

FEDERATED STATES OF MICRONESIA

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

SEPTEMBER 30, 2011

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, 2011, and the other supplementary information as set forth in pages 14 through 22. We have not audited or reviewed the accompanying combined financial statements and other supplementary information and, accordingly, do not express an opinion or provide any assurance about whether the combined financial statements and other supplementary information are in accordance with accounting principles generally accepted in the United States of America. 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.

Management is responsible for the preparation and fair presentation of the combined financial statements and other supplementary information in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the combined financial statements and other supplementary information.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the combined financial statements.

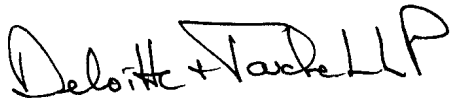
The beginning net assets/fund balances of the governmental activities, the discretely presented component units, the General Fund, the Grants Assistance Fund, and the aggregate remaining fund information have been restated to correct a misstatement.

During the year ended September 30, 2011, the FSM National Government and the States of the FSM adopted Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

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, and the State of Pohnpei as of and for the year ended September 30, 2011. 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, 2012, June 25, 2012, June 13, 2012, and June 25, 2012, respectively, which expressed certain qualified opinions, may be obtained from the FSM Office of the National Public Auditor. Additionally, other auditors audited 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 State of Yap as of and for the year ended September 30, 2011. Those financial statements, which were the basis from which we compiled the accompanying combined financial statements, included a qualification concerning the omission of the Yap Fishing Authority, a discretely presented component unit of the State of Yap. A copy of the State of Yap's financial statements and the independent auditors' report, dated March 21, 2012, may be obtained from the FSM Office of the National 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 GASB has determined is necessary to supplement, although not required to be part of, the basic financial statements.

A handwritten signature in black ink that reads "Deloitte + Touche LLP". The signature is written in a cursive, stylized font.

August 14, 2012

FEDERATED STATES OF MICRONESIA

Combined Statement of Net Assets

September 30, 2011

(See Accompanying Independent Accountants' Compilation Report)

	Primary Governments	Component Units
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 10,205,712	\$ 25,949,537
Time certificates of deposit	1,430,763	5,713,803
Investments	59,627,286	16,446,434
Receivables, net of allowance for uncollectibles	38,461,606	19,341,897
Due from component units	700,000	-
Due from primary government	-	394,726
Advances	3,467,657	10,832
Inventories	29,946	13,186,629
Other current assets	632,774	1,967,495
Restricted assets	223,945	734,253
Total current assets	114,779,689	83,745,606
Noncurrent assets:		
Investments	53,887,967	3,644,100
Receivables, net of current portion	41,878,828	18,600,926
Capital assets, net of accumulated depreciation	292,765,346	145,281,418
Other noncurrent assets	8,077,292	4,605,974
Restricted assets	29,092,729	-
Total noncurrent assets	425,702,162	172,132,418
Total assets	\$ 540,481,851	\$ 255,878,024
<u>LIABILITIES</u>		
Current liabilities:		
Bank overdraft	\$ 586,647	\$ -
Current portion of long-term obligations	2,619,208	7,422,534
Short term notes	561,987	3,458,606
Accounts payable	12,505,016	7,258,408
Land acquisition payable	8,628,545	-
Current portion of compensated absences payable	1,338,127	-
Other liabilities and accruals	3,813,453	11,234,735
Tax refunds payable	511,443	-
Retention payable	4,531,854	-
Due to federal agencies	1,444,470	-
Due to component units	304,776	-
Due to private purpose trust	900,000	-
Due to FSM State Governments	7,255,024	-
Due to primary government	-	2,702,532
Deferred revenue	6,404,823	2,991,805
Total current liabilities	51,405,373	35,068,620
Noncurrent liabilities:		
Long-term obligations, net of current portion	81,995,381	49,184,285
Other noncurrent liabilities	756,210	-
Compensated absences payable, net of current portion	2,898,817	-
Total noncurrent liabilities	85,650,408	49,184,285
Total liabilities	137,055,781	84,252,905
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	292,765,346	93,140,552
Restricted for:		
Nonexpendable:		
Future operations	68,483,162	11,196,839
Expendable:		
Compact related	18,041,365	-
Capital projects	208,474	-
Debt service	9,772,599	-
Other purposes	9,586,635	-
Unrestricted	4,568,489	67,287,728
Total net assets	403,426,070	171,625,119
Total liabilities and net assets	\$ 540,481,851	\$ 255,878,024

FEDERATED STATES OF MICRONESIA

Combined Statement of Activities Year Ended September 30, 2011 (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	\$ 1,433,733	\$ -	\$ -	\$ -	\$ (1,433,733)	\$ -
External affairs and LNOs	4,052,331	-	-	-	(4,052,331)	-
Health and social affairs	32,073,584	1,116,578	28,986,423	239,825	(1,730,758)	-
Education	40,226,391	730	38,822,629	-	(1,403,032)	-
Economic development	5,033,529	130,708	4,145,225	-	(757,596)	-
Transportation, communication and infrastructure	14,176,512	1,001,581	1,826,418	-	(11,348,513)	-
Finance and administration	22,769,450	1,809,449	7,350,706	-	(13,609,295)	-
Justice	8,329,938	816,674	-	-	(7,513,264)	-
Office of the Public Defender	726,716	-	-	-	(726,716)	-
SBOC office	1,655,837	-	370,994	-	(1,284,843)	-
Environmental and emergency management	1,396,550	61,482	833,678	-	(501,390)	-
National archives, cultural and preservation	332,363	-	179,976	-	(152,387)	-
Judiciary	1,959,196	11,070	33,278	-	(1,914,848)	-
Legislature	3,327,059	-	-	-	(3,327,059)	-
Office of the Public Auditor	1,789,549	-	522,047	-	(1,267,502)	-
National government programs	2,575,975	-	1,406,580	-	(1,169,395)	-
Land and natural resources	740,744	57,306	123,233	-	(560,205)	-
Other appropriations	10,396,778	-	-	-	(10,396,778)	-
Payments to component units	2,043,488	45,417	1,164,163	-	(833,908)	-
Boards, commissions, councils and other	5,576,742	993,557	55,534	-	(4,527,651)	-
Future operations	-	786,875	(241,955)	-	544,920	-
Capital projects	488,854	-	-	51,460,537	50,971,683	-
Interest - unallocated	767,657	-	(34,783)	-	(802,440)	-
Payments to the FSM State Governments	81,000	-	-	-	(81,000)	-
Total primary governments	\$ 161,953,976	\$ 6,831,427	\$ 85,544,146	\$ 51,700,362	(17,878,041)	-
Component units:						
FSM Telecommunications Corporation	\$ 16,135,340	\$ 13,568,945	\$ -	\$ -	-	(2,566,395)
FSM Development Bank	1,772,707	2,877,407	250,000	-	-	1,354,700
National Fisheries Corporation	186,597	200,357	-	-	-	13,760
College of Micronesia - FSM	22,566,591	22,854,493	-	-	-	287,902
FSM Coconut Development Authority	354,335	152,317	214,848	-	-	12,830
FSM Petroleum Corporation	55,227,603	59,335,744	-	-	-	4,108,141
Caroline Islands Air, Inc.	454,713	405,065	-	-	-	(49,648)
MiCare Plan, Inc.	5,692,342	5,445,591	100,000	-	-	(146,751)
Chuuk State Health Care Plan	977,203	1,181,574	-	14,553	-	218,924
Chuuk Public Utilities Corporation	4,100,079	2,983,031	-	1,175,861	-	58,813
Chuuk State Housing Authority	41,607	76,852	-	-	-	35,245
Kosrae Port Authority	1,044,706	188,987	-	-	-	(855,719)
Kosrae Utilities Authority	2,928,522	2,347,648	270,866	-	-	(310,008)
Pohnpei Utilities Corporation	16,330,885	14,002,210	442,352	-	-	(1,886,323)
Pohnpei Port Authority	2,276,060	2,259,851	-	-	-	(16,209)
Pohnpei Transportation Authority	305,513	114,112	-	-	-	(191,401)
Small Business Guarantee and Finance Corporation	160,652	92,612	117,000	-	-	48,960
Pohnpei State Housing Authority	145,187	217,941	130,590	49,978	-	253,322
Public Transportation System	487,171	270,556	-	-	-	(216,615)
Yap Visitor's Bureau	306,490	-	292,149	-	-	(14,341)
Yap State Public Service Corporation	6,597,645	5,682,964	709,686	-	-	(204,995)
The Diving Seagull, Inc.	10,610,407	12,266,007	-	-	-	1,655,600
Total component units	\$ 148,702,355	\$ 146,524,264	\$ 2,527,491	\$ 1,240,392	-	1,589,792
General revenues:						
Taxes:					36,047,622	-
Fishing rights					18,811,198	-
Unrestricted investment earnings					(2,003,817)	(96,534)
Other					2,305,326	549,142
Total general revenues					55,160,329	452,608
Special items:						
Write off of receivables					(3,896,617)	-
Loan allocations to the FSM State Governments					4,618,522	-
Total special items					721,905	-
Change in net assets					38,004,193	2,042,400
Net assets at the beginning of the year, as previously reported					358,558,030	170,056,467
Prior-period adjustment					6,863,847	(473,748)
Net assets at the beginning of the year, as restated					365,421,877	169,582,719
Net assets at the end of the year					\$ 403,426,070	\$ 171,625,119

FEDERATED STATES OF MICRONESIA

Combined Balance Sheet

Governmental Funds

September 30, 2011

(See Accompanying Independent Accountants' Compilation Report)

	Special		Permanent		Other Governmental Funds	Total
	Revenue					
	General	Grants Assistance	Compact Trust	Yap State Investment Fund		
ASSETS						
Cash and cash equivalents	\$ 6,608,391	\$ -	\$ -	\$ -	\$ -	\$ 6,608,391
Time certificates of deposit	1,430,763	-	-	-	-	1,430,763
Equity in internal investment pool	38,493,304	-	-	-	256,565	38,749,869
Investments	13,936,665	11,690,752	-	-	-	25,627,417
Receivables, net:						
General	1,744,051	-	-	-	300	1,744,351
Taxes	6,146,843	-	-	-	-	6,146,843
Federal agencies	206,232	17,378,072	-	-	-	17,584,304
Loans	43,257,603	-	-	-	440,782	43,698,385
FSM National Government	-	6,111,266	-	-	24,644	6,135,910
Accrued interest	760,691	-	-	-	-	760,691
Other	-	23,428	-	-	26,650	50,078
Due from component units	700,000	-	-	-	-	700,000
Due from other funds	12,009,698	15,356,300	-	-	8,466,819	35,832,817
Advances	982,685	2,479,187	-	-	5,785	3,467,657
Inventories	-	-	-	-	29,946	29,946
Other assets	8,442,984	267,082	-	-	-	8,710,066
Restricted assets:						
Cash and cash equivalents	4,174,676	148,849	-	-	24,050	4,347,575
Time certificates of deposit	200,000	-	-	-	354,383	554,383
Investments	9,656,499	-	30,389,840	30,517,908	6,585,757	77,150,004
Total assets	<u>\$ 148,751,085</u>	<u>\$ 53,454,936</u>	<u>\$ 30,389,840</u>	<u>\$ 30,517,908</u>	<u>\$ 16,215,681</u>	<u>\$ 279,329,450</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Bank overdraft	\$ 586,647	\$ -	\$ -	\$ -	\$ -	\$ 586,647
Accounts payable	4,606,515	7,697,345	-	-	201,156	12,505,016
Other liabilities and accruals	3,200,745	5,106,050	-	-	23,640	8,330,435
Tax refunds payable	511,443	-	-	-	-	511,443
Land acquisition payable	8,628,545	-	-	-	-	8,628,545
Note payable	561,987	-	-	-	-	561,987
Due to component units	304,776	-	-	-	-	304,776
Due to private purpose trust fund	900,000	-	-	-	-	900,000
Due to federal agencies	-	1,444,470	-	-	-	1,444,470
Due to FSM State Governments	3,717,006	3,538,018	-	-	-	7,255,024
Due to other funds	23,370,863	11,992,968	-	-	468,986	35,832,817
Deferred revenue	16,901	5,615,197	-	-	772,725	6,404,823
Total liabilities	<u>46,405,428</u>	<u>35,394,048</u>	<u>-</u>	<u>-</u>	<u>1,466,507</u>	<u>83,265,983</u>
Fund balances:						
Non-spendable	54,847,715	5,231,658	30,389,840	30,517,908	6,887,650	127,874,771
Restricted	15,137,127	11,732,087	-	-	478,501	27,347,715
Committed	25,046,198	1,299,321	-	-	7,317,014	33,662,533
Assigned	8,161,436	2,260,811	-	-	400,151	10,822,398
Unassigned:						
General fund	(846,819)	-	-	-	-	(846,819)
Special revenue funds	-	(2,462,989)	-	-	135,099	(2,327,890)
Capital projects funds	-	-	-	-	(469,241)	(469,241)
Total fund balances	<u>102,345,657</u>	<u>18,060,888</u>	<u>30,389,840</u>	<u>30,517,908</u>	<u>14,749,174</u>	<u>196,063,467</u>
Total liabilities and fund balances	<u>\$ 148,751,085</u>	<u>\$ 53,454,936</u>	<u>\$ 30,389,840</u>	<u>\$ 30,517,908</u>	<u>\$ 16,215,681</u>	

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	\$ 292,765,346
Loans receivable from FSM State Governments	4,219,872
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	(84,629,460)
Compensated absences payable	(4,747,187)
Claims payable	(245,968)

207,362,603

Net assets of governmental activities

\$ 403,426,070

FEDERATED STATES OF MICRONESIA

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds Year Ended September 30, 2011 (See Accompanying Independent Accountants' Compilation Report)

	Special		Permanent		Other Governmental Funds	Total
	Revenue	Grants Assistance	Compact Trust	Yap State Investment Fund		
General	General	Grants Assistance	Compact Trust	Yap State Investment Fund	Other Governmental Funds	Total
Revenues:						
Compact funding	\$ -	\$ 85,946,831	\$ -	\$ -	\$ -	\$ 85,946,831
Taxes	31,833,340	-	-	-	951,274	32,784,614
CFSM grants	-	128,247	-	-	308,590	436,837
Federal and other grants	3,404,066	50,813,951	-	-	52,722	54,270,739
Fishing rights	18,811,198	-	-	-	-	18,811,198
Interest and dividends	412,439	-	-	-	-	412,439
Fees and charges	3,499,858	21,809	-	-	2,738,853	6,260,520
Net change in the fair value of investments	(1,276,064)	-	(276,738)	(1,202,277)	-	(2,755,079)
MiCare reimbursable	252,973	-	-	-	-	252,973
Other	2,250,571	234,058	-	-	130,562	2,615,191
Total revenues	59,188,381	137,144,896	(276,738)	(1,202,277)	4,182,001	199,036,263
Expenditures:						
Current:						
General government:						
President's office	1,410,864	-	-	-	-	1,410,864
External affairs and LNOs	4,033,649	-	-	-	-	4,033,649
Health and social affairs	536,848	29,963,797	-	-	1,364,226	31,864,871
Education	1,055,576	38,625,939	-	-	381,423	40,062,938
Economic development	1,261,374	3,658,333	-	-	41,338	4,961,045
Transportation, communication and infrastructure	4,638,908	1,067,954	-	-	1,303,492	7,010,354
Finance and general governmental administration	12,369,984	7,503,861	-	-	1,843,371	21,717,216
Justice	7,492,310	107,182	-	-	334,983	7,934,475
Office of the Public Defender	757,041	-	-	-	-	757,041
SBOC office	1,248,191	370,994	-	-	-	1,619,185
Environmental and emergency management	495,922	833,678	-	-	91,447	1,421,047
National archives, cultural and historic preservation	172,470	179,976	-	-	-	352,446
Judiciary	1,941,678	45,477	-	-	-	1,987,155
Legislature	3,281,798	-	-	-	-	3,281,798
Office of the Public Auditor	1,063,891	522,047	-	-	-	1,585,938
National government programs	1,004,904	1,406,580	-	-	-	2,411,484
Land and natural resources	586,335	123,233	-	-	-	709,568
Other appropriations	9,316,634	540,598	-	-	2,057	9,859,289
Payments to component units	1,942,734	104,121	-	-	-	2,046,855
Boards, commissions, councils and other	4,580,186	403,830	-	-	294,688	5,278,704
Capital projects	-	51,460,537	-	-	-	51,460,537
Debt service	3,153,919	255,781	-	-	431,948	3,841,648
Total expenditures	62,345,216	137,173,918	-	-	6,088,973	205,608,107
Deficiency of revenues under expenditures	(3,156,835)	(29,022)	(276,738)	(1,202,277)	(1,906,972)	(6,571,844)
Other financing sources (uses):						
Proceeds from issuance of long-term debt	5,563,257	-	-	-	-	5,563,257
Operating transfers in	330,857	632,275	-	-	1,897,788	2,860,920
Operating transfers out	(2,222,502)	-	-	-	(638,418)	(2,860,920)
Total other financing sources (uses), net	3,671,612	632,275	-	-	1,259,370	5,563,257
Special items:						
Revaluation of ADB shares	4,618,522	-	-	-	-	4,618,522
Write-off of receivables	(3,896,617)	-	-	-	-	(3,896,617)
Total special items	721,905	-	-	-	-	721,905
Net change in fund balances	1,236,682	603,253	(276,738)	(1,202,277)	(647,602)	(286,682)
Fund balances at the beginning of the year, as previously reported	101,396,784	17,815,698	30,666,578	31,720,185	15,395,695	196,994,940
Prior-period adjustment	(287,809)	(358,063)	-	-	1,081	(644,791)
Fund balances at the beginning of the year, as restated	101,108,975	17,457,635	30,666,578	31,720,185	15,396,776	196,350,149
Fund balances at the end of the year	<u>\$ 102,345,657</u>	<u>\$ 18,060,888</u>	<u>\$ 30,389,840</u>	<u>\$ 30,517,908</u>	<u>\$ 14,749,174</u>	<u>\$ 196,063,467</u>

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, 2011 (See Accompanying Independent Accountants' Compilation Report)

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

Net change in fund balances - total governmental funds	\$	(286,682)
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Capital outlays are reported as expenditures in governmental funds. However, in the combined statement of activities, the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense. For the current year, these amounts consist of:

Capital outlays, net of disposals	55,767,955		
Depreciation expense	<u>(14,834,453)</u>		
			40,933,502

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		200,000
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The incurrence of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. For the current year, these amounts consist of:

Special Drawing Rights (SDR) adjustment to long-term loans allocated to the FSM State Governments	2,057		
Long-term debt proceeds	(5,563,257)		
Repayment of long-term debt	<u>2,550,471</u>		
			(3,010,729)

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. For the current year, these consist of:

Change in compensated absences payable	381,834		
Change in accrued interest payable	(472)		
Foreign exchange adjustment in SDR amount for ADB Loans	<u>(213,260)</u>		
			<u>168,102</u>

Change in net assets of governmental activities	\$	<u><u>38,004,193</u></u>
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FEDERATED STATES OF MICRONESIA

Combined Statement of Fiduciary Net Assets

Fiduciary Funds - Private Purpose Trusts

September 30, 2011

(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	\$ 1,280,202	\$ 245,044	\$ 87,585	\$ 1,612,831
Time certificates of deposit	-	575,563	145,416	720,979
Receivables, net:				
Contributions	3,051,613	-	-	3,051,613
Loans	-	28,827	26,074	54,901
Accrued interest	91,721	770	663	93,154
Other	16,448	-	27,266	43,714
Investments	35,220,871	-	-	35,220,871
Due from primary government	900,000	-	-	900,000
Capital assets, net of accumulated depreciation	109,787	-	-	109,787
	<u>\$ 40,670,642</u>	<u>\$ 850,204</u>	<u>\$ 287,004</u>	<u>\$ 41,807,850</u>
Total assets				
<u>LIABILITIES</u>				
Accounts payable	\$ 230,235	\$ 102,580	\$ 28,416	\$ 361,231
Other liabilities and accruals	31,038	-	-	31,038
	<u>261,273</u>	<u>102,580</u>	<u>28,416</u>	<u>392,269</u>
Total liabilities				
<u>NET ASSETS</u>				
Held in trust for:				
Social security benefits	40,409,369	-	-	40,409,369
Restricted	-	28,827	26,074	54,901
Other purposes	-	718,797	232,514	951,311
	<u>40,409,369</u>	<u>747,624</u>	<u>258,588</u>	<u>41,415,581</u>
Total net assets				
Total liabilities and net assets	<u>\$ 40,670,642</u>	<u>\$ 850,204</u>	<u>\$ 287,004</u>	<u>\$ 41,807,850</u>

FEDERATED STATES OF MICRONESIA

Combined Statement of Changes in Fiduciary Net Assets
 Fiduciary Funds - Private Purpose Trusts
 Year Ended September 30, 2011
 (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:	\$ 16,593,155	\$ -	\$ -	\$ 16,593,155
Total contributions	<u>16,593,155</u>	<u>-</u>	<u>-</u>	<u>16,593,155</u>
Investment earnings (loss):				
Net change in the fair value of investments	(2,181,438)	6,547	1,748	(2,173,143)
Interest and dividends	<u>969,271</u>	<u>3,709</u>	<u>2,870</u>	<u>975,850</u>
Total investment earnings (loss)	(1,212,167)	10,256	4,618	(1,197,293)
Less investment expense	<u>208,649</u>	<u>-</u>	<u>6,134</u>	<u>214,783</u>
Net investment earnings (loss)	<u>(1,420,816)</u>	<u>10,256</u>	<u>(1,516)</u>	<u>(1,412,076)</u>
Contributions	1,200,000	-	-	1,200,000
Other	<u>351,234</u>	<u>12,722</u>	<u>12,842</u>	<u>376,798</u>
Total additions	<u>16,723,573</u>	<u>22,978</u>	<u>11,326</u>	<u>16,757,877</u>
Deductions:				
Benefits	17,620,245	-	-	17,620,245
Refunds	30,630	-	-	30,630
Administrative expenses	<u>1,067,434</u>	<u>-</u>	<u>-</u>	<u>1,067,434</u>
Total deductions	<u>18,718,309</u>	<u>-</u>	<u>-</u>	<u>18,718,309</u>
Change in net assets	(1,994,736)	22,978	11,326	(1,960,432)
Net assets at the beginning of the year	<u>42,404,105</u>	<u>724,646</u>	<u>247,262</u>	<u>43,376,013</u>
Net assets at the end of the year	<u>\$ 40,409,369</u>	<u>\$ 747,624</u>	<u>\$ 258,588</u>	<u>\$ 41,415,581</u>

FEDERATED STATES OF MICRONESIA
 Combined Statement of Net Assets (Deficiency)
 Component Units
 September 30, 2011
 (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	Caroline Islands Air, Inc.	MiCare Plan, Inc.	Chuuk State Health Care Plan	Chuuk Public Utility Corporation	Chuuk State Housing Authority	Kosrae Port Authority
ASSETS												
Current assets:												
Cash and cash equivalents	\$ 496,202	\$ 5,207,596	\$ 46,691	\$ 7,167,689	\$ 18,537	\$ 6,186,192	\$ 68,398	\$ 233,275	\$ 507,015	\$ 153,829	\$ 38,299	\$ 27,176
Time certificates of deposit	175,855	2,917,944	-	-	-	515,429	-	-	300,000	-	-	-
Investments	4,563,433	9,513,944	-	-	-	-	-	1,236,564	48,011	-	-	-
Receivables, net:												
General	398,723	7,632	36,489	3,485,235	15,965	1,505,502	11,947	248,793	288,725	277,682	405,245	12,944
Loans	-	2,951,069	-	-	-	-	-	-	-	-	-	-
Interest	-	268,847	-	-	-	-	-	-	-	-	-	-
Other	329,836	448,305	-	2,208,335	8,519	1,223,981	-	-	-	-	-	-
Due from primary government	-	-	-	304,640	-	-	-	-	50,000	-	136	-
Advances	-	-	-	-	-	-	-	-	-	-	-	-
Inventories	744,379	-	-	1,155,571	204,235	7,956,135	27,885	-	-	328,242	-	-
Other assets	369,749	2,500	-	287,649	743	342,015	-	215,156	-	346,262	-	3,150
Restricted assets	-	-	-	-	-	-	-	-	-	-	-	-
Total current assets	<u>7,078,177</u>	<u>21,317,837</u>	<u>83,180</u>	<u>14,609,119</u>	<u>247,999</u>	<u>17,729,254</u>	<u>108,230</u>	<u>1,933,788</u>	<u>1,193,751</u>	<u>1,106,015</u>	<u>443,680</u>	<u>43,270</u>
Noncurrent assets:												
Capital assets, net of accumulated depreciation	54,906,388	1,533,822	14,347	10,125,687	141,309	8,608,118	4,620	27,349	30,718	2,093,080	84,747	17,806,447
Investments	-	662,188	-	2,981,912	-	-	-	-	-	-	-	-
Loans receivable	-	17,515,359	-	-	-	-	-	-	-	-	-	-
Other noncurrent assets	-	-	-	-	-	-	-	-	-	-	-	-
Total noncurrent assets	<u>54,906,388</u>	<u>19,711,369</u>	<u>14,347</u>	<u>13,107,599</u>	<u>141,309</u>	<u>8,608,118</u>	<u>4,620</u>	<u>27,349</u>	<u>30,718</u>	<u>2,093,080</u>	<u>84,747</u>	<u>17,806,447</u>
Total assets	<u>\$ 61,984,565</u>	<u>\$ 41,029,206</u>	<u>\$ 97,527</u>	<u>\$ 27,716,718</u>	<u>\$ 389,308</u>	<u>\$ 26,337,372</u>	<u>\$ 112,850</u>	<u>\$ 1,961,137</u>	<u>\$ 1,224,469</u>	<u>\$ 3,199,095</u>	<u>\$ 528,427</u>	<u>\$ 17,849,717</u>
LIABILITIES												
Current liabilities:												
Current portion of long-term debt	\$ 1,434,871	\$ 400,000	\$ 3,600,000	\$ -	\$ -	\$ 526,586	\$ -	\$ -	\$ -	\$ 6,188	\$ -	\$ -
Short term notes	2,331,054	-	-	-	-	-	-	-	-	778,805	-	-
Accounts payable	1,427,353	333,233	236,710	349,360	25,056	307,157	4,359	1,137,814	117,635	382,661	-	13,895
Other liabilities and accruals	589,563	54,813	15,028	1,925,161	3,951	3,250,280	8,626	120,098	-	2,243,280	958	10,749
Due to primary government	-	-	-	-	-	500,000	-	-	-	-	-	72,174
Deferred revenue	80,114	-	-	2,547,086	-	-	-	-	-	17,693	-	-
Total current liabilities	<u>5,862,955</u>	<u>788,046</u>	<u>3,851,738</u>	<u>4,821,607</u>	<u>29,007</u>	<u>4,584,023</u>	<u>12,985</u>	<u>1,257,912</u>	<u>117,635</u>	<u>3,428,627</u>	<u>958</u>	<u>96,818</u>
Noncurrent liabilities:												
Noncurrent portion of long-term debt	30,497,987	710,755	-	-	-	2,124,609	-	-	-	452,689	-	-
Total noncurrent liabilities	<u>30,497,987</u>	<u>710,755</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,124,609</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>452,689</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>36,360,942</u>	<u>1,498,801</u>	<u>3,851,738</u>	<u>4,821,607</u>	<u>29,007</u>	<u>6,708,632</u>	<u>12,985</u>	<u>1,257,912</u>	<u>117,635</u>	<u>3,881,316</u>	<u>958</u>	<u>96,818</u>
NET ASSETS (DEFICIENCY)												
Invested in capital assets, net of related debt	22,973,530	1,533,823	14,347	10,125,687	141,309	5,956,923	4,620	27,349	30,718	855,398	84,747	17,806,447
Restricted for:												
Nonexpendable	-	-	-	2,981,912	-	-	-	-	1,076,116	175,555	-	-
Unrestricted	2,650,093	37,996,582	(3,768,558)	9,787,512	218,992	13,671,817	95,245	675,876	-	(1,713,174)	442,722	(53,548)
Total net assets (deficiency)	<u>25,623,623</u>	<u>39,530,405</u>	<u>(3,754,211)</u>	<u>22,895,111</u>	<u>360,301</u>	<u>19,628,740</u>	<u>99,865</u>	<u>703,225</u>	<u>1,106,834</u>	<u>(682,221)</u>	<u>527,469</u>	<u>17,752,899</u>
Total liabilities and net assets	<u>\$ 61,984,565</u>	<u>\$ 41,029,206</u>	<u>\$ 97,527</u>	<u>\$ 27,716,718</u>	<u>\$ 389,308</u>	<u>\$ 26,337,372</u>	<u>\$ 112,850</u>	<u>\$ 1,961,137</u>	<u>\$ 1,224,469</u>	<u>\$ 3,199,095</u>	<u>\$ 528,427</u>	<u>\$ 17,849,717</u>

FEDERATED STATES OF MICRONESIA

Combined Statement of Net Assets (Deficiency), Continued

Component Units

September 30, 2011

(See Accompanying Independent Accountants' Compilation Report)

	Kosrae Utilities Authority	Pohnpei Utilities Corporation	Pohnpei Port Authority	Pohnpei Transportation Authority	Small Business Guarantee and Finance Corporation	Pohnpei State Housing Authority	Public Transportation System	Yap Visitor's Bureau	Yap State Public Service Corporation	The Diving Seagull, Inc.	Total
ASSETS											
Current assets:											
Cash and cash equivalents	\$ 153,467	\$ 141,181	\$ 3,278,093	\$ -	\$ 300	\$ 305,591	\$ 25,194	\$ 25,890	\$ 119,834	\$ 1,749,088	\$ 25,949,537
Time certificates of deposit	238,575	-	-	-	-	-	-	-	-	1,566,000	5,713,803
Investments	460,291	174,257	-	-	-	-	-	-	-	449,934	16,446,434
Receivables, net:											
General	158,351	1,847,911	219,030	2,924	-	-	8,199	-	949,549	-	9,880,846
Loans	-	-	-	-	-	1,986,694	-	-	-	-	4,937,763
Interest	-	-	-	-	-	21,758	-	-	-	-	290,605
Other	-	-	-	-	-	-	-	-	13,587	120	4,232,683
Due from primary government	-	-	-	-	-	39,950	-	-	-	-	394,726
Advances	-	-	8,517	-	2,315	-	-	-	-	-	10,832
Inventories	363,527	1,444,787	-	16,702	-	-	-	-	871,204	73,962	13,186,629
Other assets	2,820	71,422	3,711	-	-	1,428	174,517	-	51,004	95,369	1,967,495
Restricted assets	-	-	-	-	734,253	-	-	-	-	-	734,253
Total current assets	1,377,031	3,679,558	3,509,351	19,626	736,868	2,355,421	207,910	25,890	2,005,178	3,934,473	83,745,606
Noncurrent assets:											
Capital assets, net of accumulated depreciation	3,728,307	25,575,338	6,179,459	5,561	95,242	122,066	676,431	9,646	8,366,255	5,146,481	145,281,418
Investments	-	-	-	-	-	-	-	-	-	-	3,644,100
Loans receivable	-	-	-	-	937,773	-	-	147,794	-	-	18,600,926
Other noncurrent assets	252,800	878,185	229,868	-	-	-	-	-	1,168,832	2,076,289	4,605,974
Total noncurrent assets	3,981,107	26,453,523	6,409,327	5,561	1,033,015	122,066	676,431	157,440	9,535,087	7,222,770	172,132,418
Total assets	\$ 5,358,138	\$ 30,133,081	\$ 9,918,678	\$ 25,187	\$ 1,769,883	\$ 2,477,487	\$ 884,341	\$ 183,330	\$ 11,540,265	\$ 11,157,243	\$ 255,878,024
LIABILITIES											
Current liabilities:											
Current portion of long-term debt	\$ 69,312	\$ 217,015	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 284,421	\$ 884,141	\$ 7,422,534
Short term notes	158,747	190,000	-	-	-	-	-	-	-	-	3,458,606
Accounts payable	224,240	980,780	147,018	48,965	-	-	29,060	-	232,757	1,260,355	7,258,408
Other liabilities and accruals	207,577	204,894	156,878	14,134	9,751	12,746	11,362	-	1,751,463	643,423	11,234,735
Due to primary government	-	200,000	-	1,437,001	-	493,357	-	-	-	-	2,702,532
Deferred revenue	53,478	180,831	-	3,174	-	-	109,429	-	-	-	2,991,805
Total current liabilities	713,354	1,973,520	303,896	1,503,274	9,751	506,103	149,851	-	2,268,641	2,787,919	35,068,620
Noncurrent liabilities:											
Noncurrent portion of long-term debt	-	8,417,394	-	-	-	-	-	-	3,612,430	3,368,421	49,184,285
Total noncurrent liabilities	-	8,417,394	-	-	-	-	-	-	3,612,430	3,368,421	49,184,285
Total liabilities	713,354	10,390,914	303,896	1,503,274	9,751	506,103	149,851	-	5,881,071	6,156,340	84,252,905
NET ASSETS (DEFICIENCY)											
Invested in capital assets, net of related debt	3,658,995	17,401,879	6,169,659	5,561	95,242	122,066	676,431	9,646	4,469,404	976,771	93,140,552
Restricted for:											
Nonexpendable	90,000	145,112	-	-	1,633,705	1,849,318	-	-	1,168,832	2,076,289	11,196,839
Unrestricted	895,789	2,195,176	3,445,123	(1,483,648)	31,185	-	58,059	173,684	20,958	1,947,843	67,287,728
Total net assets (deficiency)	4,644,784	19,742,167	9,614,782	(1,478,087)	1,760,132	1,971,384	734,490	183,330	5,659,194	5,000,903	171,625,119
Total liabilities and net assets	\$ 5,358,138	\$ 30,133,081	\$ 9,918,678	\$ 25,187	\$ 1,769,883	\$ 2,477,487	\$ 884,341	\$ 183,330	\$ 11,540,265	\$ 11,157,243	\$ 255,878,024

FEDERATED STATES OF MICRONESIA

Combined Statement of Revenues, Expenses, and Changes in Net Assets (Deficiency)

Component Units

Year Ended September 30, 2011

(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	Caroline Islands Air, Inc.	MiCare Plan, Inc.	Chuuk State Health Care Plan	Chuuk Public Utility Corporation	Chuuk State Housing Authority	Kosrae Port Authority	Kosrae Utilities Authority
Operating revenues:													
Charges for services	\$ 13,568,945	\$ 2,439,560	\$ 200,357	\$ 22,854,493	\$ 152,317	\$ 59,060,690	\$ 405,065	\$ 5,443,516	\$ 1,176,426	\$ 2,966,612	\$ 76,852	\$ 188,987	\$ 2,347,648
Other	-	437,847	-	-	-	275,054	-	2,075	5,148	16,419	-	-	-
Total operating revenues	<u>13,568,945</u>	<u>2,877,407</u>	<u>200,357</u>	<u>22,854,493</u>	<u>152,317</u>	<u>59,335,744</u>	<u>405,065</u>	<u>5,445,591</u>	<u>1,181,574</u>	<u>2,983,031</u>	<u>76,852</u>	<u>188,987</u>	<u>2,347,648</u>
Operating expenses:													
Cost of services	479,664	955,026	-	-	113,610	47,881,765	410,182	5,180,459	735,425	2,536,117	-	-	1,894,071
Depreciation	4,486,879	130,700	3,422	942,211	26,102	764,721	880	15,556	8,592	591,602	-	861,995	426,617
Administrative costs	9,650,709	623,130	183,175	21,624,380	214,623	6,383,051	43,651	481,327	232,178	896,580	41,607	182,711	597,187
Total operating expenses	<u>14,617,252</u>	<u>1,708,856</u>	<u>186,597</u>	<u>22,566,591</u>	<u>354,335</u>	<u>55,029,537</u>	<u>454,713</u>	<u>5,677,342</u>	<u>976,195</u>	<u>4,024,299</u>	<u>41,607</u>	<u>1,044,706</u>	<u>2,917,875</u>
Operating income (loss)	<u>(1,048,307)</u>	<u>1,168,551</u>	<u>13,760</u>	<u>287,902</u>	<u>(202,018)</u>	<u>4,306,207</u>	<u>(49,648)</u>	<u>(231,751)</u>	<u>205,379</u>	<u>(1,041,268)</u>	<u>35,245</u>	<u>(855,719)</u>	<u>(570,227)</u>
Nonoperating revenues (expenses):													
Net change in the fair value of investments	120,340	(104,434)	-	(211,516)	-	-	-	16,824	-	-	-	-	(23,304)
Interest income	-	-	-	-	-	-	-	-	-	-	-	-	1,707
Interest expense	(1,518,088)	(63,851)	-	-	-	(198,066)	-	-	(1,008)	(75,780)	-	-	(10,647)
Contributions from primary government	-	250,000	-	-	214,848	-	-	100,000	-	-	-	-	-
Grants	-	-	-	-	-	-	-	-	-	-	-	-	270,866
Loss on disposal of fixed assets	-	-	-	-	-	-	-	(15,000)	-	-	-	-	-
Other income (expense)	-	3,285	(33)	-	-	-	2,572	26,954	12,940	230,893	-	-	-
Total nonoperating revenues (expenses), net	<u>(1,397,748)</u>	<u>85,000</u>	<u>(33)</u>	<u>(211,516)</u>	<u>214,848</u>	<u>(198,066)</u>	<u>2,572</u>	<u>128,778</u>	<u>11,932</u>	<u>155,113</u>	<u>-</u>	<u>-</u>	<u>238,622</u>
Capital contributions	-	-	-	-	-	-	-	-	14,553	1,175,861	-	-	-
Net income (loss)	<u>(2,446,055)</u>	<u>1,253,551</u>	<u>13,727</u>	<u>76,386</u>	<u>12,830</u>	<u>4,108,141</u>	<u>(47,076)</u>	<u>(102,973)</u>	<u>231,864</u>	<u>289,706</u>	<u>35,245</u>	<u>(855,719)</u>	<u>(331,605)</u>
Net assets (deficiency) at the beginning of the year, as previously reported	28,069,678	38,276,854	(3,767,938)	22,818,725	347,471	15,520,599	146,941	806,198	874,970	(971,927)	492,224	18,608,618	4,976,389
Prior period adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-
Net assets (deficiency) at the beginning of the year, as restated	<u>28,069,678</u>	<u>38,276,854</u>	<u>(3,767,938)</u>	<u>22,818,725</u>	<u>347,471</u>	<u>15,520,599</u>	<u>146,941</u>	<u>806,198</u>	<u>874,970</u>	<u>(971,927)</u>	<u>492,224</u>	<u>18,608,618</u>	<u>4,976,389</u>
Net assets (deficiency) at the end of the year	<u>\$ 25,623,623</u>	<u>\$ 39,530,405</u>	<u>\$ (3,754,211)</u>	<u>\$ 22,895,111</u>	<u>\$ 360,301</u>	<u>\$ 19,628,740</u>	<u>\$ 99,865</u>	<u>\$ 703,225</u>	<u>\$ 1,106,834</u>	<u>\$ (682,221)</u>	<u>\$ 527,469</u>	<u>\$ 17,752,899</u>	<u>\$ 4,644,784</u>

FEDERATED STATES OF MICRONESIA

Combined Statement of Revenues, Expenses, and Changes in Net Assets (Deficiency), Continued
Component Units
Year Ended September 30, 2011
(See Accompanying Independent Accountants' Compilation Report)

	Pohnpei Utilities Corporation	Pohnpei Port Authority	Pohnpei Transportation Authority	Small Business Guarantee and Finance Corporation	Pohnpei State Housing Authority	Public Transportation System	Yap Visitor's Bureau	Yap State Public Service Corporation	The Diving Seagull, Inc.	Total
Operating revenues:										
Charges for services	\$ 12,707,857	\$ 2,226,778	\$ 114,112	\$ 92,612	\$ 210,788	\$ 224,896	\$ -	\$ 5,123,712	\$ -	\$ 131,582,223
Other	<u>1,294,353</u>	<u>33,073</u>	<u>-</u>	<u>-</u>	<u>7,153</u>	<u>45,660</u>	<u>-</u>	<u>559,252</u>	<u>12,266,007</u>	<u>14,942,041</u>
Total operating revenues	<u>14,002,210</u>	<u>2,259,851</u>	<u>114,112</u>	<u>92,612</u>	<u>217,941</u>	<u>270,556</u>	<u>-</u>	<u>5,682,964</u>	<u>12,266,007</u>	<u>146,524,264</u>
Operating expenses:										
Cost of services	13,025,487	-	-	-	-	80,725	-	5,288,214	9,275,724	87,856,469
Depreciation	2,214,534	405,908	8,941	11,231	11,090	123,384	14,789	722,303	703,428	12,474,885
Administrative costs	<u>971,604</u>	<u>1,870,152</u>	<u>296,572</u>	<u>149,421</u>	<u>134,097</u>	<u>283,062</u>	<u>291,701</u>	<u>571,019</u>	<u>285,271</u>	<u>46,007,208</u>
Total operating expenses	<u>16,211,625</u>	<u>2,276,060</u>	<u>305,513</u>	<u>160,652</u>	<u>145,187</u>	<u>487,171</u>	<u>306,490</u>	<u>6,581,536</u>	<u>10,264,423</u>	<u>146,338,562</u>
Operating income (loss)	<u>(2,209,415)</u>	<u>(16,209)</u>	<u>(191,401)</u>	<u>(68,040)</u>	<u>72,754</u>	<u>(216,615)</u>	<u>(306,490)</u>	<u>(898,572)</u>	<u>2,001,584</u>	<u>185,702</u>
Nonoperating revenues (expenses):										
Net change in the fair value of investments	-	-	-	-	-	-	-	-	-	(202,090)
Interest income	-	8,571	-	2,855	-	-	625	1,322	90,476	105,556
Interest expense	(119,260)	-	-	-	-	-	-	(16,109)	(345,984)	(2,348,793)
Contributions from primary government	442,352	-	-	117,000	130,590	-	292,149	709,686	-	2,256,625
Grants	-	-	-	-	-	-	-	-	-	270,866
Loss on disposal of fixed assets	-	-	-	-	-	-	-	-	-	(15,000)
Other income (expense)	<u>-</u>	<u>-</u>	<u>12,436</u>	<u>(50,025)</u>	<u>-</u>	<u>339,412</u>	<u>-</u>	<u>(3,628)</u>	<u>(25,664)</u>	<u>549,142</u>
Total nonoperating revenues (expenses), net	<u>323,092</u>	<u>8,571</u>	<u>12,436</u>	<u>69,830</u>	<u>130,590</u>	<u>339,412</u>	<u>292,774</u>	<u>691,271</u>	<u>(281,172)</u>	<u>616,306</u>
Capital contributions	-	-	-	-	49,978	-	-	-	-	1,240,392
Net income (loss)	<u>(1,886,323)</u>	<u>(7,638)</u>	<u>(178,965)</u>	<u>1,790</u>	<u>253,322</u>	<u>122,797</u>	<u>(13,716)</u>	<u>(207,301)</u>	<u>1,720,412</u>	<u>2,042,400</u>
Net assets (deficiency) at the beginning of the year, as previously reported	21,628,490	9,622,420	(1,299,122)	1,758,342	1,718,062	611,693	197,046	5,866,495	3,754,239	170,056,467
Prior period adjustment	-	-	-	-	-	-	-	-	(473,748)	(473,748)
Net assets (deficiency) at the beginning of the year, as restated	<u>21,628,490</u>	<u>9,622,420</u>	<u>(1,299,122)</u>	<u>1,758,342</u>	<u>1,718,062</u>	<u>611,693</u>	<u>197,046</u>	<u>5,866,495</u>	<u>3,280,491</u>	<u>169,582,719</u>
Net assets (deficiency) at the end of the year	<u>\$ 19,742,167</u>	<u>\$ 9,614,782</u>	<u>\$ (1,478,087)</u>	<u>\$ 1,760,132</u>	<u>\$ 1,971,384</u>	<u>\$ 734,490</u>	<u>\$ 183,330</u>	<u>\$ 5,659,194</u>	<u>\$ 5,000,903</u>	<u>\$ 171,625,119</u>

FEDERATED STATES OF MICRONESIA

OTHER SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2011

FEDERATED STATES OF MICRONESIA

Governmental Funds Balance Sheet

Combining General Funds

September 30, 2011

(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	\$ 3,042,605	\$ 2,527,269	\$ 909,237	\$ 3,000	\$ 126,280	\$ 6,608,391
Time certificates of deposit	1,430,763	-	-	-	-	1,430,763
Equity in internal investment pool	19,289,597	321,799	-	-	18,881,908	38,493,304
Investments	6,052,854	-	262,000	5,621,811	2,000,000	13,936,665
Receivables, net:						
General	500,607	1,061,483	181,961	-	-	1,744,051
Taxes	4,446,650	-	-	1,668,605	31,588	6,146,843
Loans	41,391,579	-	30,000	-	1,836,024	43,257,603
Other governments and agencies	140,963	-	-	-	65,269	206,232
Other	47,297	-	-	548,870	164,524	760,691
Due from component units	500,000	-	-	200,000	-	700,000
Due from other funds	5,901,875	1,791,483	207,504	4,108,836	-	12,009,698
Advances	-	-	92,969	57,104	832,612	982,685
Other assets	8,077,292	365,692	-	-	-	8,442,984
Restricted assets:						
Cash and cash equivalents	3,597,321	-	502,259	75,096	-	4,174,676
Time certificates of deposit	-	-	200,000	-	-	200,000
Investments	-	3,490,444	1,318,586	3,190,557	1,656,912	9,656,499
Total assets	<u>\$ 94,419,403</u>	<u>\$ 9,558,170</u>	<u>\$ 3,704,516</u>	<u>\$ 15,473,879</u>	<u>\$ 25,595,117</u>	<u>\$ 148,751,085</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Bank overdraft	\$ -	\$ -	\$ -	\$ 586,647	\$ -	\$ 586,647
Accounts payable	1,716,166	1,484,322	123,784	819,261	462,982	4,606,515
Other liabilities and accruals	1,332,755	183,619	168,269	1,313,308	202,794	3,200,745
Tax refunds payable	511,443	-	-	-	-	511,443
Land acquisition payable	-	8,628,545	-	-	-	8,628,545
Note payable	-	561,987	-	-	-	561,987
Due to component units	304,640	136	-	-	-	304,776
Due to private purpose fund	900,000	-	-	-	-	900,000
Due to FSM State Governments	3,717,006	-	-	-	-	3,717,006
Due to other funds	5,549,508	6,967,113	1,630,322	6,445,773	2,778,147	23,370,863
Deferred revenue	-	-	-	-	16,901	16,901
Total liabilities	<u>14,031,518</u>	<u>17,825,722</u>	<u>1,922,375</u>	<u>9,164,989</u>	<u>3,460,824</u>	<u>46,405,428</u>
Fund balances (deficits):						
Non-spendable	50,739,454	297,552	384,969	757,104	2,668,636	54,847,715
Restricted	311,647	3,490,444	1,636,528	3,306,657	6,391,851	15,137,127
Committed	24,686,292	-	2,716	357,190	-	25,046,198
Assigned	2,798,773	-	-	282,792	5,079,871	8,161,436
Unassigned:						
General fund	1,851,719	(12,055,548)	(242,072)	1,605,147	7,993,935	(846,819)
Total fund balances (deficit)	<u>80,387,885</u>	<u>(8,267,552)</u>	<u>1,782,141</u>	<u>6,308,890</u>	<u>22,134,293</u>	<u>102,345,657</u>
Total liabilities and fund balances	<u>\$ 94,419,403</u>	<u>\$ 9,558,170</u>	<u>\$ 3,704,516</u>	<u>\$ 15,473,879</u>	<u>\$ 25,595,117</u>	<u>\$ 148,751,085</u>

FEDERATED STATES OF MICRONESIA

Governmental Funds Balance Sheet

Combining Grants Assistance Funds

September 30, 2011

(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						
Investments	\$ 1,391,146	\$ 2,050,000	\$ 900,000	\$ 4,108,984	\$ 3,240,622	\$ 11,690,752
Receivables, net:						
Federal agencies	17,378,072	-	-	-	-	17,378,072
FSM National Government	-	1,925,755	376,516	2,088,707	1,720,288	6,111,266
Other	-	-	-	3,928	19,500	23,428
Due from other funds	2,885,133	6,925,713	1,035,254	2,085,802	2,424,398	15,356,300
Advances	1,462,099	-	31,990	80,579	904,519	2,479,187
Other assets	-	160,610	106,472	-	-	267,082
Restricted assets:						
Cash and cash equivalents	-	-	-	148,849	-	148,849
Total assets	<u>\$ 23,116,450</u>	<u>\$ 11,062,078</u>	<u>\$ 2,450,232</u>	<u>\$ 8,516,849</u>	<u>\$ 8,309,327</u>	<u>\$ 53,454,936</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 3,629,942	\$ 1,553,296	\$ 161,537	\$ 682,507	\$ 1,670,063	\$ 7,697,345
Other liabilities and accruals	4,531,854	8,428	202,974	228,756	134,038	5,106,050
Due to federal agencies	1,444,470	-	-	-	-	1,444,470
Due to FSM State Governments	3,538,018	-	-	-	-	3,538,018
Due to other funds	5,901,875	1,791,483	204,527	4,095,083	-	11,992,968
Deferred revenue	2,908,571	-	234,139	1,423,263	1,049,224	5,615,197
Total liabilities	<u>21,954,730</u>	<u>3,353,207</u>	<u>803,177</u>	<u>6,429,609</u>	<u>2,853,325</u>	<u>35,394,048</u>
Fund balances:						
Non-spendable	-	2,210,610	1,035,950	1,080,579	904,519	5,231,658
Restricted	-	6,728,193	658,164	2,017,900	2,327,830	11,732,087
Committed	1,299,321	-	-	-	-	1,299,321
Assigned	-	-	-	37,158	2,223,653	2,260,811
Unassigned:						
Special revenue funds	<u>(137,601)</u>	<u>(1,229,932)</u>	<u>(47,059)</u>	<u>(1,048,397)</u>	<u>-</u>	<u>(2,462,989)</u>
Total fund balances	<u>1,161,720</u>	<u>7,708,871</u>	<u>1,647,055</u>	<u>2,087,240</u>	<u>5,456,002</u>	<u>18,060,888</u>
Total liabilities and fund balances	<u>\$ 23,116,450</u>	<u>\$ 11,062,078</u>	<u>\$ 2,450,232</u>	<u>\$ 8,516,849</u>	<u>\$ 8,309,327</u>	<u>\$ 53,454,936</u>

FEDERATED STATES OF MICRONESIA

Governmental Funds Balance Sheet

Combining Compact Trust Funds

September 30, 2011

(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	<u>\$ 10,377,390</u>	<u>\$ 8,088,435</u>	<u>\$ 2,803,053</u>	<u>\$ 9,120,962</u>	<u>\$ -</u>	<u>\$ 30,389,840</u>
Total assets	<u>\$ 10,377,390</u>	<u>\$ 8,088,435</u>	<u>\$ 2,803,053</u>	<u>\$ 9,120,962</u>	<u>\$ -</u>	<u>\$ 30,389,840</u>
<u>FUND BALANCES</u>						
Fund balances:						
Non-spendable	<u>\$ 10,377,390</u>	<u>\$ 8,088,435</u>	<u>\$ 2,803,053</u>	<u>\$ 9,120,962</u>	<u>\$ -</u>	<u>\$ 30,389,840</u>
Total fund balances	<u>\$ 10,377,390</u>	<u>\$ 8,088,435</u>	<u>\$ 2,803,053</u>	<u>\$ 9,120,962</u>	<u>\$ -</u>	<u>\$ 30,389,840</u>

FEDERATED STATES OF MICRONESIA

Governmental Funds Balance Sheet Combining Other Governmental Funds September 30, 2011

(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>						
Investment	\$ -	\$ -	\$ 38,000	\$ -	\$ 218,565	\$ 256,565
Receivables, net:						
General	-	-	300	-	-	300
Loans	-	-	440,782	-	-	440,782
Other governments and agencies	-	-	-	-	24,644	24,644
Other	-	-	-	9,065	17,585	26,650
Due from other funds	2,664,375	41,400	595,068	4,359,971	806,005	8,466,819
Advances	-	-	3,166	2,619	-	5,785
Inventories	-	-	-	29,946	-	29,946
Restricted assets:						
Cash and cash equivalents	-	-	24,050	-	-	24,050
Time certificates of deposit	-	-	354,383	-	-	354,383
Investments	-	-	-	-	6,585,757	6,585,757
Total assets	\$ 2,664,375	\$ 41,400	\$ 1,455,749	\$ 4,401,601	\$ 7,652,556	\$ 16,215,681
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable	\$ 37,676	\$ -	\$ 19,588	\$ 68,232	\$ 75,660	\$ 201,156
Other liabilities and accruals	-	-	-	1,028	22,612	23,640
Due to other funds	-	-	2,977	13,753	452,256	468,986
Deferred revenue	-	-	33	-	772,692	772,725
Total liabilities	37,676	-	22,598	83,013	1,323,220	1,466,507
Fund balances:						
Non-spendable	-	-	481,948	32,565	6,373,137	6,887,650
Restricted	-	-	478,501	-	-	478,501
Committed	2,626,699	41,400	472,702	4,176,213	-	7,317,014
Assigned	-	-	-	165,721	234,430	400,151
Unassigned:						
Special revenue funds	-	-	-	(55,911)	191,010	135,099
Capital projects funds	-	-	-	-	(469,241)	(469,241)
Total fund balances	2,626,699	41,400	1,433,151	4,318,588	6,329,336	14,749,174
Total liabilities and fund balances	\$ 2,664,375	\$ 41,400	\$ 1,455,749	\$ 4,401,601	\$ 7,652,556	\$ 16,215,681

FEDERATED STATES OF MICRONESIA

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

Combining General Funds

Year Ended September 30, 2011

(See Accompanying Independent Accountants' Compilation Report)

	FSM National Government	State of Chuuk	State of Kosrae	State of Pohnpei	State of Yap	Total
Revenues:						
Taxes	\$ 15,079,493	\$ 5,809,622	\$ 1,630,937	\$ 9,313,288	\$ -	\$ 31,833,340
Federal and other grants	13,868	-	-	-	3,390,198	3,404,066
Fishing rights	18,811,198	-	-	-	-	18,811,198
Interest and dividends	555,418	-	57,021	-	-	412,439
Fees and charges	718,855	1,466,192	217,667	233,337	863,807	3,499,858
Net change in the fair value of investments	(244,133)	(7,948)	50,762	(99,063)	(975,682)	(1,276,064)
MiCare reimbursible	252,975	-	-	-	-	252,975
Other	913,640	1,088,183	96,000	23,880	128,868	2,250,571
Total revenues	35,901,312	8,356,049	2,052,387	9,471,442	3,407,191	59,188,381
Expenditures:						
Current:						
General government:						
President's office	1,410,864	-	-	-	-	1,410,864
External affairs and LNOs	4,033,649	-	-	-	-	4,033,649
Health and social affairs	316,240	-	-	820	219,788	536,848
Education	1,050,408	2,850	-	2,318	-	1,055,576
Economic development (Resources & Development)	975,949	105,604	66,519	-	113,302	1,261,374
Transportation, communication and infrastructure	1,978,511	694,766	-	535,950	1,429,681	4,638,908
Finance and general governmental administration	2,775,375	5,199,596	1,262,874	3,957,133	1,177,008	12,569,984
Justice	4,065,853	782,946	297,159	1,787,279	559,073	7,492,310
Office of the Public Defender	757,041	-	-	-	-	757,041
SBOC Office	1,248,191	-	-	-	-	1,248,191
Environment and emergency management	495,922	-	-	-	-	495,922
National archives, cultural and historic preservation	172,470	-	-	-	-	172,470
Judiciary	1,341,678	402,335	-	-	197,665	1,941,678
Legislature	5,281,798	-	-	-	-	5,281,798
Office of the Public Auditor	1,063,891	-	-	-	-	1,063,891
National government programs	1,004,904	-	-	-	-	1,004,904
Land and natural resources	-	-	-	586,335	-	586,335
Other appropriations	4,015,137	2,238,505	-	2,656,334	406,658	9,316,634
Payments to component units	1,809,598	40,775	-	24,771	67,590	1,942,734
Boards, commissions, councils and other	1,700,921	572,279	598,746	1,014,924	693,316	4,580,186
Debt service	2,084,191	639,598	225,241	204,889	-	3,153,919
Total expenditures	35,580,589	8,679,254	2,450,539	10,770,753	4,864,081	62,345,216
Excess (deficiency) of revenues over (under) expenditures	320,723	(323,205)	(398,152)	(1,299,311)	(1,456,890)	(3,156,835)
Other financing sources (uses):						
Proceeds from issuance of long-term debt	5,496,613	-	66,644	-	-	5,563,257
Operating transfers in	285,744	-	45,113	-	-	330,857
Operating transfers out	(1,281,246)	(393,065)	-	(308,981)	(239,210)	(2,222,502)
Total other financing sources (uses), net	4,501,111	(393,065)	111,757	(308,981)	(239,210)	3,671,612
Special items:						
Revaluation of ADB shares	4,618,522	-	-	-	-	4,618,522
Write-off of receivables	(3,896,617)	-	-	-	-	(3,896,617)
Total special items	721,905	-	-	-	-	721,905
Net change in fund balances (deficits)	5,543,739	(716,270)	(286,395)	(1,608,292)	(1,696,100)	1,236,682
Fund balances (deficit) at the beginning of the year, as previously reported	74,844,146	(7,551,282)	2,068,536	7,917,182	24,118,202	101,396,784
Prior-period adjustment	-	-	-	-	(287,809)	(287,809)
Fund balances (deficit) at the beginning of the year, as restated	74,844,146	(7,551,282)	2,068,536	7,917,182	23,830,393	101,108,975
Fund balances (deficit) at the end of the year	\$ 80,387,885	\$ (8,267,552)	\$ 1,782,141	\$ 6,308,890	\$ 22,134,293	\$ 102,345,657

FEDERATED STATES OF MICRONESIA

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

Combining Grants Assistance Funds

Year Ended September 30, 2011

(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	\$ 20,993,309	\$ 28,311,583	\$ 7,394,150	\$ 17,421,510	\$ 11,826,279	\$ 85,946,831
CFSM grants	-	-	-	94,969	33,278	128,247
Federal and other grants	44,181,075	142,049	382,676	2,416,252	3,691,899	50,813,951
Fees and charges	-	-	-	-	21,809	21,809
Other	-	-	278	139,855	93,925	234,058
Total revenues	65,174,384	28,453,632	7,777,104	20,072,586	15,667,190	137,144,896
Expenditures:						
Current:						
General government:						
Health and social affairs	6,036,014	9,974,090	2,265,975	7,043,566	4,644,152	29,963,797
Education	2,857,760	14,216,987	3,730,792	11,741,537	6,078,863	38,625,939
Economic development	176,914	1,433,013	905,574	-	1,142,832	3,658,333
Transportation, communication and infrastructure	542,521	-	-	-	525,433	1,067,954
Finance and general governmental administration	1,196,805	1,723,671	591,700	1,173,966	2,817,719	7,503,861
Justice	-	55,795	-	-	51,387	107,182
SBOC Office	370,994	-	-	-	-	370,994
Environment and emergency management	320,160	-	513,518	-	-	833,678
National archives, cultural and historic presevation	179,976	-	-	-	-	179,976
Judiciary	-	-	-	-	45,477	45,477
Office of the Public Auditor	522,047	-	-	-	-	522,047
National government programs	1,406,580	-	-	-	-	1,406,580
Land and natural resources	-	-	-	123,233	-	123,233
Other appropriations	-	-	-	-	540,598	540,598
Payments to component units	104,121	-	-	-	-	104,121
Boards, commissions, councils and other	-	-	-	-	403,830	403,830
Capital projects	51,460,537	-	-	-	-	51,460,537
Debt service	-	-	-	-	255,781	255,781
Total expenditures	65,174,429	27,403,556	8,007,559	20,082,302	16,506,072	137,173,918
Excess (deficiency) of revenues over (under) expenditures	(45)	1,050,076	(230,455)	(9,716)	(838,882)	(29,022)
Other financing sources:						
Operating transfers in	-	393,065	-	-	239,210	632,275
Total other financing sources	-	393,065	-	-	239,210	632,275
Net change in fund balances	(45)	1,443,141	(230,455)	(9,716)	(599,672)	603,253
Fund balances at the beginning of the year, as previously reported	1,161,765	6,265,730	1,877,510	2,096,956	6,413,737	17,815,698
Prior-period adjustment	-	-	-	-	(358,063)	(358,063)
Fund balances at the beginning of the year, as restated	1,161,765	6,265,730	1,877,510	2,096,956	6,055,674	17,457,635
Fund balances at the end of the year	\$ 1,161,720	\$ 7,708,871	\$ 1,647,055	\$ 2,087,240	\$ 5,456,002	\$ 18,060,888

FEDERATED STATES OF MICRONESIA

Governmental Funds Statement of Revenues
and Changes in Fund Balances
Combining Compact Trust Funds
Year Ended September 30, 2011

(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	\$ (128,773)	\$ -	\$ (34,783)	\$ (113,182)	\$ -	\$ (276,738)
Total revenues	<u>(128,773)</u>	<u>-</u>	<u>(34,783)</u>	<u>(113,182)</u>	<u>-</u>	<u>(276,738)</u>
Net change in fund balances	(128,773)	-	(34,783)	(113,182)	-	(276,738)
Fund balances at the beginning of the year	<u>10,506,163</u>	<u>8,088,435</u>	<u>2,837,836</u>	<u>9,234,144</u>	<u>-</u>	<u>30,666,578</u>
Fund balances at the end of the year	<u>\$ 10,377,390</u>	<u>\$ 8,088,435</u>	<u>\$ 2,803,053</u>	<u>\$ 9,120,962</u>	<u>\$ -</u>	<u>\$ 30,389,840</u>

FEDERATED STATES OF MICRONESIA

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

Combining Other Governmental Funds

Year Ended September 30, 2011

(See Accompanying Independent Accountants' Compilation Report)

	FSM National Government	State of Chuuk	State of Kosrae	State of Pohnpei	State of Yap	Total
Revenues:						
Taxes	\$ 246,597	\$ -	\$ -	\$ 577,487	\$ 127,190	\$ 951,274
CFSM grants	-	-	15,051	-	293,539	308,590
Federal and other grants	-	52,722	-	-	-	52,722
Fees and charges	1,423,533	81,539	238,267	804,001	191,513	2,738,853
Other	-	-	85,042	-	45,520	130,562
Total revenues	1,670,130	134,261	338,360	1,381,488	657,762	4,182,001
Expenditures:						
Current:						
General government:						
Health and social affairs	1,967	177,608	38,449	1,146,202	-	1,364,226
Education	381,423	-	-	-	-	381,423
Economic development	-	-	-	-	41,338	41,338
Transportation, communication and infrastructure	1,262,053	-	-	-	41,439	1,303,492
Finance and general governmental administration	-	-	-	1,440,168	403,203	1,843,371
Justice	306,375	-	28,608	-	-	334,983
Environment and emergency management	-	-	91,447	-	-	91,447
Other appropriations	-	-	-	-	2,057	2,057
Boards, commissions, councils and other	250,955	-	43,733	-	-	294,688
Debt service	-	-	-	-	431,948	431,948
Total expenditures	2,202,773	177,608	202,237	2,586,370	919,985	6,088,973
Excess (deficiency) of revenues over (under) expenditures	(532,643)	(43,347)	136,123	(1,204,882)	(262,223)	(1,906,972)
Other financing sources (uses):						
Operating transfers in	1,281,246	-	-	616,542	-	1,897,788
Operating transfers out	(285,744)	-	(45,113)	(307,561)	-	(638,418)
Total other financing sources (uses), net	995,502	-	(45,113)	308,981	-	1,259,370
Net change in fund balances	462,859	(43,347)	91,010	(895,901)	(262,223)	(647,602)
Fund balances at the beginning of the year, as previously reported	2,163,840	84,747	1,342,141	5,214,489	6,590,478	15,395,695
Prior-period adjustment	-	-	-	-	1,081	1,081
Fund balances at the beginning of the year, as restated	2,163,840	84,747	1,342,141	5,214,489	6,591,559	15,396,776
Fund balances at the end of the year	\$ 2,626,699	\$ 41,400	\$ 1,433,151	\$ 4,318,588	\$ 6,329,336	\$ 14,749,174