM Tele-Communications Corporation	FSM Development Bank	National Fisheries Corporation	Colleges of Micronesia-FSM	FSM Coconut Development Authority	MiCare Plan, Inc.	Chuuk State Health Care Plan	Chuuk Public Utility Corporation	Chuuk State Housing Corporation	Kosrae Utilities Authority	Micronesian Petroleum Corporation	Pohnpei Utilities Corporation
Operating revenues:												
Charges for services	\$ 12,649,894	\$ 1,834,913	\$ 276,808	\$ 1,209,258	\$ 65,542	\$ 5,542,033	\$ 872,006	\$ 2,356,011	\$ 94,879	\$ 1,646,297	\$ 4,030,074	\$ 9,990,600
Other	198,152	-	-	21,897,474	-	9,295	34,073	7,180	-	-	-	-
Total operating revenues	12,848,046	1,834,913	276,808	23,106,732	65,542	5,551,328	906,079	2,363,191	94,879	1,646,297	4,030,074	9,990,600
Operating expenses:												
Cost of services	376,163	1,543,947	176,508	5,156,008	34,651	5,315,309	639,251	1,999,642	-	-	3,522,294	9,910,725
Depreciation	3,285,423	49,666	180,357	1,173,401	44,366	10,458	6,439	1,154,459	22,600	459,194	44,012	2,009,334
Administrative costs	8,415,095	984,313	402,034	17,204,677	244,312	394,861	222,766	1,142,048	143,116	1,912,452	354,691	-
Total operating expenses	12,076,681	2,577,926	758,899	23,534,086	323,329	5,720,628	868,456	4,296,149	165,716	2,371,646	3,920,997	11,920,059
Operating income (loss)	771,365	(743,013)	(482,091)	(427,354)	(257,787)	(169,300)	37,623	(1,932,958)	(70,837)	(725,349)	109,077	(1,929,459)
Nonoperating revenues (expenses):												
Net increase in the fair value of investments	873,667	1,061,913	-	238,555	-	55,536	-	-	-	-	-	-
Interest income	38,329	-	-	-	-	-	-	-	-	64,728	-	-
Interest expense	(1,204,370)	-	-	-	-	-	-	(295,375)	-	-	(65,259)	(57,926)
Contributions from primary government	-	427,721	135,000	-	198,106	-	-	480,000	52,177	-	-	-
Other income (expense)	3,251	91,456	88,879	-	9,092	-	-	12,110	-	2,143	1,644	284,013
Total nonoperating revenues (expenses), net	(289,123)	1,581,090	223,879	238,555	207,198	55,536	-	196,735	52,177	66,871	(63,615)	226,087
Capital contributions	-	-	-	-	-	-	-	-	-	1,018,549	-	2,445,371
Net income (loss)	482,242	838,077	(258,212)	(188,799)	(50,589)	(113,764)	37,623	(1,736,223)	(18,660)	360,071	45,462	741,999
Net assets at the beginning of the year	33,462,846	33,154,533	(2,803,580)	22,673,541	432,987	(1,440,540)	1,023,579	1,408,954	1,669,043	7,250,039	1,764,760	30,566,864
Net assets at the end of the year	\$ 33,945,088	\$ 33,992,610	\$ (3,061,792)	\$ 22,484,742	\$ 382,398	\$ (1,554,304)	\$ 1,061,202	\$ (327,269)	\$ 1,650,383	\$ 7,610,110	\$ 1,810,222	\$ 31,308,863

FEDERATED STATES OF MICRONESIA

Combining Statement of Revenues, Expenses, and Changes in Net Assets, Continued
Component Units

Year Ended September 30, 2006

(See Accompanying Independent Accountants' Compilation Report)

	Pohnpei Port Authority	Pohnpei Fisheries Corporation	Pohnpei Transportation Authority	Small Business Guarantee and Finance Corporation	Economic Development Authority	Pohnpei State Housing Authority	Public Transportation System	Yap Visitor's Bureau	Yap State Public Service Corporation	Yap Fishing Authority	The Diving Seagull, Inc.	Total
Operating revenues:												
Charges for services	\$ 2,245,357	\$ 436,567	\$ 1,313,419	\$ 8,908	\$ 137,250	\$ -	\$ 144,831	\$ 4,540	\$ 4,186,531	\$ -	\$ 5,299,294	\$ 54,345,012
Other	-	-	-	-	73,162	142,105	8,366	658	306,338	135,219	-	22,812,022
Total operating revenues	2,245,357	436,567	1,313,419	8,908	210,412	142,105	153,197	5,198	4,492,869	135,219	5,299,294	77,157,034
Operating expenses:												
Cost of services	1,180,406	668,635	1,834,230	103,637	182,849	178,645	37,170	-	3,668,785	185,617	5,010,798	41,725,270
Depreciation	229,182	-	71,522	2,320	3,821	-	50,117	10,700	763,582	173,831	9,211	9,753,995
Administrative costs	-	121,377	-	-	65,203	7,714	259,785	368,805	260,874	-	244,070	32,748,193
Total operating expenses	1,409,588	790,012	1,905,752	105,957	251,873	186,359	347,072	379,505	4,693,241	359,448	5,264,079	84,227,458
Operating income (loss)	835,769	(353,445)	(592,333)	(97,049)	(41,461)	(44,254)	(193,875)	(374,307)	(200,372)	(224,229)	35,215	(7,070,424)
Nonoperating revenues (expenses):												
Net increase in the fair value of investments	-	-	-	-	-	-	-	-	-	-	-	2,229,671
Interest income	6,963	-	-	42,942	-	31,003	-	-	40,108	-	80,285	304,358
Interest expense	-	-	-	-	-	-	-	-	(17,143)	-	(63,006)	(1,703,079)
Contributions from primary government	-	-	-	70,530	-	90,912	164,688	369,871	-	453,041	-	2,442,046
Other income (expense)	3,647	1,011,561	123,487	7,152	10,655	-	(1,273)	606	79,360	1,763	-	1,729,546
Total nonoperating revenues (expenses), net	10,610	1,011,561	123,487	120,624	10,655	121,915	163,415	370,477	102,325	454,804	17,279	5,002,542
Capital contributions	75,033	-	-	-	-	-	-	-	-	-	-	3,538,953
Net income (loss)	921,412	658,116	(468,846)	23,575	(30,806)	77,661	(30,460)	(3,830)	(98,047)	230,575	52,494	1,471,071
Net assets at the beginning of the year	5,512,594	(3,793,946)	39,311	1,641,741	(205,436)	2,151,266	197,613	239,007	7,876,602	2,263,649	3,022,929	148,108,356
Net assets at the end of the year	\$ 6,434,006	\$ (3,135,830)	\$ (429,535)	\$ 1,665,316	\$ (236,242)	\$ 2,228,927	\$ 167,153	\$ 235,177	\$ 7,778,555	\$ 2,494,224	\$ 3,075,423	\$ 149,579,427

FEDERATED STATES OF MICRONESIA

OTHER SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2006

FEDERATED STATES OF MICRONESIA

Governmental Funds Balance Sheet

Combining General Funds

September 30, 2006

(See Accompanying Independent Accountants' Compilation Report)

	FSM National Government	State of Chuuk	State of Kosrae	State of Pohnpei	State of Yap	Total
ASSETS						
Cash and cash equivalents	\$ 1,958,352	\$ 279,487	\$ 41,348	\$ 1,571,189	\$ 1,532,861	\$ 5,383,237
Time certificates of deposit	1,198,630	-	-	-	-	1,198,630
Equity in internal investment pool	11,493,568	3,440,747	140,617	-	45,242,787	60,317,719
Investments	1,500,000	-	200,000	5,257,201	2,000,000	8,957,201
Receivables, net:						
General	702,708	-	-	-	-	702,708
Taxes	3,338,046	-	-	1,649,810	-	4,987,856
Loans	-	-	270,000	-	650,913	920,913
Other governments and agencies	206,464	712,367	144,656	720	401,266	1,465,473
Other	-	-	-	3,889,000	101,620	3,990,620
Due from component units	-	-	-	905,288	-	905,288
Due from other funds	5,650,079	34,252	201,958	4,516,520	1,988,466	12,391,275
Advances	716,184	-	233,181	167,028	462,982	1,579,375
Inventories	55,123	-	11,757	985	-	67,865
Other assets	-	-	-	-	1,790,481	1,790,481
Restricted assets:						
Cash and cash equivalents	3,286,704	72,165	-	479,020	-	3,837,889
Investments	-	4,967,835	-	-	2,459,505	7,427,340
Total assets	<u>\$ 30,105,858</u>	<u>\$ 9,506,853</u>	<u>\$ 1,243,517</u>	<u>\$ 18,436,761</u>	<u>\$ 56,630,881</u>	<u>\$ 115,923,870</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Bank overdraft	\$ -	\$ 935,558	\$ 322,286	\$ 1,369,322	\$ 812,553	\$ 3,439,719
Accounts payable	1,787,042	15,061,273	414,261	62,212	388,247	17,713,035
Other liabilities and accruals	1,081,396	1,324,106	42,714	893,349	133,904	3,475,469
Tax refunds payable	516,604	-	-	-	-	516,604
Due to FSM State Governments	4,636,285	-	-	-	-	4,636,285
Due to other funds	5,719,291	10,719,012	4,076,642	5,290,023	15,448,288	41,253,256
Total liabilities	<u>13,740,618</u>	<u>28,039,949</u>	<u>4,855,903</u>	<u>7,614,906</u>	<u>16,782,992</u>	<u>71,034,368</u>
Fund balances (deficits):						
Reserved for:						
Related assets	5,357,647	5,300,000	812,157	1,973,690	6,095,614	19,539,108
Encumbrances	3,402,671	755,679	60,935	181,079	1,252,525	5,652,889
Continuing appropriations	3,091,332	3,051,179	501,303	215,707	627,490	7,487,011
Unreserved:						
General fund	4,513,590	(27,639,954)	(4,986,781)	8,451,379	31,872,260	12,210,494
Total fund balances (deficit)	<u>16,365,240</u>	<u>(18,533,096)</u>	<u>(3,612,386)</u>	<u>10,821,855</u>	<u>39,847,889</u>	<u>44,889,502</u>
Total liabilities and fund balances	<u>\$ 30,105,858</u>	<u>\$ 9,506,853</u>	<u>\$ 1,243,517</u>	<u>\$ 18,436,761</u>	<u>\$ 56,630,881</u>	<u>\$ 115,923,870</u>

FEDERATED STATES OF MICRONESIA

Governmental Funds Balance Sheet
Combining U.S. Federal Grants Funds
September 30, 2006

(See Accompanying Independent Accountants' Compilation Report)

	FSM National Government	State of Chuuk	State of Kosrae	State of Pohnpei	State of Yap	Total
ASSETS						
Cash and cash equivalents	\$ 400	\$ -	\$ 1,600	\$ -	\$ -	\$ 2,000
Receivables, net:						
Federal agencies	2,963,047	-	452,724	-	165,493	3,581,264
Other governments and agencies	270,594	766,989	-	1,223,186	1,597,756	3,858,525
Due from other funds	690,289	444,192	-	-	920,954	2,055,435
Advances	-	-	106,700	179,624	-	286,324
Total assets	<u>\$ 3,924,330</u>	<u>\$ 1,211,181</u>	<u>\$ 561,024</u>	<u>\$ 1,402,810</u>	<u>\$ 2,684,203</u>	<u>\$ 9,783,548</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 558,305	\$ 1,481,179	\$ 252,867	\$ 63,747	\$ 245,149	\$ 2,601,247
Other liabilities and accruals	-	-	4,059	-	498	4,557
Due to FSM State Governments	3,391,790	-	-	-	-	3,391,790
Due to other funds	-	-	172,985	1,339,063	-	1,512,048
Deferred revenue	-	-	118,514	-	2,279,763	2,398,277
Total liabilities	<u>3,950,095</u>	<u>1,481,179</u>	<u>548,425</u>	<u>1,402,810</u>	<u>2,525,410</u>	<u>9,907,919</u>
Fund balances (deficits):						
Reserved for:						
Encumbrances	7,419,150	-	137,988	678,718	2,030,908	10,266,764
Unreserved:						
Special revenue funds	(7,444,915)	(269,998)	(125,389)	(678,718)	(1,872,115)	(10,391,135)
Total fund balances (deficit)	<u>(25,765)</u>	<u>(269,998)</u>	<u>12,599</u>	<u>-</u>	<u>158,793</u>	<u>(124,371)</u>
Total liabilities and fund balances	<u>\$ 3,924,330</u>	<u>\$ 1,211,181</u>	<u>\$ 561,024</u>	<u>\$ 1,402,810</u>	<u>\$ 2,684,203</u>	<u>\$ 9,783,548</u>

FEDERATED STATES OF MICRONESIA

Governmental Funds Balance Sheet
 Combining Section 111 Investment Development Funds
 September 30, 2006

(See Accompanying Independent Accountants' Compilation Report)

	<u>FSM National Government</u>	<u>State of Chuuk</u>	<u>State of Kosrae</u>	<u>State of Pohnpei</u>	<u>State of Yap</u>	<u>Total</u>
<u>ASSETS</u>						
Time certificates of deposit	\$ 509,735	\$ -	\$ -	\$ -	\$ -	\$ 509,735
Investments	5,139,752	-	-	-	-	5,139,752
Receivables, net:						
Loans	7,491,351	-	-	-	-	7,491,351
Accrued interest	4,614	-	-	-	-	4,614
Due from component units	305,721	-	-	-	-	305,721
Total assets	<u>\$ 13,451,173</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,451,173</u>
<u>FUND BALANCES</u>						
Fund balances (deficits):						
Reserved for:						
Related assets	\$ 7,491,351	\$ -	\$ -	\$ -	\$ -	\$ 7,491,351
Compact programs	5,959,822	-	-	-	-	5,959,822
Total fund balances (deficit)	<u>\$ 13,451,173</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,451,173</u>

FEDERATED STATES OF MICRONESIA

Governmental Funds Balance Sheet
Combining Early Retirement Program Funds
September 30, 2006

(See Accompanying Independent Accountants' Compilation Report)

	<u>FSM National Government</u>	<u>State of Chuuk</u>	<u>State of Kosrae</u>	<u>State of Pohnpei</u>	<u>State of Yap</u>	<u>Total</u>
<u>ASSETS</u>						
Investments	\$ 3,724,199	\$ -	\$ -	\$ -	\$ -	\$ 3,724,199
Total assets	<u>\$ 3,724,199</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,724,199</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable	\$ 1,253	\$ -	\$ -	\$ -	\$ -	\$ 1,253
Due to other funds	<u>3,862,491</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,862,491</u>
Total liabilities	<u>3,863,744</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,863,744</u>
Fund balances (deficits):						
Reserved for:						
Related assets	3,724,199	-	-	-	-	3,724,199
Unreserved:						
Special revenue funds	<u>(3,863,744)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,863,744)</u>
Total fund balances (deficit)	<u>(139,545)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(139,545)</u>
Total liabilities and fund balances	<u>\$ 3,724,199</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,724,199</u>

FEDERATED STATES OF MICRONESIA

Governmental Funds Balance Sheet
Combining Asian Development Bank Loan Funds
September 30, 2006

(See Accompanying Independent Accountants' Compilation Report)

	<u>FSM National Government</u>	<u>State of Chuuk</u>	<u>State of Kosrae</u>	<u>State of Pohnpei</u>	<u>State of Yap</u>	<u>Total</u>
ASSETS						
Cash and cash equivalents	\$ 1,397,526	\$ -	\$ -	\$ -	\$ -	\$ 1,397,526
Receivables, net:						
Loans	<u>27,955,334</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,955,334</u>
Total assets	<u>\$ 29,352,860</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,352,860</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 40,679	\$ -	\$ -	\$ -	\$ -	\$ 40,679
Other liabilities and accruals	2,184	-	-	-	-	2,184
Due to other funds	<u>440,953</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>440,953</u>
Total liabilities	<u>483,816</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>483,816</u>
Fund balances (deficits):						
Reserved for:						
Related assets	29,352,860	-	-	-	-	29,352,860
Encumbrances	56,935	-	-	-	-	56,935
Continuing appropriations	80,000	-	-	-	-	80,000
Unreserved:						
Special revenue funds	<u>(620,751)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(620,751)</u>
Total fund balances (deficit)	<u>28,869,044</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,869,044</u>
Total liabilities and fund balances	<u>\$ 29,352,860</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,352,860</u>

FEDERATED STATES OF MICRONESIA

**Governmental Funds Balance Sheet
Combining Compact Sector Grants Funds
September 30, 2006**

(See Accompanying Independent Accountants' Compilation Report)

	<u>FSM National Government</u>	<u>State of Chuuk</u>	<u>State of Kosrae</u>	<u>State of Pohnpei</u>	<u>State of Yap</u>	<u>Total</u>
<u>ASSETS</u>						
Receivables, net:						
Federal agencies	\$ -	\$ -	\$ 333,365	\$ -	\$ -	\$ 333,365
Other governments and agencies	-	562,511	-	541,192	1,659,294	2,762,997
Due from other funds	2,349,231	2,367,345	1,924,464	665,107	777,367	8,083,514
Advances	-	-	-	87,739	-	87,739
Other assets	-	1,518,002	-	-	-	1,518,002
Total assets	<u>\$ 2,349,231</u>	<u>\$ 4,447,858</u>	<u>\$ 2,257,829</u>	<u>\$ 1,294,038</u>	<u>\$ 2,436,661</u>	<u>\$ 12,785,617</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable	\$ 829,854	\$ 2,301,305	\$ 528,933	\$ 166,444	\$ 293,560	\$ 4,120,096
Due to other funds	154,779	8,767	-	519,805	467,860	1,151,211
Deferred revenue	984,460	619,784	1,535,496	593,847	1,562,686	5,296,273
Total liabilities	<u>1,969,093</u>	<u>2,929,856</u>	<u>2,064,429</u>	<u>1,280,096</u>	<u>2,324,106</u>	<u>10,567,580</u>
Fund balances (deficits):						
Reserved for:						
Related assets	-	1,518,002	-	-	-	1,518,002
Encumbrances	2,927,250	921,528	811,722	964,758	2,174,431	7,799,689
Continuing appropriations	55,079,594	-	-	-	-	55,079,594
Unreserved:						
Special revenue funds	<u>(57,626,706)</u>	<u>(921,528)</u>	<u>(618,322)</u>	<u>(950,816)</u>	<u>(2,061,876)</u>	<u>(62,179,248)</u>
Total fund balances (deficit)	<u>380,138</u>	<u>1,518,002</u>	<u>193,400</u>	<u>13,942</u>	<u>112,555</u>	<u>2,218,037</u>
Total liabilities and fund balances	<u>\$ 2,349,231</u>	<u>\$ 4,447,858</u>	<u>\$ 2,257,829</u>	<u>\$ 1,294,038</u>	<u>\$ 2,436,661</u>	<u>\$ 12,785,617</u>

FEDERATED STATES OF MICRONESIA

Governmental Funds Balance Sheet
Combining Compact Capital Projects Funds
September 30, 2006

(See Accompanying Independent Accountants' Compilation Report)

	FSM National Government	State of Chuuk	State of Kosrae	State of Pohnpei	State of Yap	Total
ASSETS						
Equity in internal investment pool	\$ -	\$ -	\$ 591,025	\$ -	\$ 4,270,133	\$ 4,861,158
Investments	-	3,675,505	800,000	2,989,324	-	7,464,829
Receivables, net:						
Other governments and agencies	-	37,272	-	-	-	37,272
Other	-	-	-	1,664	-	1,664
Due from component units	-	-	-	2,450,000	-	2,450,000
Due from other funds	-	2,644,698	487,061	-	13,322,189	16,453,948
Advances	-	-	20,742	-	-	20,742
Restricted assets:						
Cash and cash equivalents	-	-	138,114	647,132	-	785,246
Investments	-	-	419,256	-	-	419,256
Total assets	<u>\$ -</u>	<u>\$ 6,357,475</u>	<u>\$ 2,456,198</u>	<u>\$ 6,088,120</u>	<u>\$ 17,592,322</u>	<u>\$ 32,494,115</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ 1,150,807	\$ 11,760	\$ 6,097	\$ -	\$ 1,168,664
Other liabilities and accruals	-	329,179	-	-	249	329,428
Due to other funds	-	-	-	1,149,809	-	1,149,809
Total liabilities	<u>-</u>	<u>1,479,986</u>	<u>11,760</u>	<u>1,155,906</u>	<u>249</u>	<u>2,647,901</u>
Fund balances (deficits):						
Reserved for:						
Related assets	-	3,712,777	800,000	4,242,600	-	8,755,377
Encumbrances	-	794,139	171,722	379,120	498,097	1,843,078
Continuing appropriations	-	-	81,661	1,057,226	1,729,460	2,868,347
Compact programs	-	370,573	-	-	-	370,573
Unreserved:						
Capital projects funds	-	-	1,391,055	(746,732)	15,364,516	16,008,839
Total fund balances (deficit)	<u>-</u>	<u>4,877,489</u>	<u>2,444,438</u>	<u>4,932,214</u>	<u>17,592,073</u>	<u>29,846,214</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 6,357,475</u>	<u>\$ 2,456,198</u>	<u>\$ 6,088,120</u>	<u>\$ 17,592,322</u>	<u>\$ 32,494,115</u>

FEDERATED STATES OF MICRONESIA

Governmental Funds Balance Sheet
Combining Compact Trust Funds
September 30, 2006

(See Accompanying Independent Accountants' Compilation Report)

	<u>FSM National Government</u>	<u>State of Chuuk</u>	<u>State of Kosrae</u>	<u>State of Pohnpei</u>	<u>State of Yap</u>	<u>Total</u>
<u>ASSETS</u>						
Restricted assets:						
Investments	\$ 9,394,357	\$ 7,232,484	\$ 2,537,525	\$ 8,256,948	\$ 5,961,900	33,383,214
Total assets	<u>\$ 9,394,357</u>	<u>\$ 7,232,484</u>	<u>\$ 2,537,525</u>	<u>\$ 8,256,948</u>	<u>\$ 5,961,900</u>	<u>\$ 33,383,214</u>
<u>FUND BALANCES</u>						
Fund balances (deficits):						
Reserved for:						
Related assets	\$ 9,394,357	\$ 7,232,484	\$ 2,537,525	\$ 8,256,948	\$ 5,961,900	33,383,214
Total fund balances (deficit)	<u>\$ 9,394,357</u>	<u>\$ 7,232,484</u>	<u>\$ 2,537,525</u>	<u>\$ 8,256,948</u>	<u>\$ 5,961,900</u>	<u>\$ 33,383,214</u>

FEDERATED STATES OF MICRONESIA

Governmental Funds Balance Sheet
Combining Other Governmental Funds
September 30, 2006

(See Accompanying Independent Accountants' Compilation Report)

	FSM National Government	State of Chuuk	State of Kosrae	State of Pohnpei	State of Yap	Total
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ 1,279	\$ -	\$ 228,929	\$ 230,208
Equity in internal investment pool	905,022	-	-	-	3,226,092	4,131,114
Investments	3,779,263	-	-	1,819,657	-	5,598,920
Receivables, net:						
Federal agencies	726,755	-	-	-	-	726,755
Loans	103,010	-	68,215	-	-	171,225
Other governments and agencies	-	-	26,230	423,460	50,810	500,500
Accrued interest	10,971	-	-	-	-	10,971
Other	360,062	-	24,008	10,974	-	395,044
Due from other funds	2,679,771	5,262,777	1,665,117	4,624,916	427,778	14,660,359
Advances	-	-	(25)	43,572	-	43,547
Inventories	-	-	8,825	30,715	-	39,540
Restricted assets:						
Cash and cash equivalents	-	-	511,364	-	-	511,364
Investments	-	-	1,579,106	3,883,094	-	5,462,200
Total assets	<u>\$ 8,564,854</u>	<u>\$ 5,262,777</u>	<u>\$ 3,884,119</u>	<u>\$ 10,836,388</u>	<u>\$ 3,933,609</u>	<u>\$ 32,481,747</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 117,375	\$ 1,678,781	\$ 60,200	\$ 50,159	\$ 90,396	\$ 1,996,911
Other liabilities and accruals	-	-	(176)	110,747	18,902	129,473
Due to FSM State Governments	9,455	-	-	-	-	9,455
Due to other funds	1,191,856	25,485	28,973	1,507,843	1,520,606	4,274,763
Deferred revenue	1,547,876	-	160,487	50,817	21,000	1,780,180
Total liabilities	<u>2,866,562</u>	<u>1,704,266</u>	<u>249,484</u>	<u>1,719,566</u>	<u>1,650,904</u>	<u>8,190,782</u>
Fund balances (deficits):						
Reserved for:						
Related assets	3,882,273	3,603,109	1,948,542	30,715	-	9,464,639
Encumbrances	1,107,525	14,757	230,036	351,538	308,216	2,012,072
Continuing appropriations	1,483,927	-	179,001	1,033,246	150,000	2,846,174
Compact programs	419,148	-	-	-	-	419,148
Debt service fund	-	-	-	3,883,094	-	3,883,094
Special projects	-	-	-	321,067	-	321,067
Unreserved:						
Special revenue funds	510,941	(59,355)	1,288,840	2,964,790	1,919,346	6,624,562
Debt service fund	-	-	-	(91,337)	-	(91,337)
Capital projects funds	(1,705,522)	-	(11,784)	623,709	(94,857)	(1,188,454)
Total fund balances (deficit)	<u>5,698,292</u>	<u>3,558,511</u>	<u>3,634,635</u>	<u>9,116,822</u>	<u>2,282,705</u>	<u>24,290,965</u>
Total liabilities and fund balances	<u>\$ 8,564,854</u>	<u>\$ 5,262,777</u>	<u>\$ 3,884,119</u>	<u>\$ 10,836,388</u>	<u>\$ 3,933,609</u>	<u>\$ 32,481,747</u>

FEDERATED STATES OF MICRONESIA

**Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances (Deficits)
Combining General Funds
Year Ended September 30, 2006
(See Accompanying Independent Accountants' Compilation Report)**

	FSM National Government	State of Chuuk	State of Kosrae	State of Pohnpei	State of Yap	Total
Revenues:						
Taxes	\$ 10,993,636	\$ 4,656,670	\$ 1,374,075	\$ 8,213,147	\$ 3,781,888	\$ 29,019,416
Fishing rights	13,163,759	-	-	-	-	13,163,759
Interest and dividends	147,362	-	-	-	-	147,362
Fees and charges	591,740	678,431	91,414	104,942	555,098	2,021,625
Net increase in the fair value of investments	1,153,677	788,228	71,951	815,446	4,546,506	7,375,808
Other	1,272,263	1,591,748	106,950	1,152,750	564,608	4,688,319
Total revenues	<u>27,322,437</u>	<u>7,715,077</u>	<u>1,644,390</u>	<u>10,286,285</u>	<u>9,448,100</u>	<u>56,416,289</u>
Expenditures:						
Current:						
General government:						
President's office	729,014	-	-	-	-	729,014
External affairs and LNOs	3,158,558	-	-	-	-	3,158,558
Health, education and social affairs	304,242	-	953	-	89,907	395,102
Economic development	942,853	992	360	267,465	58,978	1,270,648
Transportation, communication and infrastructure	624,951	1,237,222	-	624,428	1,903,661	4,390,262
Finance and administration	3,207,759	4,109,908	525,060	3,223,542	1,590,622	12,656,891
Justice	2,736,046	337,726	-	1,380,163	222,006	4,675,941
Office of the Public Defender	645,192	-	-	-	-	645,192
Judiciary	944,452	159,860	355,471	-	-	1,459,783
Legislature	3,256,633	-	760,904	-	-	4,017,537
Office of the Public Auditor	665,143	-	-	-	8,940	674,083
National government programs	3,875,834	-	-	-	-	3,875,834
Other appropriations	3,414,859	6,552,813	-	2,331,595	364,328	12,663,595
Payments to component units	331,276	102,433	-	-	151,105	584,814
Boards, commissions, councils and other	1,259,187	479,724	737,936	703,175	619,403	3,799,425
Total expenditures	<u>26,095,999</u>	<u>12,980,678</u>	<u>2,380,684</u>	<u>8,530,368</u>	<u>5,008,950</u>	<u>54,996,679</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,226,438</u>	<u>(5,265,601)</u>	<u>(736,294)</u>	<u>1,755,917</u>	<u>4,439,150</u>	<u>1,419,610</u>
Other financing sources (uses):						
Loan proceeds	-	161,379	-	-	-	161,379
Operating transfers in	319,424	6,400,000	-	-	-	6,719,424
Operating transfers out	(578,082)	-	(198,877)	-	(1,865,824)	(2,642,783)
Total other financing sources (uses), net	<u>(258,658)</u>	<u>6,561,379</u>	<u>(198,877)</u>	<u>-</u>	<u>(1,865,824)</u>	<u>4,238,020</u>
Special items:						
Bad debts	-	-	-	-	(500,000)	(500,000)
Wrote down of investments	(10,242,788)	-	(2,284,270)	(205,766)	(289,764)	(13,022,588)
Total special items	<u>(10,242,788)</u>	<u>-</u>	<u>(2,284,270)</u>	<u>(205,766)</u>	<u>(289,764)</u>	<u>(13,022,588)</u>
Net change in fund balances (deficits)	<u>(9,275,008)</u>	<u>1,295,778</u>	<u>(3,219,441)</u>	<u>1,550,151</u>	<u>2,283,562</u>	<u>(7,364,958)</u>
Fund balances (deficit) at the beginning of the year	<u>25,640,248</u>	<u>(19,828,874)</u>	<u>(392,945)</u>	<u>9,271,704</u>	<u>38,064,327</u>	<u>52,754,460</u>
Fund balances (deficit) at the end of the year	<u>\$ 16,365,240</u>	<u>\$ (18,533,096)</u>	<u>\$ (3,612,386)</u>	<u>\$ 10,821,855</u>	<u>\$ 40,347,889</u>	<u>\$ 45,389,502</u>

FEDERATED STATES OF MICRONESIA

Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances (Deficits)
Combining U.S. Federal Grants Funds
Year Ended September 30, 2006
(See Accompanying Independent Accountants' Compilation Report)

	FSM National Government	State of Chuuk	State of Kosrae	State of Pohnpei	State of Yap	Total
Revenues:						
Federal and other grants	\$ 9,777,406	\$ 4,503,741	\$ 2,073,852	\$ 2,940,984	\$ 3,202,945	\$ 22,498,928
Total revenues	<u>9,777,406</u>	<u>4,503,741</u>	<u>2,073,852</u>	<u>2,940,984</u>	<u>3,202,945</u>	<u>22,498,928</u>
Expenditures:						
Current:						
General government:						
President's office	2,047,840	-	-	-	-	2,047,840
Health, education and social affairs	4,370,626	1,817,346	1,220,596	2,442,072	1,362,091	11,212,731
Economic development	-	-	28,510	142,387	-	170,897
Transportation, communication and infrastructure	2,427,772	-	-	-	-	2,427,772
Finance and administration	(245)	2,937,993	824,746	266,989	3,429,685	7,459,168
Justice	-	25,000	-	11,542	-	36,542
Office of the Public Auditor	22,809	-	-	-	-	22,809
National government programs	908,604	-	-	-	-	908,604
Other appropriations	-	3,156	-	-	-	3,156
Payments to component units	-	-	-	-	71,892	71,892
Boards, commissions, councils and other	-	-	-	77,994	109,794	187,788
Total expenditures	<u>9,777,406</u>	<u>4,783,495</u>	<u>2,073,852</u>	<u>2,940,984</u>	<u>4,973,462</u>	<u>24,549,199</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(279,754)</u>	<u>-</u>	<u>-</u>	<u>(1,770,517)</u>	<u>(2,050,271)</u>
Other financing sources (uses):						
Operating transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,770,517</u>	<u>1,770,517</u>
Total other financing sources (uses), net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,770,517</u>	<u>1,770,517</u>
Net change in fund balances (deficits)	<u>-</u>	<u>(279,754)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(279,754)</u>
Fund balances (deficit) at the beginning of the year	<u>(25,765)</u>	<u>9,756</u>	<u>12,599</u>	<u>-</u>	<u>158,793</u>	<u>155,383</u>
Fund balances (deficit) at the end of the year	<u>\$ (25,765)</u>	<u>\$ (269,998)</u>	<u>\$ 12,599</u>	<u>\$ -</u>	<u>\$ 158,793</u>	<u>\$ (124,371)</u>

FEDERATED STATES OF MICRONESIA

Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances (Deficits)
Combining Section 111 Investment Development Funds
Year Ended September 30, 2006
(See Accompanying Independent Accountants' Compilation Report)

	<u>FSM National Government</u>	<u>State of Chuuk</u>	<u>State of Kosrae</u>	<u>State of Pohnpei</u>	<u>State of Yap</u>	<u>Total</u>
Revenues:						
Interest and dividends	\$ 100,722	\$ -	\$ -	\$ -	\$ -	\$ 100,722
Net increase in the fair value of investments	453,050	-	-	-	-	453,050
Other	5,670	-	-	-	-	5,670
Total revenues	<u>559,442</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>559,442</u>
Expenditures:						
Current:						
General government:						
Economic development	50,000	-	-	-	-	50,000
Payments to component units	250,000	-	-	-	-	250,000
Total expenditures	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>300,000</u>
Net change in fund balances (deficits)	259,442	-	-	-	-	259,442
Fund balances (deficit) at the beginning of the year	<u>13,191,731</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,191,731</u>
Fund balances (deficit) at the end of the year	<u>\$ 13,451,173</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,451,173</u>

FEDERATED STATES OF MICRONESIA

**Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances (Deficits)
Combining Early Retirement Program Funds
Year Ended September 30, 2006**

(See Accompanying Independent Accountants' Compilation Report)

	<u>FSM National Government</u>	<u>State of Chuuk</u>	<u>State of Kosrae</u>	<u>State of Pohnpei</u>	<u>State of Yap</u>	<u>Total</u>
Revenues:						
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:						
Current:						
General government:						
Other appropriations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances (deficits)	-	-	-	-	-	-
Fund balances (deficit) at the beginning of the year	<u>(139,545)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(139,545)</u>
Fund balances (deficit) at the end of the year	<u>\$ (139,545)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (139,545)</u>

FEDERATED STATES OF MICRONESIA

**Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances (Deficits)**

Combining Asian Development Bank Loan Funds

Year Ended September 30, 2006

(See Accompanying Independent Accountants' Compilation Report)

	<u>FSM National Government</u>	<u>State of Chuuk</u>	<u>State of Kosrae</u>	<u>State of Pohnpei</u>	<u>State of Yap</u>	<u>Total</u>
Revenues:						
Interest and dividends	\$ 86,720	\$ -	\$ -	\$ -	\$ -	\$ 86,720
Other	<u>170,934</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>170,934</u>
Total revenues	<u>257,654</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>257,654</u>
Expenditures:						
Current:						
General government:						
Finance and administration	<u>5,006,417</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,006,417</u>
Total expenditures	<u>5,006,417</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,006,417</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,748,763)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,748,763)</u>
Other financing sources (uses):						
Loan proceeds	<u>2,491,531</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,491,531</u>
Total other financing sources (uses), net	<u>2,491,531</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,491,531</u>
Net change in fund balances (deficits)	<u>(2,257,232)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,257,232)</u>
Fund balances (deficit) at the beginning of the year	<u>31,126,276</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,126,276</u>
Fund balances (deficit) at the end of the year	<u>\$ 28,869,044</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,869,044</u>

FEDERATED STATES OF MICRONESIA

**Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances (Deficits)
Combining Compact Sector Grants Funds
Year Ended September 30, 2006
(See Accompanying Independent Accountants' Compilation Report)**

	FSM National Government	State of Chuuk	State of Kosrae	State of Pohnpei	State of Yap	Total
Revenues:						
Compact funding	\$ 8,253,521	\$ 20,758,069	\$ 6,709,120	\$ 16,601,682	\$ 9,958,898	\$ 62,281,290
Fees and charges	-	-	-	-	483,899	483,899
Net increase in the fair value of investments	-	-	-	4,363	-	4,363
Total revenues	<u>8,253,521</u>	<u>20,758,069</u>	<u>6,709,120</u>	<u>16,606,045</u>	<u>10,442,797</u>	<u>62,769,552</u>
Expenditures:						
Current:						
General government:						
Health, education and social affairs	1,205,400	15,528,774	3,683,854	14,281,684	7,827,360	42,527,072
Economic development	140,109	1,086,788	-	-	659,695	1,886,592
Transporting, communication and infrastructure	2,465,063	-	-	-	-	2,465,063
Finance and administration	61,347	1,130,930	3,025,266	2,319,998	1,664,218	8,201,759
Justice	-	900,460	-	-	-	900,460
Judiciary	12,747	381,818	-	-	-	394,565
Office of the Public Auditor	14,378	-	-	-	-	14,378
Other appropriations	-	108,583	-	-	-	108,583
Payments to component units	4,067,017	172,874	-	-	308,002	4,547,893
Boards, commissions, councils and other	110,845	589,505	-	-	35,521	735,871
Total expenditures	<u>8,076,906</u>	<u>19,899,732</u>	<u>6,709,120</u>	<u>16,601,682</u>	<u>10,494,796</u>	<u>61,782,236</u>
Excess (deficiency) of revenues over (under) expenditures	<u>176,615</u>	<u>858,337</u>	<u>-</u>	<u>4,363</u>	<u>(51,999)</u>	<u>987,316</u>
Other financing sources (uses):						
Operating transfers in	-	-	-	-	164,490	164,490
Total other financing sources (uses), net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>164,490</u>	<u>164,490</u>
Net change in fund balances (deficits)	<u>176,615</u>	<u>858,337</u>	<u>-</u>	<u>4,363</u>	<u>112,491</u>	<u>1,151,806</u>
Fund balances (deficit) at the beginning of the year	<u>203,523</u>	<u>659,665</u>	<u>193,400</u>	<u>9,579</u>	<u>64</u>	<u>1,066,231</u>
Fund balances (deficit) at the end of the year	<u>\$ 380,138</u>	<u>\$ 1,518,002</u>	<u>\$ 193,400</u>	<u>\$ 13,942</u>	<u>\$ 112,555</u>	<u>\$ 2,218,037</u>

FEDERATED STATES OF MICRONESIA

**Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances (Deficits)**

Combining Compact Capital Projects Funds

Year Ended September 30, 2006

(See Accompanying Independent Accountants' Compilation Report)

	<u>FSM National Government</u>	<u>State of Chuuk</u>	<u>State of Kosrae</u>	<u>State of Pohnpei</u>	<u>State of Yap</u>	<u>Total</u>
Revenues:						
Net increase in the fair value of investments	\$ -	\$ -	\$ 15,732	\$ 11,484	\$ -	\$ 27,216
Other	-	-	37,736	-	-	37,736
Total revenues	<u>-</u>	<u>-</u>	<u>53,468</u>	<u>11,484</u>	<u>-</u>	<u>64,952</u>
Expenditures:						
Current:						
General government:						
Economic development	-	-	-	-	11,605	11,605
Transportation, communication and infrastructure	-	34,498	-	-	50	34,548
Finance and administration	-	-	-	-	25,196	25,196
Capital projects	-	-	196,909	551,444	-	748,353
Total expenditures	<u>-</u>	<u>34,498</u>	<u>196,909</u>	<u>551,444</u>	<u>36,851</u>	<u>819,702</u>
Other financing sources (uses):						
Transfer out to other funds	-	(6,400,000)	-	-	(173,776)	(6,573,776)
Special item:						
Write down of investments	-	-	(1,732,000)	-	-	(1,732,000)
Net change in fund balances (deficits)	<u>-</u>	<u>(6,434,498)</u>	<u>(1,875,441)</u>	<u>(539,960)</u>	<u>(210,627)</u>	<u>(9,060,526)</u>
Fund balances (deficit) at the beginning of the year	<u>-</u>	<u>11,311,987</u>	<u>4,319,879</u>	<u>5,472,174</u>	<u>17,802,700</u>	<u>38,906,740</u>
Fund balances (deficit) at the end of the year	<u>\$ -</u>	<u>\$ 4,877,489</u>	<u>\$ 2,444,438</u>	<u>\$ 4,932,214</u>	<u>\$ 17,592,073</u>	<u>\$ 29,846,214</u>

FEDERATED STATES OF MICRONESIA

**Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances (Deficits)
Combining Compact Trust Funds
Year Ended September 30, 2006
(See Accompanying Independent Accountants' Compilation Report)**

	<u>FSM National Government</u>	<u>State of Chuuk</u>	<u>State of Kosrae</u>	<u>State of Pohnpei</u>	<u>State of Yap</u>	<u>Total</u>
Revenues:						
Net increase in the fair value of investments	\$ 634,765	\$ 488,690	\$ 165,708	\$ 539,201	\$ 389,329	\$ 2,217,693
Total revenues	<u>634,765</u>	<u>488,690</u>	<u>165,708</u>	<u>539,201</u>	<u>389,329</u>	<u>2,217,693</u>
Expenditures:						
Current:						
General government:						
Other appropriations	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances (deficits)	634,765	488,690	165,708	539,201	389,329	2,217,693
Fund balances (deficit) at the beginning of the year	<u>8,759,592</u>	<u>6,743,794</u>	<u>2,371,817</u>	<u>7,717,747</u>	<u>5,572,571</u>	<u>31,165,521</u>
Fund balances (deficit) at the end of the year	<u>\$ 9,394,357</u>	<u>\$ 7,232,484</u>	<u>\$ 2,537,525</u>	<u>\$ 8,256,948</u>	<u>\$ 5,961,900</u>	<u>\$ 33,383,214</u>

FEDERATED STATES OF MICRONESIA

Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits) Combining Other Governmental Funds Year Ended September 30, 2006 (See Accompanying Independent Accountants' Compilation Report)

	FSM National Government	State of Chuuk	State of Kosrae	State of Pohnpei	State of Yap	Total
Revenues:						
Taxes	\$ -	\$ -	\$ -	\$ 294,043	\$ 178,305	\$ 472,348
Federal and other grants	275,719	-	632,794	95,674	722,687	1,726,874
Fees and charges	783,433	61,020	308,121	782,843	78,172	2,013,589
Net increase in the fair value of investments	-	-	110,358	179,571	-	289,929
Other	-	-	8,021	110,818	-	118,839
Total revenues	1,059,152	61,020	1,059,294	1,462,949	979,164	4,621,579
Expenditures:						
Current:						
General government:						
Health, education and social affairs	249,959	-	121,417	394,558	81,912	847,846
Economic development	124,820	-	-	25,000	294,458	444,278
Transportation, communication and infrastructure	728,356	-	-	36,850	15,000	780,206
Finance and administration	2,826	-	1,262,168	683,650	549,480	2,498,124
Justice	79,896	44,598	28,352	-	47,854	200,700
Other appropriations	-	-	-	86,575	-	86,575
Boards, commissions, councils and other	186,186	-	246,229	311,579	-	743,994
Capital projects	50,241	-	-	128,931	-	179,172
Total expenditures	1,422,284	44,598	1,658,166	1,667,143	988,704	5,780,895
Excess (deficiency) of revenues over (under) expenditures	(363,132)	16,422	(598,872)	(204,194)	(9,540)	(1,159,316)
Other financing sources (uses):						
Loan proceeds	-	-	991,777	321,067	-	1,312,844
Operating transfers in	578,082	-	198,877	-	104,593	881,552
Operating transfers out	(319,424)	-	-	-	-	(319,424)
Total other financing sources (uses), net	258,658	-	1,190,654	321,067	104,593	1,874,972
Net change in fund balances (deficits)	(104,474)	16,422	591,782	116,873	95,053	715,656
Fund balances (deficit) at the beginning of the year	5,802,766	3,542,089	3,042,853	8,999,949	2,187,652	23,575,309
Fund balances (deficit) at the end of the year	\$ 5,698,292	\$ 3,558,511	\$ 3,634,635	\$ 9,116,822	\$ 2,282,705	\$ 24,290,965