

FEDERATED STATES OF MICRONESIA

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

SEPTEMBER 30, 2008

INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Honorable Emmanuel Mori
President,
Federated States of Micronesia

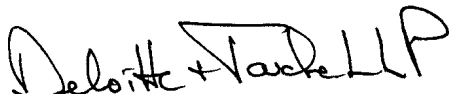
We have compiled the accompanying combined financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Federated States of Micronesia (FSM) National Government and the States of the FSM as of and for the year ended September 30, 2008, and the other supplementary information as set forth in pages 13 through 29, 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, 2008. 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 June 30, 2009, June 29, 2009, June 22, 2009, June 16, 2009, and June 29, 2009, respectively, which expressed certain qualified 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.



July 15, 2009

FEDERATED STATES OF MICRONESIA

Combined Statement of Net Assets

September 30, 2008

(See Accompanying Independent Accountants' Compilation Report)

	Primary Governments	Component Units
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 4,532,082	\$ 16,811,979
Time certificates of deposit	541,482	4,458,418
Investments	82,058,634	9,329,991
Receivables, net of allowance for uncollectibles	31,328,621	15,451,809
Due from component units	744,777	-
Due from primary government	-	579,608
Advances	2,935,467	2,730,930
Inventories	30,392	8,021,234
Other current assets	1,634,432	1,213,402
Restricted assets	4,126,652	1,423,850
Total current assets	127,932,539	60,021,221
Noncurrent assets:		
Investments	23,088,740	15,294,001
Receivables, net of current portion	34,470,002	17,642,961
Capital assets, net of accumulated depreciation	194,981,814	129,833,503
Other noncurrent assets	1,689,051	613,756
Restricted assets	33,593,466	-
Total noncurrent assets	287,823,073	163,384,221
Total assets	\$ 415,755,612	\$ 223,405,442
<u>LIABILITIES</u>		
Current liabilities:		
Bank overdraft	\$ 380,111	\$ 111,346
Current portion of long-term obligations	1,119,279	7,499,938
Short term notes	561,987	4,030,617
Accounts payable	14,546,163	8,185,439
Compensated absences payable	861,857	-
Other liabilities and accruals	10,951,923	6,611,797
Tax refunds payable	466,320	-
Retention payable	402,569	-
Due to federal agencies	1,542,116	-
Due to component units	579,608	-
Due to FSM State Governments	8,798,341	-
Due to primary government	-	2,535,743
Deferred revenue	5,285,488	3,181,522
Total current liabilities	45,495,762	32,156,402
Noncurrent liabilities:		
Noncurrent portion of long-term obligations	73,772,455	40,147,340
Other noncurrent liabilities	984,607	2,450,000
Compensated absences payable	3,607,976	-
Total noncurrent liabilities	78,365,038	42,597,340
Total liabilities	123,860,800	74,753,742
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	194,981,814	88,555,220
Restricted for:		
Nonexpendable:		
Future operations	32,405,729	6,141,727
Expendable:		
Compact related	27,831,502	-
Capital projects	228,452	-
Debt service	11,645,360	-
Other purposes	12,343,509	-
Unrestricted	12,458,446	53,954,753
Total net assets	291,894,812	148,651,700
Total liabilities and net assets	\$ 415,755,612	\$ 223,405,442

FEDERATED STATES OF MICRONESIA

Combined Statement of Activities

Year Ended September 30, 2008

(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	\$ 664,184	\$ -	\$ -	\$ -	\$ (664,184)	\$ -
External affairs and LNOs	3,376,686	-	-	-	(3,376,686)	-
Health and social affairs	25,950,325	181,363	23,360,328	-	(2,408,634)	-
Education	36,350,106	83,531	35,035,673	-	(1,230,902)	-
Economic development	6,027,417	248,076	3,026,514	42,864	(2,709,963)	-
Transportation, communication and infrastructure	15,316,658	724,678	2,501,506	50,654	(12,039,820)	-
Finance and administration	29,811,016	2,485,455	12,490,950	454,985	(14,379,626)	-
Justice	7,537,343	209,655	199,897	-	(7,127,791)	-
Office of the Public Defender	663,790	-	-	-	(663,790)	-
SBOC office	974,846	-	65,790	-	(909,056)	-
Environmental and emergency management	808,544	110,769	382,659	-	(315,116)	-
National archives, cultural and preservation	313,006	-	190,309	-	(122,697)	-
Judiciary	1,768,225	-	-	-	(1,768,225)	-
Legislature	3,003,016	80,671	-	-	(2,922,345)	-
Office of the Public Auditor	1,753,854	-	580,845	-	(1,173,009)	-
National government programs	2,594,413	-	-	-	(2,594,413)	-
Other appropriations	2,804,256	524,856	82,170	-	(2,197,230)	-
Payments to component units	3,887,417	-	725,554	-	(3,161,863)	-
Boards, commissions, councils and other	8,422,767	1,686,521	2,623,627	-	(4,112,619)	-
Future operations	203,269	625,926	(5,103,426)	(2,688,506)	(7,369,275)	-
Capital projects	3,863,321	490,636	-	13,840,142	10,467,457	-
Debt service	470,812	341,625	(560,807)	-	(689,994)	-
Total primary governments	\$ 156,565,271	\$ 7,793,762	\$ 75,601,589	\$ 11,700,139	(61,469,781)	-
Component units:						
FSM Telecommunications Corporation	\$ 14,271,434	\$ 12,464,669	\$ -	\$ -	-	(1,806,765)
FSM Development Bank	1,677,657	(326,908)	-	-	-	(2,004,565)
National Fisheries Corporation	525,492	142,937	135,000	-	-	(247,555)
College of Micronesia - FSM	20,634,314	19,481,494	-	-	-	(1,152,820)
FSM Coconut Development Authority	256,605	91,281	143,558	-	-	(21,766)
FSM Petroleum Corporation	19,953,377	23,649,429	-	-	-	3,696,052
MiCare Plan, Inc.	5,163,378	5,489,620	-	-	-	326,242
Chuuk State Health Care Plan	992,387	767,323	-	-	-	(225,064)
Chuuk Public Utilities Corporation	4,731,706	2,421,386	384,473	-	-	(1,925,847)
Chuuk State Housing Authority	169,947	79,656	-	-	-	(90,291)
Kosrae Port Authority	606,847	97,630	-	-	-	(509,217)
Kosrae Utilities Corporation	2,555,438	1,749,889	12,277	51,175	-	(742,097)
Micronesian Petroleum Corporation	4,917,694	4,839,458	-	-	-	(78,236)
Pohnpei Utilities Corporation	16,238,431	13,597,235	-	-	-	(2,641,196)
Pohnpei Port Authority	2,185,015	1,590,364	-	348,626	-	(246,025)
Pohnpei Fisheries Corporation	274,618	22,796	-	-	-	(251,822)
Pohnpei Transportation Authority	1,497,366	1,055,361	-	-	-	(442,005)
Small Business Guarantee and Finance Corporation	141,646	27,261	-	-	-	(114,385)
Economic Development Authority	391,563	140,863	-	-	-	(250,700)
Pohnpei State Housing Authority	164,669	173,352	-	-	-	8,683
Public Transportation System	434,946	271,082	81,977	-	-	(81,887)
Yap Visitor's Bureau	314,037	1,086	-	-	-	(312,951)
Yap State Public Service Corporation	4,642,048	1,023,556	-	-	-	(3,618,492)
Yap Fishing Authority	387,846	243,098	-	-	-	(144,748)
The Diving Seagull, Inc.	7,379,526	8,256,692	-	-	-	877,166
Total component units	\$ 110,507,987	\$ 97,350,610	\$ 757,285	\$ 399,801	-	(12,000,291)
General revenues:						
Taxes:					27,358,479	-
Fishing rights					17,045,395	-
Unrestricted investment earnings					(12,592,923)	(1,606,642)
Other					(8,637,707)	14,679,146
Total general revenues					23,173,244	13,072,504
Special items:						
Write off of receivables					(2,791,698)	-
Write down of investments					825,000	-
Write off of liabilities					428,333	-
Gain on sale of capital assets					300,395	-
Total special items					(1,237,970)	-
Change in net assets					(39,534,507)	1,072,213
Net assets at the beginning of the year, as restated					331,429,319	147,579,487
Net assets at the end of the year					\$ 291,894,812	\$ 148,651,700

FEDERATED STATES OF MICRONESIA

Combined Balance Sheet

Governmental Funds

September 30, 2008

(See Accompanying Independent Accountants' Compilation Report)

	Special Revenue					Capital Projects	Permanent	Other	Total
	General	Grants Assistance	Section 111 Investment Development	Early Retirement Program	Asian Development Bank Loan	Compact Capital Projects	Compact Trust	Governmental Funds	
ASSETS									
Cash and cash equivalents	\$ 3,199,041	\$ -	\$ -	\$ -	\$ 1,103,496	\$ -	\$ -	\$ 229,545	\$ 4,532,082
Time certificates of deposit	-	-	541,482	-	-	-	-	-	541,482
Equity in internal investment pool	57,722,428	-	-	-	-	4,270,133	-	3,676,839	65,669,400
Investments	11,716,578	10,710,861	2,471,854	3,320,475	-	-	-	-	28,219,768
Receivables, net:									
General	140,290	-	15,838	-	-	-	-	-	156,128
Taxes	5,272,717	1,189,777	-	-	-	-	-	-	6,462,494
Federal agencies	-	9,527,933	-	-	-	-	-	-	9,527,933
Loans	2,039,201	-	7,735,675	-	30,512,729	-	-	174,479	40,462,084
Other governments and agencies	1,141,407	2,567,814	-	-	-	-	-	35,563	3,744,784
Accrued interest	-	-	19,544	-	-	-	-	-	19,544
Other	1,655,745	5,223	-	-	85,381	-	-	10,846	1,757,195
Due from component units	744,777	-	-	-	-	-	-	-	744,777
Due from other funds	13,705,993	14,246,705	-	-	769,579	11,009,670	-	9,052,125	48,784,072
Advances	554,817	2,380,650	-	-	-	-	-	-	2,935,467
Inventories	-	-	-	-	-	-	-	30,392	30,392
Other assets	2,218,552	565,730	-	-	-	-	-	-	2,784,282
Restricted assets:									
Cash and cash equivalents	3,250,539	562,773	-	-	477,516	-	-	47,672	4,338,500
Time certificates of deposit	234,353	-	-	-	-	-	-	354,383	588,736
Investments	6,533,850	-	-	1,683,489	-	-	32,405,728	3,428,021	44,051,088
Total assets	\$ 110,130,288	\$ 41,757,466	\$ 10,784,393	\$ 5,003,964	\$ 32,948,701	\$ 15,279,803	\$ 32,405,728	\$ 17,039,865	\$ 265,350,208
LIABILITIES AND FUND BALANCES									
Liabilities:									
Bank overdraft	\$ 380,111	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 380,111
Accounts payable	7,540,580	6,575,763	-	-	54,158	2,594	-	373,068	14,546,163
Other liabilities and accruals	11,180,134	693,916	-	-	-	680	-	41,749	11,916,479
Tax refunds payable	466,320	-	-	-	-	-	-	-	466,320
Due to component units	527,692	51,916	-	-	-	-	-	-	579,608
Due to federal agencies	-	1,542,116	-	-	-	-	-	-	1,542,116
Due to FSM State Governments	4,102,500	4,631,070	-	-	64,771	-	-	-	8,798,341
Due to other funds	35,078,079	9,735,392	-	3,460,020	-	-	-	510,581	48,784,072
Deferred revenue	134,240	5,151,215	-	-	-	-	-	33	5,285,488
Total liabilities	59,409,656	28,381,388	-	3,460,020	118,929	3,274	-	925,431	92,298,698
Fund balances:									
Reserved for:									
Related assets	16,261,224	4,959,122	7,735,675	5,003,964	32,179,122	-	32,405,728	1,803,757	100,348,592
Encumbrances	5,518,505	61,342,310	-	-	23,236	692,005	-	648,612	68,224,668
Continuing appropriations	7,572,113	36,475,363	-	-	-	2,637,032	-	624,913	47,309,421
Compact programs	-	-	3,048,718	-	-	-	-	-	3,048,718
Debt service	4,390,546	-	-	-	-	-	-	3,428,021	7,818,567
Unreserved:									
General fund	16,978,244	-	-	-	-	-	-	-	16,978,244
Special revenue funds	-	(89,400,717)	-	(3,460,020)	627,414	-	-	5,777,022	(86,456,301)
Permanent funds	-	-	-	-	-	-	-	3,763,089	3,763,089
Debt service funds	-	-	-	-	-	-	-	206,904	206,904
Capital projects funds	-	-	-	-	-	11,947,492	-	(137,884)	11,809,608
Total fund balances	50,720,632	13,376,078	10,784,393	1,543,944	32,829,772	15,276,529	32,405,728	16,114,434	173,051,510
Total liabilities and fund balances	\$ 110,130,288	\$ 41,757,466	\$ 10,784,393	\$ 5,003,964	\$ 32,948,701	\$ 15,279,803	\$ 32,405,728	\$ 17,039,865	

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	\$ 194,981,814
Other long-term assets are not financial resources and, therefore, are not reported in the funds	4,207,662
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	(74,891,734)
Compensated absences payable	(4,469,833)
Claims payable	(984,607)

Net assets of governmental activities	\$ 291,894,812
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FEDERATED STATES OF MICRONESIA

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds Year Ended September 30, 2008 (See Accompanying Independent Accountants' Compilation Report)

	Special Revenue					Capital Projects	Permanent	Other Governmental Funds	Total
	General	Grants Assistance	Section 111 Investment Development	Early Retirement Program	Asian Development Bank Loan	Compact Capital Projects	Compact Trust		
Revenues:									
Compact funding	\$ -	\$ 62,772,599	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 62,772,599
Taxes	27,016,029	-	-	-	-	-	-	795,853	27,811,882
Federal and other grants	1,066,088	31,523,910	-	-	-	-	-	1,489,901	34,079,899
Fishing rights	17,045,395	-	-	-	-	-	-	-	17,045,395
Interest and dividends	247,363	-	94,264	-	341,625	-	-	-	683,252
Fees and charges	4,379,606	190,743	-	-	-	-	-	1,482,314	6,052,663
Net change in the fair value of investments	(12,933,759)	-	250,548	(280,396)	-	-	(6,985,851)	(1,087,253)	(21,036,711)
Other	3,027,172	501,526	5,441	-	-	-	-	72,918	3,607,057
Total revenues	39,847,894	94,988,778	350,253	(280,396)	341,625	-	(6,985,851)	2,753,733	131,016,036
Expenditures:									
Current:									
General government:									
President's office	609,498	-	-	-	-	-	-	-	609,498
External affairs and LNOs	3,322,354	-	-	-	-	-	-	-	3,322,354
Health and social affairs	1,550,401	22,716,837	-	-	-	-	-	777,633	25,044,871
Education	1,698,174	36,408,904	-	-	-	-	-	219,116	38,326,194
Economic development	1,165,799	2,669,114	1,635,000	-	501	150,000	-	81,234	5,701,648
Transportation, communication and infrastructure	5,145,447	2,949,886	-	-	-	753,195	-	1,141,200	9,989,728
Finance and administration	12,304,661	11,166,940	-	-	1,304,158	299,315	-	919,405	25,994,479
Justice	6,890,201	199,897	-	-	-	-	-	94,421	7,184,519
Office of the Public Defender	658,005	-	-	-	-	-	-	-	658,005
SBOC office	877,056	65,790	-	-	18,674	-	-	-	961,520
Environmental and emergency management	268,708	400,838	-	-	-	-	-	-	669,546
National archives, cultural and historic preservation	141,428	173,463	-	-	-	-	-	-	314,891
Judiciary	1,768,808	-	-	-	-	-	-	-	1,768,808
Legislature	2,986,312	15,000	-	-	-	-	-	-	3,001,312
Office of the Public Auditor	1,171,481	580,845	-	-	-	-	-	-	1,752,326
National government programs	1,302,303	1,268,111	-	-	-	-	-	-	2,570,414
Other appropriations	2,770,495	-	-	82,922	-	-	-	-	2,853,417
Payments to component units	2,782,310	725,554	250,000	-	-	31,130	-	-	3,788,994
Boards, commissions, councils and other	3,995,598	1,452,503	-	-	-	33,039	-	749,133	6,230,273
Capital projects	3,070,089	12,333,581	-	-	-	-	-	85,847	15,489,517
Debt service	-	-	-	44,898	982,845	-	-	266,524	1,294,267
Total expenditures	54,479,128	93,127,263	1,885,000	127,820	2,306,178	1,266,679	-	4,334,513	157,526,581
Excess (deficiency) of revenues over (under) expenditures	(14,631,234)	1,861,515	(1,534,747)	(408,216)	(1,964,553)	(1,266,679)	(6,985,851)	(1,580,780)	(26,510,545)
Other financing sources (uses):									
Proceeds for sale of capital assets	548,177	-	-	-	-	-	-	93,916	642,093
Loan proceeds	1,545,202	645,757	-	444,898	3,632,449	-	-	-	6,268,306
Operating transfers in	7,855,555	444,142	-	-	-	-	-	3,592,919	11,892,616
Operating transfers out	(3,739,243)	(7,443,004)	-	-	-	(297,818)	-	(412,551)	(11,892,616)
Total other financing sources (uses), net	6,209,691	(6,353,105)	-	444,898	3,632,449	(297,818)	-	3,274,284	6,910,399
Special items:									
Write off of receivables	(2,632,765)	-	-	-	-	-	-	-	(2,632,765)
Write off of liabilities	269,400	-	-	-	-	-	-	-	269,400
Total special items	(2,363,365)	-	-	-	-	-	-	-	(2,363,365)
Net change in fund balances	(10,784,908)	(4,491,590)	(1,534,747)	36,682	1,667,896	(1,564,497)	(6,985,851)	1,693,504	(21,963,511)
Fund balances at the beginning of the year	61,505,540	17,867,668	12,319,140	1,507,262	31,161,876	16,841,026	39,391,579	14,420,930	195,015,021
Fund balances at the end of the year	\$ 50,720,632	\$ 13,376,078	\$ 10,784,393	\$ 1,543,944	\$ 32,829,772	\$ 15,276,529	\$ 32,405,728	\$ 16,114,434	\$ 173,051,510

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, 2008
(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	\$ (21,963,511)
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	(9,511,472)
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.	(7,750,551)
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>(308,973)</u>
Change in net assets of governmental activities as presented on page 3	<u>\$ (39,534,507)</u>

FEDERATED STATES OF MICRONESIA

Combined Statement of Fiduciary Net Assets
Fiduciary Funds - Private Purpose Trusts
September 30, 2008

(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>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 3,353,578	\$ 262,139	\$ 94,683	\$ 3,710,400
Time certificates of deposit	-	557,995	140,282	698,277
Receivables, net:				
Contributions	1,797,223	-	-	1,797,223
Loans	-	55,239	71,816	127,055
Accrued interest	139,652	4,500	139	144,291
Other	60,865	-	-	60,865
Investments	31,637,481	-	-	31,637,481
Capital assets, net of accumulated depreciation	87,352	-	-	87,352
	<u>37,076,151</u>	<u>879,873</u>	<u>306,920</u>	<u>38,262,944</u>
Total assets				
<u>LIABILITIES</u>				
Accounts payable	173,503	-	-	173,503
Other liabilities and accruals	21,286	-	1,975	23,261
Due to component units	44,967	159,958	65,059	269,984
	<u>239,756</u>	<u>159,958</u>	<u>67,034</u>	<u>466,748</u>
Total liabilities				
<u>NET ASSETS</u>				
Held in trust for:				
Social security benefits	36,836,395	-	-	36,836,395
Restricted	-	55,239	71,816	127,055
Other purposes	-	664,676	168,070	832,746
	<u>36,836,395</u>	<u>719,915</u>	<u>239,886</u>	<u>37,796,196</u>
Total net assets				

FEDERATED STATES OF MICRONESIA

Combined Statement of Changes in Fiduciary Net Assets Fiduciary Funds - Private Purpose Trusts Year Ended September 30, 2008

(See Accompanying Independent Accountants' Compilation Report)

	FSM Social Security Administration	Pohnpei State Development Loan Fund	Yap State Development Loan Fund	Total
Additions:				
Contributions:	\$ 12,488,497	\$ -	\$ -	\$ 12,488,497
Total contributions	<u>12,488,497</u>	<u>-</u>	<u>-</u>	<u>12,488,497</u>
Investment earnings (loss):				
Net change in the fair value of investments	(8,037,625)	14,496	5,152	(8,017,977)
Interest and dividends	1,209	4,417	7,268	12,894
Total investment earnings (loss)	<u>(8,036,416)</u>	<u>18,913</u>	<u>12,420</u>	<u>(8,005,083)</u>
Less investment expense	236,805	-	-	236,805
Net investment earnings (loss)	<u>(8,273,221)</u>	<u>18,913</u>	<u>12,420</u>	<u>(8,241,888)</u>
Other	931,973	443	32	932,448
Total additions	<u>5,147,249</u>	<u>19,356</u>	<u>12,452</u>	<u>5,179,057</u>
Deductions:				
Benefits	14,515,752	-	-	14,515,752
Refunds	18,586	-	-	18,586
Administrative expenses	1,093,732	19,356	6,226	1,119,314
Total deductions	<u>15,628,070</u>	<u>19,356</u>	<u>6,226</u>	<u>15,653,652</u>
Change in net assets	<u>(10,480,821)</u>	<u>-</u>	<u>6,226</u>	<u>(10,474,595)</u>
Net assets at the beginning of the year	<u>47,317,216</u>	<u>719,915</u>	<u>233,660</u>	<u>48,270,791</u>
Net assets at the end of the year	<u>\$ 36,836,395</u>	<u>\$ 719,915</u>	<u>\$ 239,886</u>	<u>\$ 37,796,196</u>

FEDERATED STATES OF MICRONESIA

Combined Statement of Net Assets

Component Units

September 30, 2008

(See Accompanying Independent Accountants' Compilation Report)

	FSM Tele- Communications Corporation	FSM Development Bank	National Fisheries Corporation	College of Micronesia- FSM	FSM Coconut Development Authority	FSM Petroleum Corporation	MiCare Plan, Inc.	Chuuk State Health Care Plan	Chuuk Public Utility Corporation	Chuuk State Housing Authority	Kosrae Port Authority	Kosrae Utilities Authority	Micronesian Petroleum Corporation
ASSETS													
Current assets:													
Cash and cash equivalents	\$ 774,009	\$ 3,425,012	\$ 44,293	\$ 4,574,692	\$ 91,048	\$ 1,626,747	\$ 153,227	\$ 162,816	\$ 4,854	\$ 63,795	\$ 40,088	\$ 42,881	\$ 116,836
Time certificates of deposit	112,617	891,275	-	-	-	-	-	450,000	-	-	-	-	-
Investments	7,580,162	-	-	-	-	-	505,740	-	-	-	-	571,059	-
Receivables, net:													
General	1,376,609	6,593	7,826	2,580,833	4,433	956,396	260,993	149,594	344,502	252,232	51,359	174,412	190,384
Loans	-	2,542,990	-	-	-	-	-	-	-	623,734	-	-	-
Interest	317,232	244,252	-	-	-	-	-	-	-	-	-	-	-
Other	20,227	225,017	-	1,211,573	-	2,305	28,375	-	-	-	-	-	-
Due from primary government	-	-	-	579,608	-	-	-	-	-	-	-	-	-
Advances	-	-	-	-	-	2,730,930	-	-	-	-	-	-	-
Inventories	657,118	-	83,460	675,313	11,844	2,946,663	-	-	195,861	-	-	476,723	824,325
Other assets	407,981	2,700	-	135,944	1,300	-	222,468	350	-	-	2,302	9,313	-
Restricted assets	-	-	-	-	-	505,042	-	-	-	-	-	579,200	-
Total current assets	11,245,955	7,337,839	135,579	9,757,963	108,625	8,768,083	1,170,803	762,760	545,217	939,761	93,749	1,853,588	1,131,545
Noncurrent assets:													
Capital assets, net of accumulated depreciation	44,435,621	226,565	120,759	11,674,584	229,142	4,981,934	33,571	34,915	2,961,336	112,965	12,381,647	4,857,830	1,991,131
Investments	-	11,031,389	-	2,777,845	-	-	-	-	-	-	-	-	-
Loans receivable	-	17,642,961	-	-	-	-	-	-	-	-	-	-	-
Other noncurrent assets	-	-	-	-	-	-	-	-	-	-	-	42,196	-
Total noncurrent assets	44,435,621	28,900,915	120,759	14,452,429	229,142	4,981,934	33,571	34,915	2,961,336	112,965	12,381,647	4,900,026	1,991,131
Total assets	\$ 55,681,576	\$ 36,238,754	\$ 256,338	\$ 24,210,392	\$ 337,767	\$ 13,750,017	\$ 1,204,374	\$ 797,675	\$ 3,506,553	\$ 1,052,726	\$ 12,475,396	\$ 6,753,614	\$ 3,122,676
LIABILITIES													
Current liabilities:													
Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 111,346	\$ -	\$ -	\$ -	\$ -
Current portion of long-term debt	887,269	400,000	3,600,000	-	-	347,961	-	-	939,138	-	-	84,567	352,763
Short term notes	-	-	-	-	-	3,930,617	-	-	-	-	-	-	-
Accounts payable	512,294	111,049	212,565	518,092	1,043	621	1,518,106	111,527	-	418	24,407	91,026	339,329
Other liabilities and accruals	1,029,270	96,165	6,451	1,097,759	1,006	562,958	-	-	2,404,499	-	-	26,412	14,236
Due to primary government	-	-	-	-	-	500,577	-	-	-	-	-	-	525,444
Deferred revenue	179,788	-	-	2,328,668	-	-	-	-	287,693	-	-	12,743	-
Total current liabilities	2,608,621	607,214	3,819,016	3,944,519	2,049	5,342,734	1,518,106	111,527	3,742,676	418	24,407	214,748	1,231,772
Noncurrent liabilities:													
Due to primary government	-	-	-	-	-	-	-	-	-	-	-	-	-
Noncurrent portion of long-term debt	21,937,145	1,600,000	-	238,468	-	4,699,039	-	-	3,522,834	-	-	274,674	118,276
Total noncurrent liabilities	21,937,145	1,600,000	-	238,468	-	4,699,039	-	-	3,522,834	-	-	274,674	118,276
Total liabilities	24,545,766	2,207,214	3,819,016	4,182,987	2,049	10,041,773	1,518,106	111,527	7,265,510	418	24,407	489,422	1,350,048
NET ASSETS													
Invested in capital assets, net of related debt	21,611,207	226,565	120,759	11,674,584	229,142	(65,066)	33,571	34,915	(1,500,636)	112,965	12,381,647	4,498,589	1,991,131
Restricted for:													
Nonexpendable	-	500,000	-	2,777,845	-	-	-	651,233	-	-	-	90,000	-
Unrestricted	9,524,603	33,304,975	(3,683,437)	5,574,976	106,576	3,773,310	(347,303)	-	(2,258,321)	939,343	69,342	1,675,603	(218,503)
Total net assets	31,135,810	34,031,540	(3,562,678)	20,027,405	335,718	3,708,244	(313,732)	686,148	(3,758,957)	1,052,308	12,450,989	6,264,192	1,772,628
Total liabilities and net assets	\$ 55,681,576	\$ 36,238,754	\$ 256,338	\$ 24,210,392	\$ 337,767	\$ 13,750,017	\$ 1,204,374	\$ 797,675	\$ 3,506,553	\$ 1,052,726	\$ 12,475,396	\$ 6,753,614	\$ 3,122,676

FEDERATED STATES OF MICRONESIA

Combined Statement of Net Assets, Continued

Component Units

September 30, 2008

(See Accompanying Independent Accountants' Compilation Report)

	Pohnpei Utilities Corporation	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	\$ 198,407	\$ 1,862,731	\$ 154,381	\$ -	\$ 40,609	\$ 31,768	\$ 32,001	\$ 120,885	\$ 143,713	\$ 706,850	\$ 53,446	\$ 2,346,890	\$ 16,811,979
Time certificates of deposit	-	-	-	-	-	-	-	-	-	-	-	3,004,526	4,458,418
Investments	173,030	-	-	-	-	500,000	-	-	-	-	-	-	9,329,991
Receivables, net:													
General	1,866,390	197,695	2,713	195,005	1,363	4,475	317,067	205,278	87	767,466	20,288	-	9,933,993
Loans	-	20,166	-	-	-	-	-	-	-	8,253	-	-	3,195,143
Interest	-	-	-	-	-	-	-	-	-	-	-	-	561,484
Other	23,698	-	-	-	-	688	17,728	59,742	84,894	-	93	86,849	1,761,189
Due from primary government													
Advances	-	-	-	-	-	-	-	-	-	-	-	-	579,608
Inventories	1,219,377	-	-	26,509	-	525	-	-	-	903,516	-	-	8,021,234
Other assets	-	11,960	-	-	-	-	71	-	-	114,873	39,629	264,511	1,213,402
Restricted assets													
	-	-	-	-	339,608	-	-	-	-	-	-	-	1,423,850
Total current assets	3,480,902	2,092,552	157,094	221,514	381,580	537,456	366,867	385,905	228,694	2,500,958	113,456	5,702,776	60,021,221
Noncurrent assets:													
Capital assets, net of accumulated depreciation	26,257,924	6,796,983	1,591	50,179	2,200	-	10,381	120,588	42,485	9,261,337	2,035,708	1,212,127	129,833,503
Investments	516,621	-	-	-	931,877	36,269	-	-	-	-	-	-	15,294,001
Loans receivable	-	-	-	-	-	-	-	-	-	-	-	-	17,642,961
Other noncurrent assets	-	199,752	-	-	371,808	-	-	-	-	-	-	-	613,756
Total noncurrent assets	26,774,545	6,996,735	1,591	50,179	1,305,885	36,269	10,381	120,588	42,485	9,261,337	2,035,708	1,212,127	163,384,221
Total assets	\$ 30,255,447	\$ 9,089,287	\$ 158,685	\$ 271,693	\$ 1,687,465	\$ 573,725	\$ 377,248	\$ 506,493	\$ 271,179	\$ 11,762,295	\$ 2,149,164	\$ 6,914,903	\$ 223,405,442
LIABILITIES													
Current liabilities:													
Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 111,346
Current portion of long-term debt	199,694	-	62,086	-	-	-	-	-	-	113,723	-	512,737	7,499,938
Short term notes	100,000	-	-	-	-	-	-	-	-	-	-	-	4,030,617
Accounts payable	435,915	204,150	70,527	63,935	-	334,567	-	6,241	29,701	3,183,197	35,427	381,302	8,185,439
Other liabilities and accruals	274,269	145,125	-	-	9,582	119,628	31,481	219,173	5,482	313,252	84,038	171,011	6,611,797
Due to primary government	-	-	-	1,318,722	-	191,000	-	-	-	-	-	-	2,535,743
Deferred revenue	190,074	-	66,667	2,598	-	-	-	113,291	-	-	-	-	3,181,522
Total current liabilities	1,199,952	349,275	199,280	1,385,255	9,582	645,195	31,481	338,705	35,183	3,610,172	119,465	1,065,050	32,156,402
Noncurrent liabilities:													
Due to primary government	-	-	2,450,000	-	-	-	-	-	-	-	-	-	2,450,000
Noncurrent portion of long-term debt	3,550,597	-	55,000	-	-	-	-	-	-	2,679,432	-	1,471,875	40,147,340
Total noncurrent liabilities	3,550,597	-	2,505,000	-	-	-	-	-	-	2,679,432	-	1,471,875	42,597,340
Total liabilities	4,750,549	349,275	2,704,280	1,385,255	9,582	645,195	31,481	338,705	35,183	6,289,604	119,465	2,536,925	74,753,742
NET ASSETS													
Invested in capital assets, net of related debt	22,879,154	6,796,983	(2,448,409)	50,179	2,200	36,269	10,381	120,588	42,485	6,468,182	2,035,708	1,212,127	88,555,220
Restricted for:													
Nonexpendable	143,970	-	-	-	1,643,293	-	335,386	-	-	-	-	-	6,141,727
Unrestricted	2,481,774	1,943,029	(97,186)	(1,163,741)	32,390	(107,739)	-	47,200	193,511	(995,491)	(6,009)	3,165,851	53,954,753
Total net assets	25,504,898	8,740,012	(2,545,595)	(1,113,562)	1,677,883	(71,470)	345,767	167,788	235,996	5,472,691	2,029,699	4,377,978	148,651,700
Total liabilities and net assets	\$ 30,255,447	\$ 9,089,287	\$ 158,685	\$ 271,693	\$ 1,687,465	\$ 573,725	\$ 377,248	\$ 506,493	\$ 271,179	\$ 11,762,295	\$ 2,149,164	\$ 6,914,903	\$ 223,405,442

FEDERATED STATES OF MICRONESIA

Combined Statement of Revenues, Expenses, and Changes in Net Assets
Component Units
Year Ended September 30, 2008
(See Accompanying Independent Accountants' Compilation Report)

	FSM Tele- Communications Corporation	FSM Development Bank	National Fisheries Corporation	College of Micronesia- FSM	FSM Coconut Development Authority	FSM Petroleum Corporation	MiCare Plan, Inc.	Chuuk State Health Care Plan	Chuuk Public Utility Corporation	Chuuk State Housing Authority	Kosrae Port Authority	Kosrae Utilities Authority	Micronesian Petroleum Corporation
Operating revenues:													
Charges for services	\$ 12,344,662	\$ (408,540)	\$ 142,937	\$ 17,882,280	\$ 91,281	\$ -	\$ 5,481,462	\$ 743,707	\$ 2,399,490	\$ 79,656	\$ 97,630	\$ 1,749,889	\$ 4,839,458
Other	120,007	81,632	-	1,599,214	-	23,649,429	8,158	23,616	21,896	-	-	-	-
Total operating revenues	12,464,669	(326,908)	142,937	19,481,494	91,281	23,649,429	5,489,620	767,323	2,421,386	79,656	97,630	1,749,889	4,839,458
Operating expenses:													
Cost of services	10,125,159	892,372	296,617	17,319,179	57,596	17,612,203	5,022,314	758,062	2,305,709	-	-	-	4,447,895
Depreciation	3,375,204	80,564	1,945	1,149,782	38,793	163,053	10,067	13,278	1,012,243	18,384	578,559	499,336	17,567
Administrative costs	-	601,372	226,930	2,165,353	160,216	2,178,121	130,997	221,047	1,088,916	151,563	28,287	2,049,050	404,358
Total operating expenses	13,500,363	1,574,308	525,492	20,634,314	256,605	19,953,377	5,163,378	992,387	4,406,868	169,947	606,846	2,548,386	4,869,820
Operating income (loss)	(1,035,694)	(1,901,216)	(382,555)	(1,152,820)	(165,324)	3,696,052	326,242	(225,064)	(1,985,482)	(90,291)	(509,216)	(798,497)	(30,362)
Nonoperating revenues (expenses):													
Net change in the fair value of investments	(1,217,353)	-	-	(420,892)	-	-	27,290	-	-	-	-	(95,672)	-
Interest income	10,120	-	-	-	-	6,173	-	-	29,653	-	-	17,120	-
Interest expense	(771,071)	(103,349)	-	-	-	-	-	-	(324,838)	-	-	(24,172)	(47,874)
Contributions from primary government	-	-	135,000	-	143,558	-	-	-	384,473	-	-	12,277	-
Other income (expense)	-	346,772	305,707	40,607	-	6,019	115,247	-	-	-	(1)	-	34,092
Total nonoperating revenues (expenses), net	(1,978,304)	243,423	440,707	(380,285)	143,558	12,192	142,537	-	89,288	-	(1)	(90,447)	(13,782)
Capital contributions	-	-	-	-	-	-	-	-	-	-	12,960,206	51,175	-
Net income (loss)	(3,013,998)	(1,657,793)	58,152	(1,533,105)	(21,766)	3,708,244	468,779	(225,064)	(1,896,194)	(90,291)	12,450,989	(837,769)	(44,144)
Net assets at the beginning of the year	34,149,808	35,689,333	(3,620,830)	21,560,510	357,484	-	(782,511)	911,212	(1,862,763)	1,142,599	-	7,101,961	1,816,772
Net assets at the end of the year	\$ 31,135,810	\$ 34,031,540	\$ (3,562,678)	\$ 20,027,405	\$ 335,718	\$ 3,708,244	\$ (313,732)	\$ 686,148	\$ (3,758,957)	\$ 1,052,308	\$ 12,450,989	\$ 6,264,192	\$ 1,772,628

FEDERATED STATES OF MICRONESIA

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

Year Ended September 30, 2008

(See Accompanying Independent Accountants' Compilation Report)

	Pohnpei Utilities Corporation	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	\$ -	\$ 1,590,364	\$ 22,796	\$ 1,055,361	\$ 27,261	\$ 140,863	\$ 173,352	\$ 146,112	\$ 891	\$ 560,906	\$ -	\$ 8,256,692	\$ 57,418,510
Other	13,597,235	-	-	-	-	-	-	124,970	195	462,650	243,098	-	39,932,100
Total operating revenues	<u>13,597,235</u>	<u>1,590,364</u>	<u>22,796</u>	<u>1,055,361</u>	<u>27,261</u>	<u>140,863</u>	<u>173,352</u>	<u>271,082</u>	<u>1,086</u>	<u>1,023,556</u>	<u>243,098</u>	<u>8,256,692</u>	<u>97,350,610</u>
Operating expenses:													
Cost of services	13,043,549	1,715,027	1,658	1,465,299	-	186,421	159,202	118,676	-	5,655,446	212,967	5,587,493	86,982,844
Depreciation	2,104,930	469,988	272,739	32,067	3,411	1,246	5,467	27,272	18,415	765,079	173,901	1,145,039	11,978,329
Administrative costs	1,089,952	-	221	-	138,235	203,896	-	288,998	300,416	281,492	-	456,544	12,165,964
Total operating expenses	<u>16,238,431</u>	<u>2,185,015</u>	<u>274,618</u>	<u>1,497,366</u>	<u>141,646</u>	<u>391,563</u>	<u>164,669</u>	<u>434,946</u>	<u>318,831</u>	<u>6,702,017</u>	<u>386,868</u>	<u>7,189,076</u>	<u>111,127,137</u>
Operating income (loss)	<u>(2,641,196)</u>	<u>(594,651)</u>	<u>(251,822)</u>	<u>(442,005)</u>	<u>(114,385)</u>	<u>(250,700)</u>	<u>8,683</u>	<u>(163,864)</u>	<u>(317,745)</u>	<u>(5,678,461)</u>	<u>(143,770)</u>	<u>1,067,616</u>	<u>(13,776,527)</u>
Nonoperating revenues (expenses):													
Net change in the fair value of investments	-	-	-	-	-	-	-	-	-	-	-	-	(1,706,627)
Interest income	-	29,814	-	-	18,973	-	-	-	-	-	-	83,692	195,545
Interest expense	(128,931)	-	(6,822)	-	-	-	-	-	-	(13,034)	-	(190,450)	(1,610,541)
Contributions from primary government	-	-	-	-	-	-	97,344	-	327,047	-	232,966	-	1,332,665
Other income (expense)	-	-	100,000	-	54,839	109,914	-	87,676	4,794	2,073,003	(978)	-	3,277,691
Total nonoperating revenues (expenses), net	<u>(128,931)</u>	<u>29,814</u>	<u>93,178</u>	<u>-</u>	<u>73,812</u>	<u>109,914</u>	<u>97,344</u>	<u>87,676</u>	<u>331,841</u>	<u>2,059,969</u>	<u>231,988</u>	<u>(106,758)</u>	<u>1,488,733</u>
Capital contributions	<u>-</u>	<u>348,626</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,360,007</u>
Net income (loss)	<u>(2,770,127)</u>	<u>(216,211)</u>	<u>(158,644)</u>	<u>(442,005)</u>	<u>(40,573)</u>	<u>(140,786)</u>	<u>106,027</u>	<u>(76,188)</u>	<u>14,096</u>	<u>(3,618,492)</u>	<u>88,218</u>	<u>960,858</u>	<u>1,072,213</u>
Net assets at the beginning of the year	<u>28,275,025</u>	<u>8,956,223</u>	<u>(2,386,951)</u>	<u>(671,557)</u>	<u>1,718,456</u>	<u>69,316</u>	<u>239,740</u>	<u>243,976</u>	<u>221,900</u>	<u>9,091,183</u>	<u>1,941,481</u>	<u>3,417,120</u>	<u>147,579,487</u>
Net assets at the end of the year	<u>\$ 25,504,898</u>	<u>\$ 8,740,012</u>	<u>\$ (2,545,595)</u>	<u>\$ (1,113,562)</u>	<u>\$ 1,677,883</u>	<u>\$ (71,470)</u>	<u>\$ 345,767</u>	<u>\$ 167,788</u>	<u>\$ 235,996</u>	<u>\$ 5,472,691</u>	<u>\$ 2,029,699</u>	<u>\$ 4,377,978</u>	<u>\$ 148,651,700</u>

FEDERATED STATES OF MICRONESIA

OTHER SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2008

FEDERATED STATES OF MICRONESIA

Governmental Funds Balance Sheet

Combining General Funds

September 30, 2008

(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	\$ 632,345	\$ 811,919	\$ 389,050	\$ 1,316,963	\$ 48,764	\$ 3,199,041
Equity in internal investment pool	11,715,940	2,434,305	-	-	43,572,183	57,722,428
Investments	5,257,034	-	200,000	4,259,544	2,000,000	11,716,578
Receivables, net:						
General	140,290	-	-	-	-	140,290
Taxes	3,634,689	-	-	1,638,028	-	5,272,717
Loans	1,500,000	-	-	-	539,201	2,039,201
Other governments and agencies	-	545,171	162,124	-	434,112	1,141,407
Other	-	-	-	1,629,616	26,129	1,655,745
Due from component units	500,777	-	244,000	-	-	744,777
Due from other funds	4,407,925	2,109,430	759,307	4,069,576	2,359,755	13,705,993
Advances	196,637	-	34,140	20,778	303,262	554,817
Other assets	1,149,850	97,118	11,124	-	960,460	2,218,552
Restricted assets:						
Cash and cash equivalents	3,038,685	-	164,176	45,581	2,097	3,250,539
Time certificates of deposit	-	-	234,353	-	-	234,353
Investments	-	4,390,546	-	-	2,143,304	6,533,850
Total assets	\$ 32,174,172	\$ 10,388,489	\$ 2,198,274	\$ 12,980,086	\$ 52,389,267	\$ 110,130,288
LIABILITIES AND FUND BALANCES						
Liabilities:						
Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ 380,111	\$ 380,111
Accounts payable	2,556,579	4,214,617	158,117	125,490	485,777	7,540,580
Other liabilities and accruals	277,601	9,446,234	83,051	1,221,927	151,321	11,180,134
Tax refunds payable	466,320	-	-	-	-	466,320
Due to component units	527,692	-	-	-	-	527,692
Due to FSM State Governments	4,102,500	-	-	-	-	4,102,500
Due to other funds	5,661,113	5,309,361	2,037,090	6,625,785	15,444,730	35,078,079
Deferred revenue	36,750	-	-	-	97,490	134,240
Total liabilities	13,628,555	18,970,212	2,278,258	7,973,202	16,559,429	59,409,656
Fund balances (deficits):						
Reserved for:						
Related assets	9,315,555	-	906,468	-	6,039,201	16,261,224
Encumbrances	2,847,584	447,946	47,259	23,052	2,152,664	5,518,505
Continuing appropriations	5,116,211	2,196,255	6,000	213,637	40,010	7,572,113
Debt service	-	4,390,546	-	-	-	4,390,546
Unreserved:						
General fund	1,266,267	(15,616,470)	(1,039,711)	4,770,195	27,597,963	16,978,244
Total fund balances (deficit)	18,545,617	(8,581,723)	(79,984)	5,006,884	35,829,838	50,720,632
Total liabilities and fund balances	\$ 32,174,172	\$ 10,388,489	\$ 2,198,274	\$ 12,980,086	\$ 52,389,267	\$ 110,130,288

FEDERATED STATES OF MICRONESIA

Governmental Funds Balance Sheet Combining Grants Assistance Funds September 30, 2008

(See Accompanying Independent Accountants' Compilation Report)

	FSM National Government	State of Chuuk	State of Kosrae	State of Pohnpei	State of Yap	Total
ASSETS						
Investments	\$ -	\$ 2,473,500	\$ 900,000	\$ 4,111,269	\$ 3,226,092	\$ 10,710,861
Receivables, net:						
Taxes	-	-	-	1,189,777	-	1,189,777
Federal agencies	8,238,238	-	862,665	-	427,030	9,527,933
Other governments and agencies	40,516	919,573	-	-	1,607,725	2,567,814
Other	-	-	-	5,223	-	5,223
Due from other funds	2,845,010	4,112,530	1,140,246	2,052,411	4,096,508	14,246,705
Advances	1,594,878	-	185,154	22,343	578,275	2,380,650
Other assets	-	545,168	20,562	-	-	565,730
Restricted assets:						
Cash and cash equivalents	-	-	-	562,773	-	562,773
Total assets	\$ 12,718,642	\$ 8,050,771	\$ 3,108,627	\$ 7,943,796	\$ 9,935,630	\$ 41,757,466
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 3,578,778	\$ 844,013	\$ 486,474	\$ 831,337	\$ 835,161	\$ 6,575,763
Other liabilities and accruals	402,569	113,149	29,517	92,647	56,034	693,916
Due to component units	51,916	-	-	-	-	51,916
Due to federal agencies	1,542,116	-	-	-	-	1,542,116
Due to FSM State Governments	4,631,070	-	-	-	-	4,631,070
Due to other funds	947,905	2,109,430	756,330	3,626,341	2,295,386	9,735,392
Deferred revenue	1,688,522	-	148,605	405,858	2,908,230	5,151,215
Total liabilities	12,842,876	3,066,592	1,420,926	4,956,183	6,094,811	28,381,388
Fund balances (deficits):						
Reserved for:						
Related assets	-	2,473,500	920,562	1,565,060	-	4,959,122
Encumbrances	54,240,182	2,986,017	1,015,608	437,863	2,662,640	61,342,310
Continuing appropriations	36,098,750	-	176,563	50,050	150,000	36,475,363
Unreserved:						
Special revenue funds	(90,463,166)	(475,338)	(425,032)	934,640	1,028,179	(89,400,717)
Total fund balances (deficit)	(124,234)	4,984,179	1,687,701	2,987,613	3,840,819	13,376,078
Total liabilities and fund balances	\$ 12,718,642	\$ 8,050,771	\$ 3,108,627	\$ 7,943,796	\$ 9,935,630	\$ 41,757,466

FEDERATED STATES OF MICRONESIA

Governmental Funds Balance Sheet
 Combining Section 111 Investment Development Funds
 September 30, 2008

(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	\$ 541,482	\$ -	\$ -	\$ -	\$ -	\$ 541,482
Investments	2,471,854	-	-	-	-	2,471,854
Receivables, net:						
General	15,838	-	-	-	-	15,838
Loans	7,735,675	-	-	-	-	7,735,675
Accrued interest	19,544	-	-	-	-	19,544
	<u>\$ 10,784,393</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,784,393</u>
<u>FUND BALANCES</u>						
Fund balances:						
Reserved for:						
Related assets	\$ 7,735,675	\$ -	\$ -	\$ -	\$ -	\$ 7,735,675
Compact programs	3,048,718	-	-	-	-	3,048,718
	<u>\$ 10,784,393</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,784,393</u>

FEDERATED STATES OF MICRONESIA

Governmental Funds Balance Sheet
Combining Early Retirement Program Funds
September 30, 2008

(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	\$ 3,320,475	\$ -	\$ -	\$ -	\$ -	\$ 3,320,475
Restricted assets:						
Investments	<u>-</u>	<u>-</u>	<u>1,683,489</u>	<u>-</u>	<u>-</u>	<u>1,683,489</u>
Total assets	<u>\$ 3,320,475</u>	<u>\$ -</u>	<u>\$ 1,683,489</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,003,964</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Due to other funds	<u>\$ 3,460,020</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,460,020</u>
Total liabilities	<u>3,460,020</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,460,020</u>
Fund balances (deficits):						
Reserved for:						
Related assets	3,320,475	-	1,683,489	-	-	5,003,964
Unreserved:						
Special revenue funds	<u>(3,460,020)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,460,020)</u>
Total fund balances (deficit)	<u>(139,545)</u>	<u>-</u>	<u>1,683,489</u>	<u>-</u>	<u>-</u>	<u>1,543,944</u>
Total liabilities and fund balances	<u>\$ 3,320,475</u>	<u>\$ -</u>	<u>\$ 1,683,489</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,003,964</u>

FEDERATED STATES OF MICRONESIA

Governmental Funds Balance Sheet Combining Asian Development Bank Loan Funds September 30, 2008

(See Accompanying Independent Accountants' Compilation Report)

	FSM National Government	State of Chuuk	State of Kosrae	State of Pohnpei	State of Yap	Total
<u>ASSETS</u>						
Cash and cash equivalents	\$ 1,103,496	\$ -	\$ -	\$ -	\$ -	\$ 1,103,496
Receivables, net:						
Loans	30,512,729	-	-	-	-	30,512,729
Other	85,381	-	-	-	-	85,381
Due from other funds	769,579	-	-	-	-	769,579
Restricted assets:						
Cash and cash equivalents	477,516	-	-	-	-	477,516
 Total assets	\$ 32,948,701	\$ -	\$ -	\$ -	\$ -	\$ 32,948,701
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable	\$ 54,158	\$ -	\$ -	\$ -	\$ -	\$ 54,158
Due to FSM State Governments	64,771	-	-	-	-	64,771
 Total liabilities	118,929	-	-	-	-	118,929
Fund balances :						
Reserved for:						
Related assets	32,179,122	-	-	-	-	32,179,122
Encumbrances	23,236	-	-	-	-	23,236
Unreserved:						
Special revenue funds	627,414	-	-	-	-	627,414
 Total fund balances	32,829,772	-	-	-	-	32,829,772
 Total liabilities and fund balances	\$ 32,948,701	\$ -	\$ -	\$ -	\$ -	\$ 32,948,701

FEDERATED STATES OF MICRONESIA

Governmental Funds Balance Sheet
 Combining Compact Capital Projects Funds
 September 30, 2008

(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>						
Equity in internal investment pool	\$ -	\$ -	\$ -	\$ -	\$ 4,270,133	\$ 4,270,133
Due from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	11,009,670	11,009,670
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,279,803</u>	<u>\$ 15,279,803</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 2,594	\$ 2,594
Other liabilities and accruals	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	680	680
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	3,274	3,274
Fund balances:						
Reserved for:						
Encumbrances	-	-	-	-	692,005	692,005
Continuing appropriations	-	-	-	-	2,637,032	2,637,032
Unreserved:						
Capital projects funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	11,947,492	11,947,492
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	15,276,529	15,276,529
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,279,803</u>	<u>\$ 15,279,803</u>

FEDERATED STATES OF MICRONESIA

Governmental Funds Balance Sheet

Combining Compact Trust Funds

September 30, 2008

(See Accompanying Independent Accountants' Compilation Report)

	FSM National Government	State of Chuuk	State of Kosrae	State of Pohnpei	State of Yap	Total
<u>ASSETS</u>						
Restricted assets:						
Investments	\$ 9,114,902	\$ 7,032,909	\$ 2,462,040	\$ 8,011,327	\$ 5,784,550	\$ 32,405,728
Total assets	<u>\$ 9,114,902</u>	<u>\$ 7,032,909</u>	<u>\$ 2,462,040</u>	<u>\$ 8,011,327</u>	<u>\$ 5,784,550</u>	<u>\$ 32,405,728</u>
<u>FUND BALANCES</u>						
Fund balances:						
Reserved for:						
Related assets	\$ 9,114,902	\$ 7,032,909	\$ 2,462,040	\$ 8,011,327	\$ 5,784,550	\$ 32,405,728
Total fund balances	<u>\$ 9,114,902</u>	<u>\$ 7,032,909</u>	<u>\$ 2,462,040</u>	<u>\$ 8,011,327</u>	<u>\$ 5,784,550</u>	<u>\$ 32,405,728</u>

FEDERATED STATES OF MICRONESIA

Governmental Funds Balance Sheet
Combining Other Governmental Funds
September 30, 2008

(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	\$ -	\$ -	\$ -	\$ -	\$ 229,545	\$ 229,545
Equity in internal investment pool	3,676,839	-	-	-	-	3,676,839
Receivables, net:						
Loans	-	-	174,479	-	-	174,479
Other governments and agencies	-	-	-	-	35,563	35,563
Other	-	-	-	10,846	-	10,846
Due from other funds	2,046,524	1,196,831	896,844	4,573,374	338,552	9,052,125
Inventories	-	-	-	30,392	-	30,392
Restricted assets:						
Cash and cash equivalents	-	-	47,672	-	-	47,672
Time certificates of deposit	-	-	354,383	-	-	354,383
Investments	-	-	-	3,428,021	-	3,428,021
Total assets	\$ 5,723,363	\$ 1,196,831	\$ 1,473,378	\$ 8,042,633	\$ 603,660	\$ 17,039,865
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 27,308	\$ -	\$ 251,952	\$ 62,142	\$ 31,666	\$ 373,068
Other liabilities and accruals	-	-	-	723	41,026	41,749
Due to other funds	-	-	2,977	443,235	64,369	510,581
Deferred revenue	-	-	33	-	-	33
Total liabilities	27,308	-	254,962	506,100	137,061	925,431
Fund balances:						
Reserved for:						
Related assets	-	1,196,831	576,534	30,392	-	1,803,757
Encumbrances	97,607	-	279,410	84,325	187,270	648,612
Continuing appropriations	-	-	-	624,913	-	624,913
Debt service	-	-	-	3,428,021	-	3,428,021
Unreserved:						
Special revenue funds	1,921,609	-	276,222	3,114,621	464,570	5,777,022
Permanent funds	3,676,839	-	86,250	-	-	3,763,089
Debt service funds	-	-	-	206,904	-	206,904
Capital projects funds	-	-	-	47,357	(185,241)	(137,884)
Total fund balances	5,696,055	1,196,831	1,218,416	7,536,533	466,599	16,114,434
Total liabilities and fund balances	\$ 5,723,363	\$ 1,196,831	\$ 1,473,378	\$ 8,042,633	\$ 603,660	\$ 17,039,865

FEDERATED STATES OF MICRONESIA

Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits) Combining General Funds Year Ended September 30, 2008 (See Accompanying Independent Accountants' Compilation Report)

	FSM National Government	State of Chuuk	State of Kosrae	State of Pohnpei	State of Yap	Total
Revenues:						
Taxes	\$ 11,136,477	\$ 3,837,966	\$ 1,084,872	\$ 7,668,421	\$ 3,288,293	\$ 27,016,029
Federal and other grants	1,066,088	-	-	-	-	1,066,088
Fishing rights	17,045,395	-	-	-	-	17,045,395
Interest and dividends	207,946	-	39,417	-	-	247,363
Fees and charges	1,766,848	935,584	733,868	122,206	821,100	4,379,606
Net change in the fair value of investments	(2,219,360)	(787,438)	-	(1,172,700)	(8,754,261)	(12,933,759)
Other	2,536,435	202,583	219,278	24,058	44,818	3,027,172
Total revenues	31,539,829	4,188,695	2,077,435	6,641,985	(4,600,050)	39,847,894
Expenditures:						
Current:						
General government:						
President's office	609,498	-	-	-	-	609,498
External affairs and LNOs	3,322,354	-	-	-	-	3,322,354
Health and social affairs	199,653	554,958	-	269,630	526,160	1,550,401
Education	706,746	554,958	16,359	301,132	118,979	1,698,174
Economic development	833,711	131,319	199,943	-	826	1,165,799
Transportation, communication and infrastructure	2,510,795	761,162	-	-	1,873,490	5,145,447
Finance and administration	2,640,905	2,382,348	1,410,458	5,002,456	868,494	12,304,661
Justice	3,572,879	749,047	166,094	1,896,630	505,551	6,890,201
Office of the Public Defender	658,005	-	-	-	-	658,005
SBOC Office	877,056	-	-	-	-	877,056
Environment and emergency management	268,708	-	-	-	-	268,708
National archives, cultural and historic preservation	141,428	-	-	-	-	141,428
Judiciary	1,152,247	406,764	-	-	209,797	1,768,808
Legislature	2,986,312	-	-	-	-	2,986,312
Office of the Public Auditor	1,171,481	-	-	-	-	1,171,481
National government programs	1,302,303	-	-	-	-	1,302,303
Other appropriations	-	139,551	-	2,363,832	267,112	2,770,495
Payments to component units	971,456	-	-	1,311,178	499,676	2,782,310
Boards, commissions, councils and other	1,121,226	190,170	790,807	1,322,195	571,200	3,995,598
Capital projects	3,036,328	33,761	-	-	-	3,070,089
Total expenditures	28,083,091	5,904,038	2,583,661	12,467,053	5,441,285	54,479,128
Excess (deficiency) of revenues over (under) expenditures	3,456,738	(1,715,343)	(506,226)	(5,825,068)	(10,041,335)	(14,631,234)
Other financing sources (uses):						
Proceeds from sale of capital assets	-	-	548,177	-	-	548,177
Loan proceeds	-	1,322,649	222,553	-	-	1,545,202
Operating transfers in	3,749,806	3,499,999	-	605,750	-	7,855,555
Operating transfers out	(3,592,919)	-	-	-	(146,324)	(3,739,243)
Total other financing sources (uses), net	156,887	4,822,648	770,730	605,750	(146,324)	6,209,691
Special items:						
Write off of receivables	(2,455,919)	-	(176,846)	-	-	(2,632,765)
Write off of liabilities	-	428,333	-	(158,933)	-	269,400
Total special items	(2,455,919)	428,333	(176,846)	(158,933)	-	(2,363,365)
Net change in fund balances (deficits)	1,157,706	3,535,638	87,658	(5,378,251)	(10,187,659)	(10,784,908)
Fund balances (deficit) at the beginning of the year	17,387,911	(12,117,361)	(167,642)	10,385,135	46,017,497	61,505,540
Fund balances (deficit) at the end of the year	\$ 18,545,617	\$ (8,581,723)	\$ (79,984)	\$ 5,006,884	\$ 35,829,838	\$ 50,720,632

FEDERATED STATES OF MICRONESIA

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

Combining Grants Assistance Funds

Year Ended September 30, 2008

(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	\$ 6,636,909	\$ 18,496,298	\$ 6,974,894	\$ 17,976,147	\$ 12,688,351	\$ 62,772,599
Federal and other grants	19,938,465	3,669,381	155,458	2,290,177	5,470,429	31,523,910
Fees and charges	-	45,998	-	42,002	102,743	190,743
Other	-	-	315,195	186,331	-	501,526
Total revenues	26,575,374	22,211,677	7,445,547	20,494,657	18,261,523	94,988,778
Expenditures:						
Current:						
General government:						
Health and social affairs	4,489,878	6,732,451	1,798,110	5,535,158	4,161,240	22,716,837
Education	2,918,673	9,531,119	3,421,612	12,679,456	7,858,044	36,408,904
Economic development	574,211	229,088	747,438	-	1,118,377	2,669,114
Transportation, communication and infrastructure	2,924,886	-	-	-	25,000	2,949,886
Finance and administration	1,332,176	2,506,446	1,520,359	1,452,776	4,355,183	11,166,940
Justice	16,386	136,328	-	-	47,183	199,897
SBOC Office	65,790	-	-	-	-	65,790
Environment and emergency management	400,838	-	-	-	-	400,838
National archives, cultural and historic preservation	173,463	-	-	-	-	173,463
Legislature	15,000	-	-	-	-	15,000
Office of the Public Auditor	580,845	-	-	-	-	580,845
National government programs	1,268,111	-	-	-	-	1,268,111
Payments to component units	118,319	207,125	-	-	400,110	725,554
Boards, commissions, councils and other Capital projects	875 12,333,581	1,296,037 -	105,608 -	- -	49,983 -	1,452,503 12,333,581
Total expenditures	27,213,032	20,638,594	7,593,127	19,667,390	18,015,120	93,127,263
Excess (deficiency) of revenues over (under) expenditures	(637,658)	1,573,083	(147,580)	827,267	246,403	1,861,515
Other financing sources (uses):						
Loan proceeds	-	-	-	-	645,757	645,757
Operating transfers in	-	-	-	-	444,142	444,142
Operating transfers out	(3,337,255)	(3,499,999)	-	(605,750)	-	(7,443,004)
Total other financing sources (uses), net	(3,337,255)	(3,499,999)	-	(605,750)	1,089,899	(6,353,105)
Net change in fund balances (deficits)	(3,974,913)	(1,926,916)	(147,580)	221,517	1,336,302	(4,491,590)
Fund balances at the beginning of the year	3,850,679	6,911,095	1,835,281	2,766,096	2,504,517	17,867,668
Fund balances (deficit) at the end of the year	\$ (124,234)	\$ 4,984,179	\$ 1,687,701	\$ 2,987,613	\$ 3,840,819	\$ 13,376,078

FEDERATED STATES OF MICRONESIA

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

Combining Section 111 Investment Development Funds

Year Ended September 30, 2008

(See Accompanying Independent Accountants' Compilation Report)

	<u>FSM National Government</u>	<u>State of Chuuk</u>	<u>State of Kosrac</u>	<u>State of Pohnpei</u>	<u>State of Yap</u>	<u>Total</u>
Revenues:						
Interest and dividends	\$ 94,264	\$ -	\$ -	\$ -	\$ -	\$ 94,264
Net change in the fair value of investments	250,548	-	-	-	-	250,548
Other	<u>5,441</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,441</u>
Total revenues	<u>350,253</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>350,253</u>
Expenditures:						
Current:						
General government:						
Economic development	1,635,000	-	-	-	-	1,635,000
Payments to component units	<u>250,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>250,000</u>
Total expenditures	<u>1,885,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,885,000</u>
Net change in fund balances	(1,534,747)	-	-	-	-	(1,534,747)
Fund balances at the beginning of the year	<u>12,319,140</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,319,140</u>
Fund balances at the end of the year	<u>\$ 10,784,393</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,784,393</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, 2008

(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 change in the fair value of investments	\$ -	\$ -	\$ (280,396)	\$ -	\$ -	\$ (280,396)
Total revenues	<u>-</u>	<u>-</u>	<u>(280,396)</u>	<u>-</u>	<u>-</u>	<u>(280,396)</u>
Expenditures:						
Current:						
General government:						
Other appropriations	-	-	82,922	-	-	82,922
Debt service	-	-	44,898	-	-	44,898
Total expenditures	<u>-</u>	<u>-</u>	<u>127,820</u>	<u>-</u>	<u>-</u>	<u>127,820</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	(408,216)	-	-	(408,216)
Other financing sources:						
Loan proceeds	-	-	444,898	-	-	444,898
Total other financing sources	<u>-</u>	<u>-</u>	<u>444,898</u>	<u>-</u>	<u>-</u>	<u>444,898</u>
Net change in fund balances (deficits)	-	-	36,682	-	-	36,682
Fund balances (deficit) at the beginning of the year	<u>(139,545)</u>	<u>-</u>	<u>1,646,807</u>	<u>-</u>	<u>-</u>	<u>1,507,262</u>
Fund balances (deficit) at the end of the year	<u>\$ (139,545)</u>	<u>\$ -</u>	<u>\$ 1,683,489</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,543,944</u>

FEDERATED STATES OF MICRONESIA

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

Combining Asian Development Bank Loan Funds

Year Ended September 30, 2008

(See Accompanying Independent Accountants' Compilation Report)

	FSM National Government	State of Chuuk	State of Kosrae	State of Pohnpei	State of Yap	Total
Revenues:						
Interest and dividends	\$ 341,625	\$ -	\$ -	\$ -	\$ -	\$ 341,625
Total revenues	341,625	-	-	-	-	341,625
Expenditures:						
Current:						
General government:						
Economic development	501	-	-	-	-	501
Finance and administration	1,304,158	-	-	-	-	1,304,158
SBOC Office	18,674	-	-	-	-	18,674
Debt service	982,845	-	-	-	-	982,845
Total expenditures	2,306,178	-	-	-	-	2,306,178
Excess (deficiency) of revenues over (under) expenditures	(1,964,553)	-	-	-	-	(1,964,553)
Other financing sources:						
Loan proceeds	3,632,449	-	-	-	-	3,632,449
Total other financing sources	3,632,449	-	-	-	-	3,632,449
Net change in fund balances	1,667,896	-	-	-	-	1,667,896
Fund balances at the beginning of the year	31,161,876	-	-	-	-	31,161,876
Fund balances at the end of the year	\$ 32,829,772	\$ -	\$ -	\$ -	\$ -	\$ 32,829,772

FEDERATED STATES OF MICRONESIA

Governmental Funds Statement of Expenditures and Changes in Fund Balances

Combining Compact Capital Projects Funds

Year Ended September 30, 2008

(See Accompanying Independent Accountants' Compilation Report)

	FSM National Government	State of Chuuk	State of Kosrae	State of Pohnpei	State of Yap	Total
Expenditures:						
Current:						
General government:						
Economic development	\$ -	\$ -	\$ -	\$ -	\$ 150,000	\$ 150,000
Transportation, communication and infrastructure	-	-	-	-	753,195	753,195
Finance and administration	-	-	-	-	299,315	299,315
Payment to component units	-	-	-	-	31,130	31,130
Boards, commissions and others	-	-	-	-	33,039	33,039
	-	-	-	-	1,266,679	1,266,679
Total expenditures	-	-	-	-	1,266,679	1,266,679
Other financing uses:						
Operating transfers out	-	-	-	-	(297,818)	(297,818)
	-	-	-	-	(297,818)	(297,818)
Net change in fund balances	-	-	-	-	(1,564,497)	(1,564,497)
Fund balances at the beginning of the year	-	-	-	-	16,841,026	16,841,026
Fund balances at the end of the year	\$ -	\$ -	\$ -	\$ -	\$ 15,276,529	\$ 15,276,529

FEDERATED STATES OF MICRONESIA

Governmental Funds Statement of Revenues
and Changes in Fund Balances
Combining Compact Trust Funds
Year Ended September 30, 2008

(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 change in the fair value of investments	\$ (1,925,294)	\$ (1,466,665)	\$ (520,045)	\$ (1,852,006)	\$ (1,221,841)	\$ (6,985,851)
Total revenues	<u>(1,925,294)</u>	<u>(1,466,665)</u>	<u>(520,045)</u>	<u>(1,852,006)</u>	<u>(1,221,841)</u>	<u>(6,985,851)</u>
Net change in fund balances	(1,925,294)	(1,466,665)	(520,045)	(1,852,006)	(1,221,841)	(6,985,851)
Fund balances at the beginning of the year	<u>11,040,196</u>	<u>8,499,574</u>	<u>2,982,085</u>	<u>9,863,333</u>	<u>7,006,391</u>	<u>39,391,579</u>
Fund balances at the end of the year	<u>\$ 9,114,902</u>	<u>\$ 7,032,909</u>	<u>\$ 2,462,040</u>	<u>\$ 8,011,327</u>	<u>\$ 5,784,550</u>	<u>\$ 32,405,728</u>

FEDERATED STATES OF MICRONESIA

Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances Combining Other Governmental Funds Year Ended September 30, 2008 (See Accompanying Independent Accountants' Compilation Report)

	FSM National Government	State of Chuuk	State of Kosrae	State of Pohnpei	State of Yap	Total
Revenues:						
Taxes	\$ -	\$ -	\$ -	\$ 614,037	\$ 181,816	\$ 795,853
Federal and other grants	-	-	125,000	816,398	548,503	1,489,901
Fees and charges	1,037,116	20,088	411,740	-	13,370	1,482,314
Net change in the fair value of investments	(526,446)	-	-	(560,807)	-	(1,087,253)
Other	760	-	72,158	-	-	72,918
Total revenues	511,430	20,088	608,898	869,628	743,689	2,753,733
Expenditures:						
Current:						
General government:						
Health and social affairs	3,407	-	336,689	437,537	-	777,633
Education	219,434	-	(318)	-	-	219,116
Economic development	-	-	25,000	-	56,234	81,234
Transportation, communication and infrastructure	1,090,546	-	-	-	50,654	1,141,200
Finance and administration	-	-	-	717,695	201,710	919,405
Justice	80,671	-	13,750	-	-	94,421
Boards, commissions, councils and other	68,854	-	227,847	-	452,432	749,133
Debt service	-	-	-	266,524	-	266,524
Capital projects	-	-	-	85,847	-	85,847
Total expenditures	1,462,912	-	602,968	1,507,603	761,030	4,334,513
Excess (deficiency) of revenues over (under) expenditures	(951,482)	20,088	5,930	(637,975)	(17,341)	(1,580,780)
Other financing sources (uses):						
Loan proceeds	-	-	-	93,916	-	93,916
Operating transfers in	3,592,919	-	-	-	-	3,592,919
Operating transfers out	(412,551)	-	-	-	-	(412,551)
Total other financing sources (uses), net	3,180,368	-	-	93,916	-	3,274,284
Net change in fund balances	2,228,886	20,088	5,930	(544,059)	(17,341)	1,693,504
Fund balances at the beginning of the year	3,467,169	1,176,743	1,212,486	8,080,592	483,940	14,420,930
Fund balances at the end of the year	\$ 5,696,055	\$ 1,196,831	\$ 1,218,416	\$ 7,536,533	\$ 466,599	\$ 16,114,434