Financial Statements

Federated States of Micronesia National Government

Year Ended September 30, 2024
With Report of Independent Auditors

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Federated States of Micronesia
National Government

Financial Statements

Year Ended September 30, 2024

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Report of Independent Auditors

Honorable Wesley W. Simina
President
Federated States of Micronesia

Report on the Audit of the Financial Statements

Opinions

We have audited the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the Federated States of Micronesia (FSM) National Government as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the FSM National Government's basic financial statements as listed in the table of contents (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the FSM National Government at September 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis-of-Matters

Correction of Errors

As discussed in note 13 to the financial statements, the beginning net position of the compact trust fund and of the government-wide financial statements have been restated.

Our opinions are not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the FSM National Government's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the FSM National Government's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 14 as well as the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund and notes thereto, on pages 83 through 85, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the FSM National Government's basic financial statements. We previously audited, in accordance with auditing standards generally adopted in the United States of America and *Government Auditing Standards*, the basic financial statements for the year ended September 30, 2023 and expressed an unmodified opinion on these financial statements. The combining and individual fund financial statements for the year ended September 30, 2024, as set forth in Section V of the foregoing table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended September 30, 2024 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the Unites States of America. In our opinion, the combining and individual fund financial statements is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Statement of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual, Budgetary Analysis (General Fund 01 only) on pages 97 through 100 for the year ended September 30, 2024, and the schedules of World Bank Projects Financial Summary on pages 101 and 102 for the year ended September 30, 2024 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2026, on our consideration of the FSM National Government's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the FSM National Government's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the FSM National Government's internal control over financial reporting and compliance.

Ernst + Young LLP

July 31, 2026

Management of the Federated States of Micronesia (FSM) National Government presents this discussion and analysis of its financial performance for the fiscal year ended September 30, 2024. It is written in plain language, with tables and charts, and follows the order of the financial statements themselves so that readers can tie each highlight directly to the statements. It should be read together with the financial statements and the notes that follow. Amounts in the narrative are expressed in millions of dollars; the tables and charts present whole-dollar amounts that agree to the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis introduce the National Government's basic financial statements, which have three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. Required supplementary information (the General Fund budgetary comparison) and other supplementary schedules follow the basic statements.

Government-wide financial statements — the Statement of Net Position and the Statement of Activities report on the National Government as a whole, using full accrual accounting similar to a private business. The Statement of Net Position shows everything the Government owns and owes, with the difference reported as net position — over time, changes in net position are a key indicator of financial health. The Statement of Activities shows how net position changed during the year and how far program revenues went toward covering program expenses.

Fund financial statements — these report on the Government's most significant individual funds rather than the Government as a whole. Governmental funds (the General Fund, the Grants Assistance Fund, the Section 215 Compact Trust Fund, and nonmajor funds) use the modified accrual basis, focusing on near-term inflows, outflows and balances available for spending; reconciliations explain the differences from the government-wide statements. Fiduciary funds account for resources the Government holds for others — mainly the FSM Social Security Administration — which are not available to fund government programs.

Component units — the National Government reports nine legally separate component units for which it is financially accountable: the College of Micronesia–FSM, National Fisheries Corporation, FSM Telecommunications Corporation, FSM Development Bank, Telecommunications Regulation Authority, FSM Petroleum Corporation, MiCare Health Insurance Plan, FSM Telecommunications Cable Corporation, and Caroline Islands Air, Inc. Excluding them would make the Government's financial statements misleading or incomplete.

Notes to the financial statements — the notes explain the accounting policies used and provide details essential to understanding the amounts in the statements; references to specific notes appear throughout this discussion.

FINANCIAL HIGHLIGHTS

The year in simple terms — four things explain FY2024:

1. The first year of the Amended Compact of Free Association (effective from the start of fiscal year 2024, October 1, 2023) brought in $101.1 million of Compact funding, most of which passes through to the four States. Of this amount, $94.5 million (93.4%) was passed through to the State Governments and others — Chuuk $34.5 million, Yap $21.8 million, Pohnpei $20.1 million, Kosrae $15.2 million and the College of Micronesia–FSM $2.8 million — while $6.6 million was retained at the national level under Section 211(a)(6) for infrastructure. Together with $6.3 million of federal grants passed through, total payments to the State Governments and others were $100.8 million.

2. Strong financial markets produced $96.3 million in net investment gains, mostly on the FSM Trust Fund. These are largely unrealized gains and can reverse if markets fall.

3. Fishing rights revenue fell by about half, from $62.5 million in FY2023 to $31.9 million, while General Fund tax collections rose strongly, from $20.7 million to $28.9 million. The $30.6 million (49.0%) drop in fishing rights was the biggest single change in the Government's own revenue and left collections $2.6 million below budget. The rise in taxes was broad-based — income tax up 79%, import tax up 63% and gross receipts tax up 57% — but recovered only about a quarter of the fishing revenue lost. Fishing rights fell from 69% to 46% of General Fund revenue while taxes rose from 23% to 41%, and General Fund revenues finished at $69.8 million, down 22.7% from $90.3 million.

4. The Government moved $37.9 million from the General Fund into the FSM Trust Fund to build long-term savings. This, together with the planned use of $12.5 million of savings from earlier years, is why the day-to-day operating fund (Fund 01) decreased during the year — the budget itself remained balanced.

1. STATEMENT OF NET POSITION — GOVERNMENT-WIDE (PRIMARY GOVERNMENT)

The table below summarizes the primary government's assets, liabilities and net position at September 30. The discretely presented component units are shown separately below.

Primary government	FY2024	FY2023 (as restated)	Change	% Change
Current assets	$672,394,291	$595,551,172	$76,843,119	12.90%
Capital assets, net	$181,380,841	$189,375,626	($7,994,785)	-4.20%
Other noncurrent assets	$60,202,286	$57,431,164	$2,771,122	4.80%
Total assets	$913,977,418	$842,357,962	$71,619,456	8.50%
Current liabilities	$49,820,372	$46,517,249	$3,303,123	7.10%
Noncurrent liabilities	$33,507,940	$34,133,595	($625,655)	-1.80%
Total liabilities	$83,328,312	$80,650,844	$2,677,468	3.30%
Net investment in capital assets	$181,380,841	$188,511,987	($7,131,146)	-3.80%
Restricted	$27,611,501	$24,676,955	$2,934,546	11.90%
Unrestricted	$621,656,764	$548,518,176	$73,138,588	13.30%
Total net position	**$830,649,106**	**$761,707,118**	**$68,941,988**	**9.10%**

Total assets of $914.0 million were almost eleven times total liabilities of $83.3 million. Net position grew $68.9 million, or 9.1%, during the year, from a restated $761.7 million to $830.6 million, driven mainly by net investment gains. Of restricted net position, $3.9 million (Compact related and Other purposes) is restricted by enabling legislation.

The nine discretely presented component units are reported separately from the primary government. Their combined financial position and results at their respective year ends were:

Discretely presented component units	FY2024
Total assets	$286,198,571
Total liabilities	$ 50,662,352
Total net position, end of year	$235,536,219
Net position, beginning of year (as restated)	$220,550,383
Change in net position	$ 14,985,836

Component unit net position increased $15.0 million, or 6.8%, over the restated prior-year balance of $220.6 million.

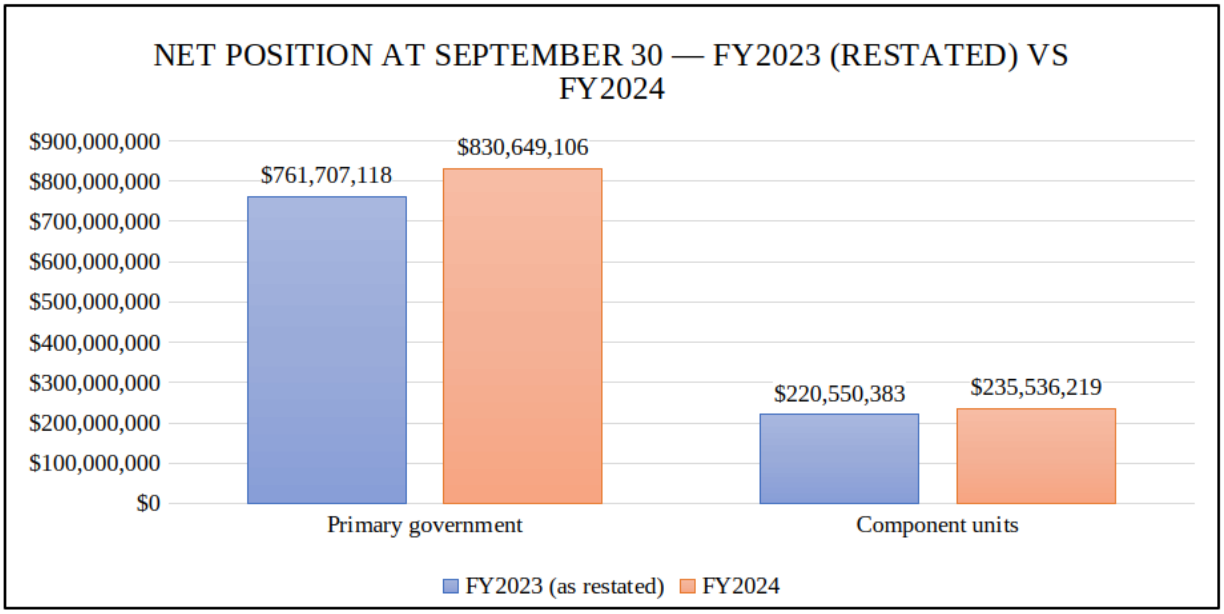


Table notes: FY2024 other noncurrent assets comprise restricted investments $23,752,115, loans receivable $28,022,729 and other assets $8,427,442. FY2024 restricted net position comprises nonexpendable Compact Trust Fund $23,752,115 and expendable amounts of $2,146,425 (Compact related) and $1,712,961 (Other purposes). The FY2023 column is presented on the restated basis: total net position at September 30, 2023 was restated from $767,679,586 as originally reported to $761,707,118, a reduction of $5,972,468, to correct an overstatement of investments (Note 13); the restatement reduced restricted (nonexpendable) net position and other noncurrent assets by that same amount. Change is FY2024 less FY2023, and percentages are computed on the FY2023 amount.

2. STATEMENT OF ACTIVITIES — GOVERNMENT-WIDE

The Statement of Activities reports how the year's activities changed the primary government's net position: total expenses by function, the program revenues that directly offset those expenses, and the general revenues and contributions that funded the remaining net cost of government.

Primary government	FY2024	FY2023 (as restated)	Change	% Change
Expenses (all functions)	$262,084,723	$237,702,276	$24,382,447	10.3%
Program revenues	$172,145,920	$126,743,941	$45,401,979	35.8%
Net expense of governmental activities	$(89,938,803)	$(110,958,335)	$21,019,532	18.9%
General revenues and contributions	$158,880,791	$124,901,143	$33,979,648	27.2%
Change in net position	$68,941,988	$13,942,808	$54,999,180	394.5%
Net position, beginning of year (as restated)	$761,707,118	$747,764,310	$13,942,808	1.9%

Table notes: FY2024 program revenues comprise charges for services $9,473,793, operating grants and contributions $156,039,525 and capital grants and contributions $6,632,602. FY2024 general revenues and contributions comprise taxes $29,140,340, fishing rights $31,850,931, unrestricted investment earnings $93,491,913, others $933,011 and contributions to permanent funds $3,464,596. FY2023 amounts are presented on the restated basis: the FY2023 change in net position was restated from $19,915,276 to $13,942,808 and ending net position from $767,679,586 to $761,707,118 (Note 13), the restatement reducing FY2023 general revenues and contributions by $5,972,468. Change is FY2024 less FY2023 and percentages are computed on the FY2023 amount; for net expense of governmental activities a positive change represents a reduction in the net cost of government.

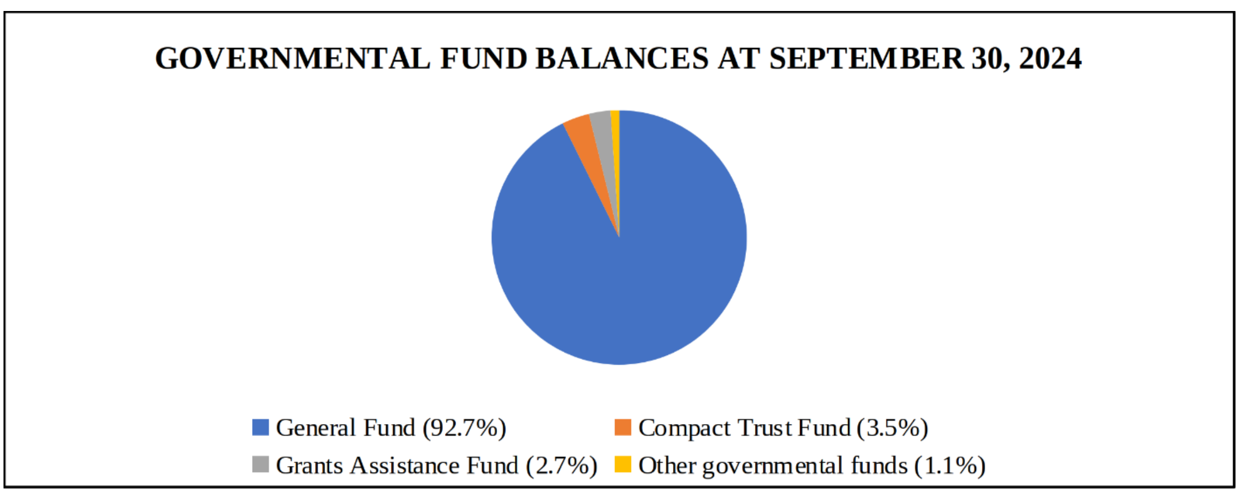
Revenues grew 28.5% while expenses grew 10.3%, as analyzed in the table above. Program revenues covered 65.7% of total expenses; the remaining net cost of government was met by general revenues, led by $93.5 million of unrestricted investment earnings, $31.9 million of fishing rights and $29.1 million of taxes.

3. BALANCE SHEET — GOVERNMENTAL FUNDS

This balance sheet shows what the Government's operating funds held at September 30 — cash, investments and amounts due to them — and what they owed. The difference is reported as fund balance.

All Governmental Funds, at September 30	FY2024	FY2023
Cash, cash equivalents and time certificates of deposit (FY2024: unrestricted cash $52,500,408; restricted cash $43,650,693; time certificates of deposit $3,049,025 — Note 2)	$99,200,126	$153,816,878
Investments (FY2024: General Fund $556,958,488; Compact Trust Fund, restricted $23,752,115)	$580,710,603	$455,481,312
Receivables, net (FY2024: loans $28,022,729; taxes $6,942,910; federal agencies $5,781,971; advances $1,766,844; due from component units $500,000; general $361,133; accrued interest $26,447 — Note 3)	$43,402,034	$39,599,057
Due from other funds, prepayments and other assets (FY2024: due from other funds $46,649,349; other assets $8,427,442; prepayments $856,372)	$55,933,163	$48,568,888
Total assets	**$779,245,926**	**$697,466,135**
Accounts payable and accruals (FY2024: accounts payable $12,422,057; other liabilities and accruals $5,534,772)	$17,956,829	$19,266,564
Due to FSM State Governments	$18,080,799	$13,726,972
Due to other funds	$46,649,349	$38,511,331
Unearned revenue	$9,513,283	$9,507,408
Total liabilities	**$92,200,260**	**$81,012,275**
Total fund balances	**$687,045,666**	**$616,453,860**

**FY2023 total fund balances were subsequently restated to $610,481,392 (Note 13). Bracketed amounts are FY2024 components. Cash, cash equivalents and time certificates of deposit are combined to agree to Note 2 and amounts due from component units are included in receivables to agree to Note 3; FY2023 amounts are as reported in the fiscal year 2023 financial statements and have not been re-grouped.*



Fund Balances	Beginning (as restated)	Ending	Change
General Fund	$568,181,672	$636,978,158	+$68,796,486
Grants Assistance Fund	$ 17,989,227	$ 18,872,571	+$ 883,344
Compact Trust Fund	$ 20,287,519	$ 23,752,115	+$ 3,464,596
Other governmental funds	$ 4,022,974	$ 7,442,822	+$ 3,419,848
Total	**$610,481,392**	**$687,045,666**	**+$76,564,274**

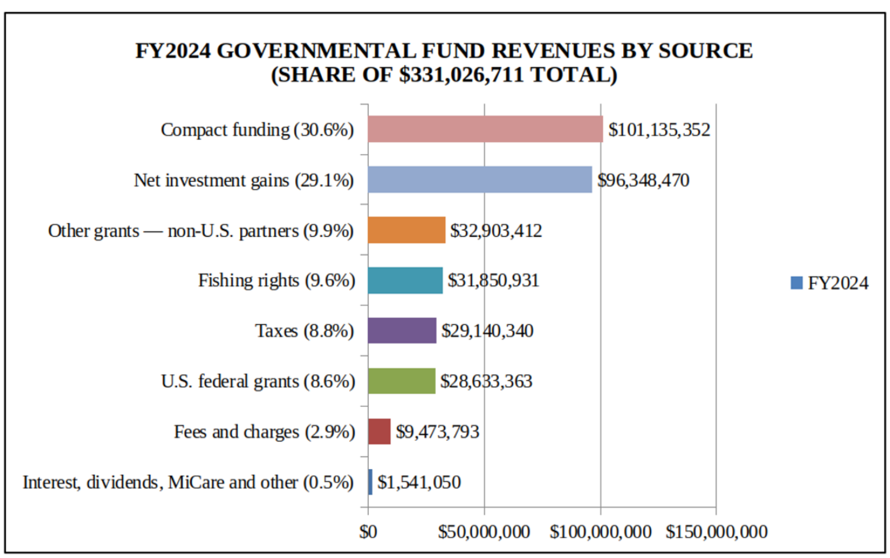
The General Fund balance of $637.0 million is made up of a number of internal funds. Most of it is the FSM Trust Fund — the National Government's long-term savings — and is not cash freely available for the annual budget. The table below reconciles the budgetary fund balance of Fund 01 to the General Fund balance on a GAAP basis, as presented on page 90 of the financial statements. The classification of fund balances under GASB Statement No. 54 — non-spendable, restricted, committed, assigned and unassigned — is disclosed in Note 11.

Reconciliation of Fund 01 to the General Fund Balance, GAAP Basis	Amount
Fund balance, Fund 01 — day-to-day operations	$ 136,215,116
Add: ADB Loan Fund (Fund 91)	$ 28,499,557
Add: Investment Development Fund with FSM Development Bank	$ 2,088,696
Add: Early Retirement Fund (ERP)	$(2,312,067)
Add: FSM Trust Fund (long-term savings, committed)	$ 472,486,856
Fund balance, General Fund — GAAP basis	**$ 636,978,158**

4. STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

This statement shows all the money the Government's funds received and spent during the year. Total revenues of all governmental funds were $331.0 million. Every contributing source is shown below — two sources, Compact funding and net investment gains, together accounted for 59.7% of total revenues. Compact funding is shown in full at the National Government level, in line with the U.S. Department of the Interior reporting arrangement — the National Government, as grantee, records the full revenue and expenditure, and the amounts passed on to the States are eliminated on cons olidation.

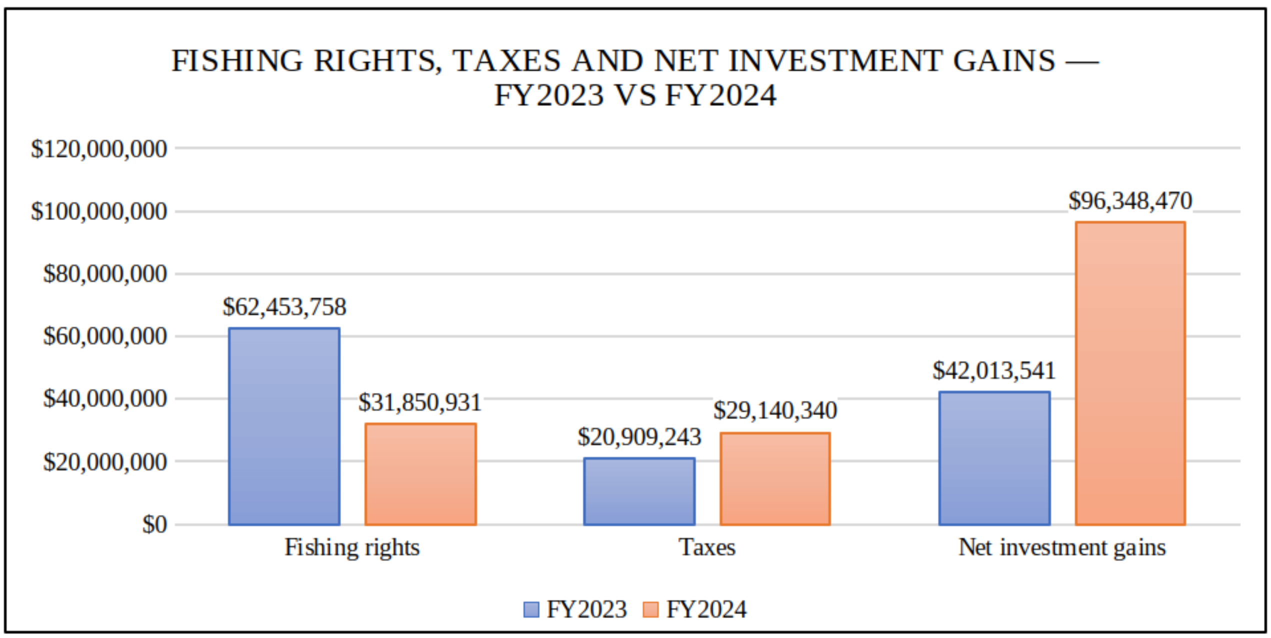
The chart below ranks FY2024 revenues from largest to smallest. Each bar is the whole-dollar amount shown in the table that follows, and the percentage beside each source is that source's share of total revenues of $331,026,711.



Revenue source	FY2024	FY2023	Change	Change %
Compact funding	$101,135,352	$ 76,999,689	$ 24,135,663	31.30%
Net investment gains (mostly FSM Trust Fund)	$ 96,348,470	$ 42,013,541	$ 54,334,929	129.30%
Other grants (non-U.S. partners)	$ 32,903,412	$ 18,595,956	$ 14,307,456	76.90%
Fishing rights	$ 31,850,931	$ 62,453,758	$(30,602,827)	-49.00%
Taxes	$ 29,140,340	$ 20,909,243	$ 8,231,097	39.40%
U.S. federal grants	$ 28,633,363	$ 27,925,212	$ 708,151	2.50%
Fees and charges	$ 9,473,793	$ 3,229,127	$ 6,244,666	193.40%
Interest, dividends, MiCare and other	$ 1,541,050	$ 5,491,028	$(3,949,978)	-71.90%
Total revenues	**$331,026,711**	**$257,617,554**	**$ 73,409,157**	**28.50%**

Table note: FY2024 "Interest, dividends, MiCare and other" comprises interest and dividends $608,039, MiCare reimbursement $6,366 and other $926,645.

Fishing rights fell 49.0% from the prior year while taxes rose 39.4% on an all-funds basis (39.9% in the General Fund), led by individual income tax (up $2.9 million), import duties (up $2.4 million) and gross receipts tax (up $2.4 million). Net investment gains more than doubled, from $42.0 million to $96.3 million. The chart below compares these three revenue streams across the two years.



Total expenditures were $254.5 million. The table below shows spending at the department and function level, in the order presented in the statement, including capital projects and debt service:

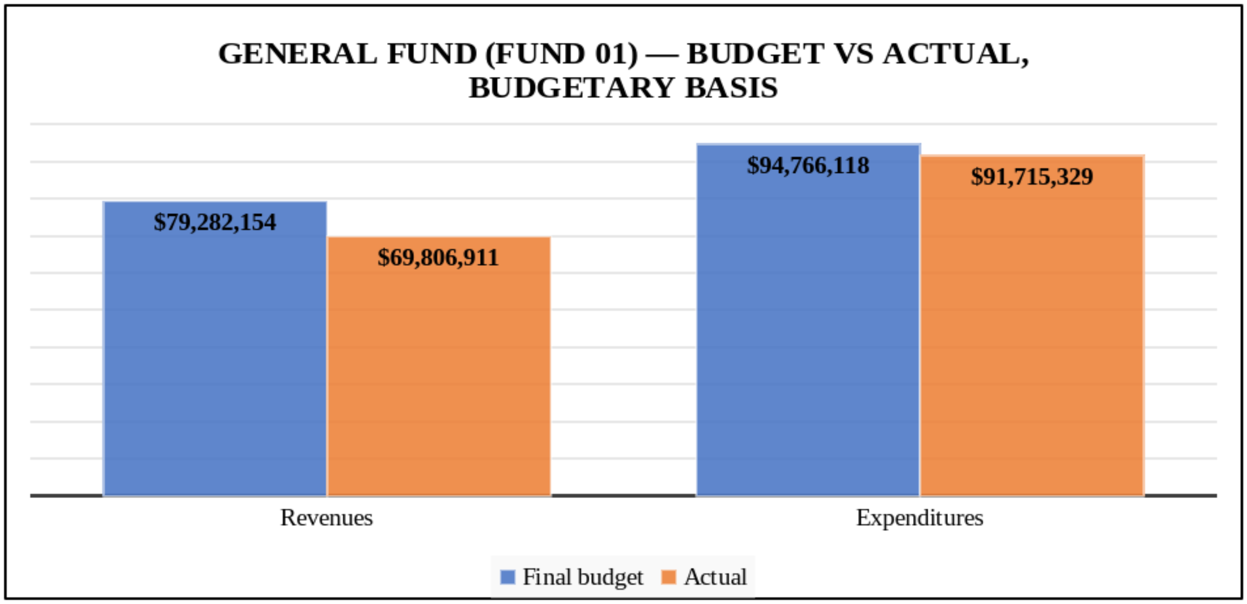
Expenditures by department / function	FY2024	FY2023	Change	Change %
Office of the President	$5,467,974	$9,205,392	$(3,737,418)	-40.60%
Foreign Affairs	$10,696,957	$7,777,238	$2,919,719	37.50%
Office of Personnel	$314,411	$248,360	$66,051	26.60%
Finance and Administration	$12,278,197	$15,434,097	$(3,155,900)	-20.40%
Resources and Development	$7,717,694	$8,259,835	$(542,141)	-6.60%
Transportation, Communication and Infrastructure	$29,758,995	$26,458,437	$3,300,558	12.50%
Health and Social Affairs	$11,500,975	$14,955,278	$(3,454,303)	-23.10%
Education	$9,830,491	$8,270,517	$1,559,974	18.90%
Justice	$8,469,843	$8,341,057	$128,786	1.50%
Office of the Public Defender	$1,033,738	$955,437	$78,301	8.20%
Environment and Emergency Management	$3,453,714	$3,201,824	$251,890	7.90%
National Archives, Cultural and Historic Preservation	$534,667	$619,981	$(85,314)	-13.80%
Legislature	$9,290,023	$11,967,763	$(2,677,740)	-22.40%
Judiciary	$2,564,961	$2,393,314	$171,647	7.20%
Office of the National Public Auditor	$1,759,205	$1,470,360	$288,845	19.60%
Office of Veteran's Affairs	$60,098	—	$60,098	n/a
Agencies, Boards and Commissions	$12,704,473	$6,757,066	$5,947,407	88.00%
Special programs	$708,844	$1,666,626	$(957,782)	-57.50%
Payments to component units and fiduciary fund	$5,228,821	$8,398,224	$(3,169,403)	-37.70%
Payments to State Governments and others	$100,797,377	$78,261,187	$22,536,190	28.80%
Legislative public projects	$10,574,112	$16,884,520	$(6,310,408)	-37.40%
Capital projects	$7,371,091	$1,170,574	$6,200,517	529.70%
Debt service — principal and interest	$2,345,776	$2,209,757	$136,019	6.20%
Total expenditures	**$254,462,437**	**$234,906,844**	**$19,555,593**	**8.30%**

The largest single item — $100.8 million, or 39.6% of total expenditures — was Compact and federal funding paid over to the four State Governments and others. The next two largest were Transportation, Communication and Infrastructure at $29.8 million (11.7% of total expenditures), up $3.3 million on the prior year, and Agencies, Boards and Commissions at $12.7 million (5.0%), up $5.9 million; together these three items accounted for 56.3% of total expenditures. Capital projects of $7.4 million, up $6.2 million, were funded mainly through the Grants Assistance Fund, and debt service of $2.3 million covered ADB loan principal and interest.

Revenues exceeded expenditures by $76.6 million. This surplus was driven mainly by net investment gains rather than by under-spending on services, and lifted total fund balances to $687.0 million.

GENERAL FUND BUDGET PERFORMANCE (FUND 01)

This section compares the approved budget for the Government's day-to-day operating fund (Fund 01) with the actual results for the year. It follows the audited Schedule of Revenues, Expenditures and Changes in Fund Balance — Budget and Actual — General Fund on page 83, which is presented on a non-GAAP budgetary basis.



Budgetary basis — General Fund (Fund 01)	Final budget	Actual	Variance positive (negative)
Total revenues	$ 79,282,154	$ 69,806,911	$(9,475,243)
Total expenditures	$ 94,766,118	$ 91,715,329	$ 3,050,789
Excess (deficiency) of revenues over (under) expenditures	$(15,483,964)	$(21,908,418)	$(6,424,454)
Operating transfers in/(out), net	—	$(35,953,408)	$(35,953,408)
Encumbrances for supplies and equipment ordered but not received	—	$ 5,586,379	$ 5,586,379
Net change in fund balance	$(15,483,964)	$(52,275,447)	$(36,791,483)
Fund balance at the beginning of the year	$ 188,490,563	$ 188,490,563	—
Fund balance at the end of the year	$ 173,006,599	$ 136,215,116	$(36,791,483)

Note: This table presents the day-to-day operating fund (Fund 01) only and agrees to the audited budgetary schedule on page 83. The final revenue budget of $79,282,154 includes $16,532,154 of "Other" revenue, comprising the $12,500,000 re-appropriated carry-over of prior-year unassigned fund balance and $4,032,154 of forecast miscellaneous income per the September 2024 revenue projection. The carry-over is a budgetary funding source rather than revenue of the year and is not recognized in actual revenues, which is the main reason for the unfavorable revenue variance.

Revenues by source — budgetary basis	Final budget	Actual	Variance positive (negative)
Taxes	$28,250,000	$ 28,925,881	$ 675,881
Fishing rights	$34,500,000	$ 31,850,931	$(2,649,069)
Investment earnings	—	$ 8,898,943	$ 8,898,943
Fees and charges	—	$ 382,944	$ 382,944
Other (budget includes the $12,500,000 re-appropriated carry- over)	$16,532,154	$(251,788)	$(16,783,942)
Total revenues	$79,282,154	$ 69,806,911	$(9,475,243)

Actual revenues of $69.8 million were $9.5 million below the final revenue budget of $79.3 million. The shortfall is explained mainly by the $12.5 million carry-over of prior-year unassigned fund balance, which was included in the budget as a funding source but is not recognized as revenue on the budgetary schedule, and by fishing rights, which came in $2.6 million below the $34.5 million budgeted. These were partly offset by taxes, which exceeded budget by $0.7 million overall (local taxes $1.6 million above budget, partly offset by a $0.9 million shortfall in corporate tax), and by investment earnings of $8.9 million and fees and charges of $0.4 million, neither of which is budgeted. Total expenditures of $91.7 million finished $3.1 million under the final budget of $94.8 million, so the deficiency of revenues under expenditures was $21.9 million against a budgeted $15.5 million. The fund balance of Fund 01 fell $52.3 million during the year, to $136.2 million. That decrease was planned rather than the result of overspending: $37.9 million was transferred into the FSM Trust Fund — money that remains the Government's own savings within the General Fund — partly offset by $2.0 million received back from the revolving funds, giving the $36.0 million net transfer shown above, and $12.5 million was the planned use of the carry- over; encumbrance adjustments added $5.6 million. On a GAAP basis the General Fund balance rose $68.8 million during the year, to $637.0 million.

Total expenditures finished $3.1 million under budget. Within that total, however, some areas exceeded their appropriations (Note 15):

Over-expenditures exceeding appropriations	Amount
Executive Branch — Non-Core Operational	$4,021,634
National Projects	$1,597,942
Office of the National Public Auditor — Non-Core	$ 963,847
Office of the National Public Auditor — Core	$ 393,850
Judicial Branch — Non-Core Operational	$ 275,924

Management is strengthening allotment controls and quarterly monitoring so that spending stays within appropriations.

CAPITAL ASSETS

This section shows what the Government owns in buildings, infrastructure, equipment and other capital assets:

Capital assets — primary government, at September 30	FY2024	FY2023	Change
Capital assets, net of accumulated depreciation	$181,380,841	$189,375,626	$(7,994,785)
– of which construction in progress	$ 9,838,716	$ 5,165,842	$ 4,672,874

Capital assets declined by $8.0 million overall because depreciation of $14.9 million exceeded new capital outlays of $6.9 million. Construction in progress rose $4.7 million to $9.8 million: these are infrastructure projects that were under way but not yet complete at year end, are therefore not yet being depreciated, and will transfer to depreciable capital assets as they are placed in service.

LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS

This section shows what the Government owes on its loans, leases and other long-term obligations:

Long-term obligations — primary government, at September 30	FY2024	FY2023	Change
ADB loans payable (FY2024: due within one year $3,074,330; noncurrent $30,763,091)	$33,837,421	$36,017,797	$(2,180,376)
Lease liabilities (FY2024: current $332,229; noncurrent $2,181,991)	$ 2,514,220	$ 964,298	$ 1,549,922
Compensated absences — annual leave (FY2024: current $862,902; noncurrent $562,858)	$ 1,425,760	$ 1,167,805	$ 257,955
Total long-term obligations	**$37,777,401**	**$38,149,900**	**$(372,499)**

ADB loan principal repayments of $3.0 million were partly offset by a $842,332 foreign exchange loss on the SDR (the currency unit in which ADB loans are denominated), leaving ADB debt $2.2 million lower for the year. Lease liabilities rose $1.5 million as new leases were recognized. All ADB loans are backed by the full faith and credit of the FSM National Government; debt service of about $3.5 million per year is required through 2039.

LOOKING AHEAD — ECONOMIC FACTORS

The Amended Compact of Free Association, signed May 23, 2023, took effect at the start of fiscal year 2024 (October 1, 2023) and provides $2.8 billion of sector grant assistance over 20 years (Note 14), together with $500 million of additional contributions to the Compact Trust Fund — approximately $3.3 billion in total. This gives the Nation a stable funding foundation, but also a responsibility to manage, account for and report these funds well.

The National Government’s own-source revenues remain concentrated and volatile: fishing rights can halve in a single year, and investment gains can reverse. Building the FSM Trust Fund, broadening the tax base, and keeping expenditures within appropriations are therefore central to long-term fiscal stability.

In addition, the Grant Assistance Fund, which operates primarily on a reimbursement basis, continues to play a central role in financing key development programs. Because reimbursements are only received after expenditures are incurred, timely replenishment is critical to protecting General Fund cash. DoFA will work more closely with implementing departments and project units to speed up financial reporting, streamline documentation, and monitor liquidation cycles more actively — reducing cash-flow pressure and keeping essential programs running without interruption.

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

REQUESTS FOR INFORMATION

This report is designed to give citizens, taxpayers and creditors a general overview of the FSM National Government's finances. Questions or requests for additional information may be addressed to the Secretary, Department of Finance and Administration, FSM National Government, P.O. Box PS 158, Palikir, Pohnpei State, FM 96941.

Federated States of Micronesia
National Government

Statement of Net Position

September 30, 2024

	Primary Government	Component Units
ASSETS		
Current assets:		
Cash and cash equivalents	$ 52,500,408	$ 24,598,629
Cash and cash equivalents - restricted	43,650,693	-
Time certificates of deposit	3,049,025	13,143,742
Investments	556,958,488	34,638,217
Receivables, net of allowance for uncollectibles	14,879,305	29,924,700
Due from component units	500,000	-
Inventories	-	19,685,559
Other assets	856,372	5,131,871
Total current assets	672,394,291	127,122,718
Noncurrent assets:		
Investments	-	20,630,632
Indefeasible right of use, net	-	5,393,851
Investments - restricted	23,752,115	-
Capital assets:		
Nondepreciable capital assets	18,960,087	35,825,158
Depreciable capital assets, net	160,010,386	64,449,619
Subscription-based information technology (IT) assets, net	-	21,429
Lease assets, net	2,410,368	4,079,960
Loan receivable	28,022,729	26,486,999
Other assets	8,427,442	2,188,205
Total noncurrent assets	241,583,127	159,075,853
Total assets	$ 913,977,418	$ 286,198,571

See accompanying notes.

Federated States of Micronesia
National Government

Statement of Net Position, continued

	Primary Government	Component Units
LIABILITIES		
Current liabilities:		
Current portion of long-term obligations	$ 3,074,330	$ 4,371,282
Current portion of lease liabilities	332,229	477,859
Subscription-based IT liability	-	14,781
Accounts payable	12,422,057	18,725,388
Current portion of compensated absences payable	862,902	285,407
Other liabilities and accruals	5,534,772	8,797,125
Due to FSM State Governments	18,080,799	-
Unearned revenue	9,513,283	3,128,828
Total current liabilities	49,820,372	35,800,670
Noncurrent liabilities:		
Long-term obligations, net of current portion	30,763,091	8,917,048
Lease liabilities, net of current portion	2,181,991	3,224,399
Compensated absences payable, net of current portion	562,858	472,852
Due to primary government	-	2,247,383
Total noncurrent liabilities	33,507,940	14,861,682
Total liabilities	83,328,312	50,662,352
NET POSITION		
Net investment in capital assets	181,380,841	97,816,803
Restricted for:		
Nonexpendable:		
Future operations	23,752,115	-
Other purposes	-	165,000
Expendable:		
Compact related	2,146,425	-
Other purposes	1,712,961	-
Unrestricted	621,656,764	137,554,416
Total net position	830,649,106	235,536,219
Total liabilities and net position	$ 913,977,418	$ 286,198,571

See accompanying notes.

Federated States of Micronesia
National Government

Statement of Activities

Year Ended September 30, 2024

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units
Functions/Programs						
Primary government:						
Governmental activities:						
Office of the President	$ 5,492,418	$ -	$ 50,340	$ -	$ (5,442,078)	$ -
Foreign affairs	10,737,616	-	124,104	-	(10,613,512)	-
Office of Personnel	314,411				(314,411)	
Finance and administration	11,767,645	-	6,967,107	-	(4,800,538)	-
Resources and development	7,994,959	11	5,598,927	-	(2,396,021)	-
Transportation, communication and infrastructure	31,916,783	331,450	18,894,861	-	(12,690,472)	-
Health and social affairs	11,940,869	2,059	9,822,375	-	(2,116,435)	-
Education	10,069,370	-	4,332,904	-	(5,736,466)	-
Justice	8,547,598	2,132,402	-	-	(6,415,196)	-
Office of the Public Defender	1,043,578	-	-	-	(1,043,578)	-
Environment and emergency management	3,465,492	-	1,560,786	-	(1,904,706)	-
National archives, cultural and historic preservation	588,904	-	334,460	-	(254,444)	-
Legislature	9,355,064	-	-	-	(9,355,064)	-
Judiciary	2,589,343	-	-	-	(2,589,343)	-
Office of the National Public Auditor	1,766,721	-	639,058	-	(1,127,663)	-
National government programs	4,705,406	-	-	-	(4,705,406)	-
Agencies, boards and commissions	12,759,332	7,007,871	6,917,226	-	1,165,765	-
Special programs	708,844		-		(708,844)	
Payments to component units	5,228,821	-	-	-	(5,228,821)	-
Payments to state governments and others	100,797,377		100,797,377		-	-
Legislative public projects	10,574,112	-	-	6,632,602	(3,941,510)	-
Lease expense	1,100,750	-	-	-	(1,100,750)	
Unallocated interest long-term debt	2,345,776				(2,345,776)	
Capital projects	6,273,534	-	-	-	(6,273,534)	-
Total primary government	$ 262,084,723	$ 9,473,793	$ 156,039,525	$ 6,632,602	(89,938,803)	-
Component units:						
FSM Telecommunications Corporation	$ 17,151,159	$ 17,858,398	$ -	$ -	-	707,239
FSM Development Bank	2,246,126	5,807,405	-	-	-	3,561,279
National Fisheries Corporation	1,419,765	1,436,470	-	-	-	16,705
College of Micronesia - FSM	25,548,286	3,081,991	21,398,454	-	-	(1,067,841)
FSM Petroleum Corporation	90,361,479	95,612,379	-	-	-	5,250,900
Caroline Islands Air, Inc.	672,600	145,286	584,908	-	-	57,594
FSM National Government Employees Health Fund	9,614,001	6,497,268	-	-	-	(3,116,733)
FSM Telecommunications Cable Corporation	2,700,626	860,981	5,671,490	-	-	3,831,845
Telecommunication Regulation Authority	489,840	316,537	158,884	-	-	(14,419)
Total component units	$ 150,203,882	$ 131,616,715	$ 27,813,736	$ -	-	9,226,569
General revenues:						
Taxes:						
Income					6,645,524	-
Import					6,548,422	-
Gross receipts					6,567,039	-
Corporate tax					8,084,854	-
Fuel					158,893	-
Tobacco revenue share					1,135,608	-
Fishing rights					31,850,931	-
Unrestricted investment earnings					93,491,913	4,548,678
Other					933,011	1,210,589
Total general revenues					155,416,195	5,759,267
Contributions to permanent funds					3,464,596	-
Total general revenues and contributions					158,880,791	5,759,267
Change in net position					68,941,988	14,985,836
Net position at the beginning of the year, previously reported					767,679,586	220,518,446
Prior period adjustment					(5,972,468)	31,937
Net position at the beginning of the year, as restated					761,707,118	220,550,383
Net position at the end of the year					$ 830,649,106	$ 235,536,219

See accompanying notes.

Federated States of Micronesia
National Government

Balance Sheet
Governmental Funds

September 30, 2024

	General	Special Revenue Grants Assistance	Permanent Compact Trust	Other Governmental Funds	Total
ASSETS					
Cash and cash equivalents	$ 52,500,408	$ -	$ -	$ -	$ 52,500,408
Time certificates of deposit	3,049,025	-	-	-	3,049,025
Investments	556,958,488	-	-	-	556,958,488
Receivables, net:					
General	360,761	-	-	372	361,133
Taxes	6,942,910	-	-	-	6,942,910
Federal agencies	-	5,781,971	-	-	5,781,971
Loans	28,022,729	-	-	-	28,022,729
Advances	1,129,706	605,439	-	31,699	1,766,844
Accrued interest	26,447	-	-	-	26,447
Prepayments	856,372	-			856,372
Due from component units	500,000	-	-	-	500,000
Due from other funds	6,087,855	32,531,317	-	8,030,177	46,649,349
Other assets	8,427,442	-	-	-	8,427,442
Restricted assets:					
Cash and cash equivalents	38,587,082	5,063,611	-	-	43,650,693
Investments	-	-	23,752,115	-	23,752,115
Total assets	$ 703,449,225	$ 43,982,338	$ 23,752,115	$ 8,062,248	779,245,926
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 5,584,699	$ 6,762,543	$ -	$ 74,815	$ 12,422,057
Other liabilities and accruals	5,676,437	(158,101)	-	16,436	5,534,772
Due to FSM State Governments	14,648,437	3,432,362	-	-	18,080,799
Due to other funds	40,561,494	5,559,725	-	528,130	46,649,349
Unearned revenue	-	9,513,238	-	45	9,513,283
Total liabilities	66,471,067	25,109,767	-	619,426	92,200,260
Fund balances:					
Non-spendable	44,457,477	-	23,752,115	-	68,209,592
Restricted	2,090,068	18,872,571	-	-	20,962,639
Committed	547,573,839	-	-	7,442,822	555,016,661
Unassigned:					
General fund	42,856,774	-	-	-	42,856,774
Total fund balances	636,978,158	18,872,571	23,752,115	7,442,822	687,045,666
Total liabilities and fund balances	$ 703,449,225	$ 43,982,338	$ 23,752,115	$ 8,062,248	

Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		181,380,841	
Long-term liabilities, including loans payable, are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities include:			
Lease liability	$ (2,514,220)		
Loans payable	(33,837,421)		
Compensated absences payable	(1,425,760)		
			143,603,440
Net position of governmental activities			$ 830,649,106

See accompanying notes.

Federated States of Micronesia
National Government

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

Year Ended September 30, 2024

		Special Revenue	Permanent	Other	
	General	Grants Assistance	Compact Trust	Governmental Funds	Total
Revenues:					
Compact funding	$ -	$ 101,135,352	$ -	$ -	$ 101,135,352
Taxes	28,925,881	-	-	214,459	29,140,340
Federal grants	-	28,633,363	-	-	28,633,363
Other grants	-	32,903,412			32,903,412
Fishing rights	31,850,931	-	-	-	31,850,931
Interest and dividends	608,039	-	-	-	608,039
Fees and charges	382,944	-	-	9,090,849	9,473,793
Net change in the fair value of investments	92,578,714	305,160	3,464,596	-	96,348,470
MiCare reimbursible	6,366	-	-	-	6,366
Other	925,902	743	-	-	926,645
			-		
Total revenues	155,278,777	162,978,030	3,464,596	9,305,308	331,026,711
Expenditures:					
Current:					
General government:					
Office of the President	5,417,634	50,340	-	-	5,467,974
Foreign affairs	10,572,853	124,104	-	-	10,696,957
Office of Personnel	314,411	-	-	-	314,411
Finance and administration	5,131,251	6,967,107	-	179,839	12,278,197
Resources and development	1,979,619	5,598,927	-	139,148	7,717,694
Transportation, communication and infrastructure	11,834,908	17,578,931	-	345,156	29,758,995
Health and social affairs	1,655,232	9,822,375	-	23,368	11,500,975
Education	5,131,202	4,332,904	-	366,385	9,830,491
Justice	7,610,632	-	-	859,211	8,469,843
Office of the Public Defender	1,033,738	-	-	-	1,033,738
Environment and emergency management	1,892,928	1,560,786	-	-	3,453,714
National archives, cultural and historic preservation	200,207	334,460	-	-	534,667
Legislature	9,290,023	-	-	-	9,290,023
Judiciary	2,564,961	-	-	-	2,564,961
Office of the National Public Auditor	1,120,147	639,058	-	-	1,759,205
Office of Veneran's Affairs	60,098				60,098
Agencies, boards and commissions	3,807,329	6,917,226	-	1,979,918	12,704,473
Special programs	708,844	-	-	-	708,844
Payments to component units and fiduciary fund	5,228,821	-	-	-	5,228,821
Payments to state governments and others	-	100,797,377			100,797,377
Legislative public projects	10,574,112	-	-	-	10,574,112
Capital projects	-	7,371,091	-	-	7,371,091
Debt service:					
Principal and interest payments	2,345,776	-	-	-	2,345,776
Total expenditures	88,474,726	162,094,686	-	3,893,025	254,462,437
Excess of revenues over expenditures	66,804,051	883,344	3,464,596	5,412,283	76,564,274

Federated States of Micronesia
National Government

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

	General	Special Revenue Grants Assistance	Permanent Compact Trust	Other Governmental Funds	Total
Other financing sources (uses):					
Operating transfers in	1,992,435	-	-	-	1,992,435
Operating transfers out	-	-	-	(1,992,435)	(1,992,435)
Total other financing sources (uses), net	1,992,435	-	-	(1,992,435)	-
Net change in fund balances	68,796,486	883,344	3,464,596	3,419,848	76,564,274
Fund balances at the beginning of the year, as previously reported	568,181,672	17,989,227	26,259,987	4,022,974	616,453,860
Prior period adjustment (Note 13)	-	-	(5,972,468)	-	(5,972,468)
Fund balances at the beginning of the year, as restated	568,181,672	17,989,227	20,287,519	4,022,974	610,481,392
Fund balances at the end of the year	$ 636,978,158	$ 18,872,571	$ 23,752,115	$ 7,442,822	$ 687,045,666

Federated States of Micronesia
National Government

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

Year Ended September 30, 2024

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

Net change in fund balances - total governmental funds		$76,564,274
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense. For the current year, these amounts consist of:		
Capital outlays, net of disposals	$ 6,401,393	
Depreciation expense, net	(14,396,178)	(7,994,785)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position.		
Lease liability	$(1,549,922)	
Exchange loss from SDR	(842,332)	
Repayment of ADB loans, net	3,022,708	630,454
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in compensated absences payable, net		(257,955)
Change in net position of governmental activities		$68,941,988

Federated States of Micronesia
National Government

Combining Statement of Fiduciary Net Position
Fiduciary Funds

September 30, 2024

	Custodial Funds	Private Purpose Trust: FSM Social Security Administration	Private Purpose Trust: Yap State Development Loan Fund	Total
ASSETS				
Cash and cash equivalents	$ -	$ 2,116,207	$ 132,237	$ 2,248,444
Time certificates of deposit	-	-	154,650	154,650
Receivables:				
Contributions	-	4,347,750	-	4,347,750
Other	-	53,087	3,861	56,948
Investments	8,510,416	55,868,883	-	64,379,299
Capital assets, net of accumulated depreciation	-	131,897	-	131,897
Total assets	$ 8,510,416	$ 62,517,824	$ 290,748	$ 71,318,988
LIABILITIES				
Accounts payable	$ -	$ 60,488	$ -	$ 60,488
Other liabilities and accruals	-	41,666	-	41,666
Total liabilities	-	102,154	-	102,154
NET POSITION				
Held in trust for:				
Social security benefits	-	62,415,670	290,748	62,706,418
Other purposes	8,510,416	-	-	8,510,416
Total net position	8,510,416	62,415,670	290,748	71,216,834
	$ 8,510,416	$ 62,517,824	$ 290,748	$ 71,318,988

See accompanying notes.

Federated States of Micronesia
National Government

Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds

Year Ended September 30, 2024

	Custodial Funds	Private Purpose Trust: FSM Social Security Administration	Private Purpose Trust: Yap State Development Loan Fund	Total
Additions:				
Contributions	$ -	$ 26,250,410	$ -	$ 26,250,410
Investment earnings:				
Net change in the fair value of investments	1,551,535	5,705,916	-	7,257,451
Interest and dividends	275,642	609	4,924	281,175
Total investment earnings	1,827,177	5,706,525	4,924	7,538,626
Less investment expense	-	(294,991)	-	(294,991)
Net investment earnings	1,827,177	5,411,534	4,924	7,243,635
Contributions from primary government	-	2,000,000	-	2,000,000
Other	-	250,403	-	250,403
Total additions	1,827,177	33,912,347	4,924	35,744,448
Deductions:				
Benefits	-	26,329,563	-	26,329,563
Refunds/distribution	747,525	17,437	-	764,962
Administrative expenses	2,826	1,765,929	-	1,768,755
Total deductions	750,351	28,112,929	-	28,863,280
Change in net position	1,076,826	5,799,418	4,924	6,881,168
Net position at the beginning of the year	7,433,590	56,616,252	285,824	64,335,666
Net position at the end of the year	$ 8,510,416	$ 62,415,670	$ 290,748	$ 71,216,834

See accompanying notes.

Federated States of Micronesia
National Government

Combining Statement of Net Position
Component Units

September 30, 2024

	FSM Tele-Communications Corporation	FSM Development Bank	National Fisheries Corporation	College of Micronesia-FSM	FSM Petroleum Corporation	Caroline Islands Air, Inc.	Micare Health Insurance Plan	FSM Tele-Communications Cable Corporation	Telecommunication Regulation Authority	Total
ASSETS										
Current assets:										
Cash and cash equivalents	$ 3,681,483	$ 2,523,211	$ 2,156,107	$ 2,081,790	$ 11,888,897	$ 251,375	$ 1,633,439	$ 310,493	$ 71,834	$ 24,598,629
Time certificates of deposit	722,087	6,405,285	-	-	6,016,370	-	-	-	-	13,143,742
Investments	-	19,711,918	1,443,248	2,607,623	8,198,178	-	2,677,250	-	-	34,638,217
Receivables, net:										
General	765,120	-	1,213,794	6,082,107	3,377,861	-	199,644	-	36,461	11,674,987
Loans	-	15,391,974	-	-	-	-	-	-	-	15,391,974
Interest	323,441	159,763	-	-	-	-	-	-	-	483,204
Other	17,230	-	1,201	-	2,356,104	-	-	-	-	2,374,535
Inventories	1,435,006	-	-	1,164,356	17,070,153	16,044	-	-	-	19,685,559
Prepaid expenses	743,230	43,789	-	237,584	4,074,372	25,538	-	-	7,358	5,131,871
Total current assets	7,687,597	44,235,940	4,814,350	12,173,460	52,981,935	292,957	4,510,333	310,493	115,653	127,122,718
Noncurrent assets:										
Indefeasible right of use	1,675,647	-	-	-	-	-	-	3,718,204	-	5,393,851
Loans receivable, net of current portion		26,486,999								26,486,999
Capital assets:				-						
Nondepreciable capital assets	7,760,433	7,889	-	5,543,461	17,050,690	-	-	5,462,685	-	35,825,158
Capital assets, net of accumulated depreciation	19,724,400	1,067,492	157,607	3,459,502	19,834,974	-	95,054	20,095,124	15,466	64,449,619
Subscription-based IT assets, net	-	-	-	21,429				-	-	21,429
Lease assets	-	-	333,991	202,899	3,265,342	-	101,199	166,434	10,095	4,079,960
Other assets	476,618	44,585	-	-	259,417	-	233,131	1,174,454	-	2,188,205
Investments	-	7,212,040	-	13,418,592	-	-	-	-	-	20,630,632
Total noncurrent assets	29,637,098	34,819,005	491,598	22,645,883	40,410,423	-	429,384	30,616,901	25,561	159,075,853
Total assets	$ 37,324,695	$ 79,054,945	$ 5,305,948	$ 34,819,343	$ 93,392,358	$ 292,957	$ 4,939,717	$ 30,927,394	$ 141,214	$ 286,198,571
LIABILITIES										
Current liabilities:										
Current portion of long-term debt	$ 1,048,126	$ 342,095	$ -	$ -	$ 2,337,198	$ -	$ -	$ 643,863	$ -	$ 4,371,282
Current portion of lease liabilities	-	-	76,291	73,168	205,961	-	29,222	82,860	10,357	477,859
Current portion of subscription based IT liability	-	-	-	14,781	-	-	-	-	-	14,781
Accounts payable	205,463	131,589	21,626	1,334,406	12,326,077	36	4,198,733	476,573	30,885	18,725,388
Other liabilities and accruals	2,352,424	165,290	-	1,492,803	4,246,684	245,957	287,452	-	6,515	8,797,125
Compensated absences payable	-	-	-	285,407	-	-	-	-	-	285,407
Due to grantor agencies	715,729	85,035	-	2,328,064	-	-	-	-	-	3,128,828
Total current liabilities	4,321,742	724,009	97,917	5,528,629	19,115,920	245,993	4,515,407	1,203,296	47,757	35,800,670
Noncurrent liabilities:										
Compensated absences, net of current portion	-	-	-	472,852	-	-	-	-	-	472,852
Lease Liabilities	-	-	257,700	162,118	2,641,904		71,977	90,700	-	3,224,399
Noncurrent portion of long-term debt	5,594,934	1,805,099	-	-	1,517,015	-	-	-	-	8,917,048
Due to primary government	-	-	-	-	1,747,383	-	-	500,000	-	2,247,383
Subscription-based IT liability	-	-	-	-	-	-	-	-	-	-
Total noncurrent liabilities	5,594,934	1,805,099	257,700	634,970	5,906,302	-	71,977	590,700	-	14,861,682
Total liabilities	9,916,676	2,529,108	355,617	6,163,599	25,022,222	245,993	4,587,384	1,793,996	47,757	50,662,352
NET POSITION										
Net investment in capital assets	22,517,420	1,075,381	491,598	8,977,222	35,368,649	-	95,054	29,276,013	15,466	97,816,803
Restricted for:										
Nonexpendable	-	-	-	165,000	-	-	-	-	-	165,000
Unrestricted	4,890,599	75,450,456	4,458,733	19,513,522	33,001,487	46,964	257,279	(142,615)	77,991	137,554,416
Total net position	27,408,019	76,525,837	4,950,331	28,655,744	68,370,136	46,964	352,333	29,133,398	93,457	235,536,219
Total liabilities and net position	$ 37,324,695	$ 79,054,945	$ 5,305,948	$ 34,819,343	$ 93,392,358	$ 292,957	$ 4,939,717	$ 30,927,394	$ 141,214	$ 286,198,571

Federated States of Micronesia
National Government

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

Year Ended September 30, 2024

	FSM Tele-Communications Corporation	FSM Development Bank	National Fisheries Corporation	College of Micronesia-FSM	FSM Petroleum Corporation	Caroline Islands Air, Inc.	Micare Health Insurance Plan	FSM Tele-Communications Cable Corporation	Telecommunication Regulation Authority	Total
Operating revenues:										
Charges for services	$ 17,858,398	$ -	$ 1,436,470	$ 2,781,888	$ 94,680,399	$ 145,286	$ 6,497,268	$ 860,981	$ -	$ 124,260,690
Other	-	5,807,405	-	300,103	931,980	-	-	-	316,537	7,356,025
Total operating revenues	17,858,398	5,807,405	1,436,470	3,081,991	95,612,379	145,286	6,497,268	860,981	316,537	131,616,715
Operating expenses:										
Cost of services	1,755,810	-	39,195	-	68,088,177	576,472	8,706,559	-	-	79,166,213
Depreciation and amortization	3,390,821	153,753	36,692	1,027,911	2,690,208	-	62,539	1,172,679	7,810	8,542,413
Administrative costs	12,004,528	2,092,373	1,343,878	24,520,375	19,583,094	96,128	844,903	1,527,947	482,030	62,495,256
Total operating expenses	17,151,159	2,246,126	1,419,765	25,548,286	90,361,479	672,600	9,614,001	2,700,626	489,840	150,203,882
Operating income (loss)	707,239	3,561,279	16,705	(22,466,295)	5,250,900	(527,314)	(3,116,733)	(1,839,645)	(173,303)	(18,587,167)
Nonoperating revenues (expenses):										
Federal grants and contracts	-	-	-	18,482,783	-	-	-	-	-	18,482,783
Government grants and contracts	-	-	-	2,915,671	-	-	-	-	-	2,915,671
Net change in the fair value of investments	(6,008)	-	241,321	2,969,395	1,119,547	-	224,423	-	-	4,548,678
Interest expense, net	(143,059)	(50,834)	-	-	(526,142)	-	-	(19,021)	(811)	(739,867)
Contributions from primary government	-	-	-	-	-	584,908	-	5,671,490	158,884	6,415,282
Other income (expense)	38,460	3,257,883	(56,655)	-	(1,412,069)	-	5,593	117,244	-	1,950,456
Total nonoperating revenues (expenses), net	(110,607)	3,207,049	184,666	24,367,849	(818,664)	584,908	230,016	5,769,713	158,073	33,573,003
Change in net position	596,632	6,768,328	201,371	1,901,554	4,432,236	57,594	(2,886,717)	3,930,068	(15,230)	14,985,836
Net position at the beginning of the year, previously stated	26,811,387	69,757,509	4,748,960	26,754,190	63,937,900	(42,567)	3,239,050	25,203,330	108,687	220,518,446
Prior period adjustment	-	-	-	-	-	31,937	-	-	-	31,937
Net position at the beginning of the year, as restated	26,811,387	69,757,509	4,748,960	26,754,190	63,937,900	(10,630)	3,239,050	25,203,330	108,687	220,550,383
Net position at the end of the year	$ 27,408,019	$ 76,525,837	$ 4,950,331	$ 28,655,744	$ 68,370,136	$ 46,964	$ 352,333	$ 29,133,398	$ 93,457	$ 235,536,219

1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

1. Summary of Significant Accounting Policies, continued

A. Reporting Entity, continued

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

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

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

- FSM Telecommunications Corporation (FSMTC): FSMTC was incorporated under FSM Public Law No. 2-10 to engage in the business of providing telecommunications services, except radio and television broadcasting, throughout the FSM and to points outside the FSM. FSMTC is governed by a five-member Board of Directors, which includes one appointee by the President (with the advice and consent of the Congress) and four appointees by the Governor of each State (with the advice and consent of the respective State Legislatures). The FSM National Government provides financial support to FSMTC through legislative appropriations and has the ability to impose its will on FSMTC.

- FSM Development Bank (FSMDB): FSMDB was established under FSM Public Law No. 8-47 to advance the economic development of the FSM through the provision of economic development loans. FSMDB is governed by a seven-member Board of Directors appointed by election at the annual shareholders' meeting by the plurality of votes thereof. As of December 31, 2017, FSMDB has issued 3,236,883 shares to the FSM National Government (98.8%), the State of Chuuk (0.92%), and the State of Kosrae (0.28%). The FSM National Government provides financial support to FSMDB through legislature appropriations and has the ability to impose its will on FSMDB.

1. Summary of Significant Accounting Policies, continued

A. Reporting Entity, continued

- National Fisheries Corporation (NFC): NFC was established under FSM Public Law No. 3-14 to promote the development of pelagic fisheries and related industries within the extended fishery zone for the benefit of the people of the FSM. NFC is governed by a seven-member Board of Directors, which includes one appointee by the President (with the advice and consent of the Congress), four appointees by the Governor of each State (with the advice and consent of the respective State legislatures), the Executive Director of the National Oceanic Resource Management Authority (NORMA), and the Secretary of the Department of Economic Affairs. The FSM National Government has the ability to impose its will on NFC.

- College of Micronesia-FSM (COM-FSM): COM-FSM was established under FSM Public Law No. 7-79 to serve the varied post-secondary and adult educational needs of the FSM. COM-FSM is governed by a five-member Board of Regents appointed by the President with the advice and consent of the Congress. The FSM National Government provides financial support to COM-FSM through legislature appropriations and has the ability to impose its will on COM-FSM.

- FSM Petroleum Corporation (FSMPC): FSMPC was established under FSM Public Law 15-08 for the purpose of providing oil and gas distribution for the entire FSM. FSMPC is governed by a seven-member Board of Directors, which includes one appointee by the President (with the advice and consent of the Congress) and four appointees by the Governor of each State (with the advice and consent of the respective State legislatures), and two appointees from the private sector by the President (with the advice and consent of the Congress). The FSM National Government has the ability to impose its will on FSMPC. Financial statement balances of FSMPC include Vital Energy, Inc., a blended component unit.

- Caroline Islands Air, Inc. (CIA): CIA was established under FSM Public Law No. 10-72 to operate, maintain, and administer an inter-island air service based in Pohnpei State. CIA is governed by a five-member Board of Directors, which includes one appointee by the President (with the advice and consent of the Congress) and four appointees by the Governor of each State (with the advice and consent of the respective State Legislatures). The FSM National Government provides financial support to CIA through legislative appropriations and has the ability to impose its will on CIA.

1. Summary of Significant Accounting Policies, continued

A. Reporting Entity, continued

- FSM National Government Employees' Health Insurance Plan also known as MiCare Plan, Inc. (the Plan or MHIP) was initially created by Public Law 3-82 in 1984 and amended by Public Law 12-77 of the Twelfth Congress of the Federated States of Micronesia (FSM) National Government in 2003. The purpose of the Plan is to provide, arrange for, pay for, or reimburse the costs of medical, dental and vision treatment and care, hospitalization, surgery, prescription drugs, medicine, prosthetic appliances, out-patient care, and other medical care benefits, in cash or the equivalent in medicines and supplies. The Plan is under the governance of a seven-member Board of Directors, four of whom represents each of the four states of the FSM, one represents the FSM National Government, and one the private healthcare sector. These six members are appointed by the FSM President with the confirmation of the FSM Congress. The seventh member of the Board is the Plan Administrator who is selected by the Board and serves as an ex-officio member. The FSM National Government provides financial support to the Plan through legislative appropriations and has the ability to impose its will on the Plan.

- FSM Telecommunications Cable Corporation (FSMTCC): FSMTCC was incorporated under FSM Public Law No. 18-52 to engage in the business of providing telecommunications services, except radio and television broadcasting, throughout the FSM and to points outside the FSM. FSMTCC is governed by a five-member Board of Directors, which includes one appointee by the President (with the advice and consent of the Congress) and four appointees by the Governor of each State (with the advice and consent of the respective State Legislatures). The FSM National Government provides financial support to FSMTCC through legislative appropriations and has the ability to impose its will on FSMTCC.

- The Telecommunications Regulatory Authority was established under Law 18-52 under the laws of the Federated States of Micronesia, the purpose of which is to be a regulator charged with setting standards and guidelines in enhancing access to and affordability of telecommunications services in the Federated States of Micronesia. The Corporation is governed by a Chief Executive and two members, all appointed by the President of the FSM with the advice and consent of the FSM Congress.

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

1. Summary of Significant Accounting Policies, continued

A. Reporting Entity, continued

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

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

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

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

B. Government-Wide Financial Statements

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

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

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

1. Summary of Significant Accounting Policies, continued

B. Government-Wide Financial Statements, continued

- *Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets.

- *Restricted net position - nonexpendable* consists of permanent funds in which donors or other outside sources have stipulated that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to the principal.

- *Restricted net position - expendable* consists of resources in which the FSM National Government is legally or contractually obligated to spend resources in accordance with restrictions either externally imposed by creditors, grantors, contributors, and the like, or imposed by law.

- *Unrestricted net position* consists of net position, which does not meet the definition of the two preceding categories. Unrestricted net position often is designated, (for example, internally restricted), to indicate that management does not consider such to be available for general operations.

The government-wide Statement of Net Position reports $27,611,501 of restricted net position, of which $3,859,386 is restricted by enabling legislation.

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

C. Fund Financial Statements

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

1. Summary of Significant Accounting Policies, continued

C. Fund Financial Statements, continued

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

D. Measurement Focus and Basis of Accounting

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

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

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

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

1. Summary of Significant Accounting Policies, continued

D. Measurement Focus and Basis of Accounting, continued

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

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

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

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

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

1. Summary of Significant Accounting Policies, continued

D. Measurement Focus and Basis of Accounting, continued

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

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

E. Cash and Cash Equivalents and Time Certificates of Deposit

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

F. Investments

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

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

1. Summary of Significant Accounting Policies, continued

F. Investments, continued

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

G. Receivables

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

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

H. Prepaid Items

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

I. Interfund Receivables/Payables

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

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

J. Inventories

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

1. Summary of Significant Accounting Policies, continued

K. Restricted Assets

Certain assets of the primary government are classified as restricted assets because their use is completely restricted through loan agreements or enabling legislation. Investments recorded in the Compact Trust Fund of $23,752,115 are restricted in that they are not available to be used in current operations.

As of September 30, 2024, cash and cash equivalents of the primary government were restricted for the following uses:

Deposit accounts established for the purpose of receiving payments pursuant to the Compact of Free Association, as amended	$14,425,811
Deposit accounts maintained for certain non-U.S. donor agencies (ADB, People's Republic of China, Japan, European Union)	27,456,201
Deposit account established for the Airport Improvement Program	862,787
Deposit account maintained for proceeds from dormant bank accounts established in accordance with Public Law 13-56	851,145
Deposit accounts established for imprest funds in accordance with ADB Loans 2099 and 2100	54,749
	$43,650,693

L. Other Assets

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

M. Indefeasible Right of Use

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

1. Summary of Significant Accounting Policies, continued

N. Capital Assets

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

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

Buildings and improvements	20 - 50 years
Infrastructure	20 years
Computer equipment	5 years
Furniture, equipment and machinery	3 - 20 years
Boats	25 years
Aircraft	20 years
Motor vehicles	3 - 10 years
Lease assets	3 - 47 years

O. Deferred Outflows of Resources

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

P. Unearned Revenue/Due to Grantor Agencies

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

1. Summary of Significant Accounting Policies, continued

Q. Compensated Absences

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

R. Deferred Inflows of Resources

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

S. Fund Balance

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

- Non-spendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

- Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

- Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

- Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed.

- Unassigned - includes negative fund balances in other governmental funds.

1. Summary of Significant Accounting Policies, continued

S. Fund Balance, continued

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

A formal minimum fund balance policy has not been adopted.

T. Interfund/Intrafund Transactions

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

U. Risk Financing

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

1. Summary of Significant Accounting Policies, continued

V. Recently Adopted Accounting Pronouncements

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. This Statement contains guidance whose effective dates are in future periods:

- Modifies guidance in GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, to bring all guarantees under the same financial reporting requirements and disclosures effective for fiscal year ended September 30, 2024. This implementation did not have a material effect on the accompanying financial statements.

- Provides guidance on classification and reporting of derivative instruments within the scope of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective for fiscal year ended September 30, 2024. This implementation did not have a material effect on the accompanying financial statements.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections. The adoption of GASB Statement No. 100 did not result in a material effect on the accompanying financial statements.

1. Summary of Significant Accounting Policies, continued

W. Upcoming Accounting Standards

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

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

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

1. Summary of Significant Accounting Policies, continued

W. Upcoming Accounting Standards, continued

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

In December 2025, GASB issued Statement No. 105, *Subsequent Events*. The objective of this statement is to provide guidance designed to improve the financial reporting requirements and enhance consistency in the application of those requirements for subsequent events. The statement defines subsequent events as transactions or other events that occur after the date of the financial reporting statements but before the date the financial statements are available to be issued. The definition of subsequent events in the statement modifies the subsequent events time frame throughout GASB literature. Statement No. 105 also clarifies types of subsequent events, when note disclosures are required, and information that should be included in those disclosures. GASB Statement No. 105 will be effective for fiscal year ending September 30, 2027.

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

X. Estimates

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

2. Deposits and Investments

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

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

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

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

ii. Stocks - A "B" rating by a national rating service. Non-rated stocks, such as banks or insurance companies, must be equal in quality or higher.

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

The equity portfolio shall be diversified among issues and industry classifications. No more than 25% of the equity portfolio may be invested in any single classification, as described by the Standard and Poor 500 Index, unless prior approval is received from the Secretary of Finance.

2. Deposits and Investments, continued

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

A. Deposits

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

Primary Government

As of September 30, 2024, the carrying amount of the primary government's total deposits were $99,200,126 and the corresponding bank balances were $107,638,859. The carrying amount of the fiduciary funds' total deposits were $2,403,094 and the corresponding bank balances were $3,226,925. Of the bank balances, $3,223,196 for primary government and $2,476,925 for fiduciary funds were uninsured and uncollateralized. Accordingly, these are exposed to custodial credit risk.

Component Units

As of September 30, 2024, the carrying amount of the discretely presented component units' total deposits were $37,742,371 and the corresponding bank balances were $43,081,631. Of the bank balances, $33,343,437 was uninsured and uncollateralized. Accordingly, these are exposed to custodial credit risk.

Differences between carrying amounts and bank balances for primary government, fiduciary funds and component units are primarily due to timing differences, including, but not limited to, outstanding checks, deposits in transit, and bank service charges.

2. Deposits and Investments, continued

B. <u>Investments</u>

Primary Government

As of September 30, 2024 the FSM National Government's investments are as follows:

General Fund:	
Debt securities	$ 299,672
Equity securities	1,314,629
Domestic equities	7,507,306
Private equity	58,473,774
Collective trust funds	489,333,504
Cash management account	29,603
	556,958,488
Compact Trust Fund:	
Investment in an external investment pool	23,752,115
	$580,710,603

The FSM National Government's Compact Trust Fund includes an investment in an external investment pool; *Trust Fund for the People of the Federated States of Micronesia*. The purpose of the Fund is to contribute to the economic advancement and long-term self-reliance of the FSM by providing an annual source of revenue after fiscal year 2024.

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

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

As of September 30, 2024 the primary government's fixed income securities, including their Moody's Investors Service credit ratings, had the following maturities:

			Maturity (in years)			
Investment Type	Rating Type	Fair Value	Less than 1	1 – 5	6 – 10	Over 10
U.S. Treasury Obligations	Aaa	$ 136,536	$ 3,391	$ 126,716	$ 1,109	$ 5,320
U.S. Government Agencies Obligations	Aaa	4,598	---	4,598	---	---
U.S. Government Agencies Obligations	Aa1	5,649	1,084	2,831	182	1,552
Municipal Obligations	Aa2	2,626		1,793	227	606
Municipal Obligations	Aa3	165	165	---	---	---
Corporate Bonds	A1	22,324	---	21,327	532	465
Corporate Bonds	A2	20,440	---	20,244	---	196
Corporate Bonds	A3	11,515	---	10,200	1,315	---
Corporate Bonds	Aa1	418	---	418	---	---
Corporate Bonds	Aa2	4,626	---	4,626	---	---
Corporate Bonds	Aa3	6,446	---	5,783	305	358
Corporate Bonds	Aaa	914	---	595	---	319
Corporate Bonds	Baa1	31,362	---	30,261	---	1,101
Corporate Bonds	Baa2	40,831	19,988	20,184	---	659
Corporate Bonds	Baa3	9,506	---	9,506	---	---
Corporate Bonds	Not rated	1,716	19	443	---	1,254
		$ 299,672	$ 24,647	$ 259,525	$ 3,670	$ 11,830

2. Deposits and Investments, continued

B. Investments, continued

Primary Government, continued

The FSM National Government has the following recurring fair value measurements as of September 30, 2024:

General Fund:	Total	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Investments by fair value level:				
Debt securities:				
U.S. Treasury obligations	$ 138,056	$ 138,056	$ ---	$ ---
U.S. Government agencies obligations	9,719	9,719	---	---
Municipal obligations	2,794	2,794	---	---
Corporate notes	149,103	149,103	---	---
	299,672	299,672	---	---
Equity securities:				
U.S. equities	892,343	892,343	---	---
International equities	361,186	361,186	---	---
Mutual funds	61,100	61,100	---	---
	1,314,629	1,314,629	---	---
Total investments at fair value	1,614,301	$ 1,614,301	$ ---	$ ---
Investments measured at NAV:				
Equity in Bank of the FSM	7,507,306			
Private equities	58,473,774			
Collective trust funds	489,333,504			
Total investments in NAV	555,314,584			
Investments measured at amortized cost:				
Cash management account	29,603			
	$556,958,488			

Compact Trust Fund:	Total	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Investments in an external investment pool by fair value level	$18,953,963	$11,438,072	$7,495,423	$20,468
Investments in an external investment pool measured at NAV	4,792,339			
Investments in an external investment pool measured at amortized cost	5,813			
	$23,752,115			

2. Deposits and Investments, continued

B. Investments, continued

Primary Government, continued

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

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, the FSM National Government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The FSM National Government's investments are held and administered by trustees. Based on negotiated trust and custody contracts, all of these investments were held in the FSM National Government's name by the FSM National Government's custodial financial institutions at September 30, 2024.

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. GASB Statement No. 40 requires disclosure by issuer and amount of investments in any one issuer that represents five percent (5%) or more of total investments for the FSM National Government. As of September 30, 2024, the FSM National Government did not hold an investment in any one issuer that represented more than 5% of the FSM National Government's total investments.

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

Fiduciary Funds

FSM Social Security Administration (FSMSSA):

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

i. Government obligations - Obligations issued or guaranteed as to principal and interest by the FSM National Government and/or State governments of the FSM or by the Government of the United States, provided that the principal and interest on each obligation are payable in the currency of the United States.

2. Deposits and Investments, continued

B. Investments, continued

Primary Government, continued

Fiduciary Funds, continued

FSM Social Security Administration (FSMSSA), continued:

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

iii. Preferred and common stocks - Shares of preferred or common stocks of any corporation created or existing under the laws of the FSM or under the laws of the United States or any state, territory or commonwealth thereof provided that the purchase of such shares shall be considered reasonable and prudent by the respective investment advisors at the time of purchase, that not more than five percent of the market value of the FSMSSA Retirement Fund shall be invested in the stock of any one corporation, and that not more than ten percent of the market value of the FSMSSA Retirement Fund shall be invested in any one industry group.

iv. Insurance company obligations - Contracts and agreements supplemental thereto providing for participation in one or more accounts of a life insurance company authorized to do business in the FSM or in any state, territory or commonwealth of the United States provided that the total market value of these investments at no time shall exceed ten percent of all investments of the FSMSSA Retirement Fund.

As of December 31, 2024 investments are as follows:

Fixed income securities:	
Domestic fixed income	$21,215,728
Other investments:	
Domestic equities	12,626,806
International equities	8,986,394
Exchange traded funds	8,926,278
Real estate investment trust and tangibles	4,113,677
	$55,868,883

2. Deposits and Investments, continued

B. Investments, continued

Primary Government, continued

Fiduciary Funds, continued

FSM Social Security Administration (FSMSSA), continued:

The Administration categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. As of December 31, 2024, all investments are quoted in active markets.

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

As of December 31, 2024, the Administration's investments in fixed income securities were as follows:

	Investment Maturities (In Years)				
	Less than 1 year	1 to 5	6 to 10	Greater Than 10	Total
U.S. Treasury and agencies obligations	$1,654,955	$ ---	$4,920,850	$ 1,418,284	$ 7,994,089
Mortgage and asset-backed securities	---	457,621	120,084	9,126,709	9,704,414
Corporate notes and bonds	224,108	556,359	2,736,758	---	3,517,225
	$1,879,063	$1,013,980	$7,777,692	$10,544,993	$21,215,728

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

2. Deposits and Investments, continued

B. Investments, continued

Primary Government, continued

Fiduciary Funds, continued

FSM Social Security Administration (FSMSSA), continued:

FSMSSA's exposure to credit risk at December 31, 2024, was as follows:

Standard and Poors' Rating

AAA	$ 8,317,543
AAA/AAA	170,904
AA2/AA+	208,656
A1/A	256,734
A1/A-	321,040
A2/A-	75,005
A2/BBB+	---
A3/A-	129,906
A3/BBB+	273,927
A1/BBB+	184,209
BA1/BBB-	70,092
BAA2/BBB+	205,616
BAA2/BBB	738,117
BAA3/BBB-	386,973
BAA3/BB+	115,870
BAA2	229,080
BAA1/BBB+	322,000
Not Rated	9,210,056
	$21,215,728

2. Deposits and Investments, continued

B. Investments, continued

Primary Government, continued

Fiduciary Funds, continued

Custodial Funds – Federated States of Micronesia Early Retirement Program

As of September 30, 2024, FSM Early Retirement Program investments are as follows:

Corporate notes	$1,017,108
U.S. Treasury obligations	1,259,813
U.S. Government Agencies obligations	459,885
Municipal obligations	250,866
Total fixed income	2,987,672
Mutual funds	5,486,747
Cash management account	35,997
	$8,510,416

As of September 30, 2024, the fixed income investment of the FSM Early Retirement Program were as follows:

		Investment Maturities (In Years)			
	Fair Value	Less than 1	1 to 5	6 to 10	Over 10
U.S. Treasury, agencies, and municipal obligations	$1,017,107	$ 1,681	$ 520,850	$193,217	$ 301,359
Corporate notes and bonds	1,970,565	455,815	656,859	136,344	721,547
	$2,987,672	$457,496	$1,177,709	$329,561	$1,022,906

2. Deposits and Investments, continued

B. Investments, continued

Primary Government, continued

Fiduciary Funds, continued

Custodial Funds – Federated States of Micronesia Early Retirement Program, continued

FSM Early Retirement Program exposure to credit risk as of September 30, 2024 is as follows:

Moody's Credit Rating	
Aaa	$1,341,922
A1	283,387
A2	27,366
A3	157,077
Aa1	497,428
Aa2	236,030
Aa3	144,901
Baa1	117,176
Baa2	117,744
Not Rated	64,641
	$2,987,672

Discretely Presented Component Units

College of Micronesia - FSM (COM-FSM):

As of September 30, 2024, COM-FSM's investments are as follows:

Fixed income securities:	
Domestic fixed income	$ 4,184,467
Other investments:	
Equity securities	9,282,437
Exchange traded funds	1,264,543
Certificates of deposit	420,077
Mutual funds	697,980
Alternative investments	176,711
	11,841,748
	$16,026,215

2. Deposits and Investments, continued

B. Investments, continued

Discretely Presented Component Units, continued

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

As of September 30, 2024, COM-FSM's fixed income securities had the following maturities:

		Investment Maturitites (in years)			
Investment Type	Fair Value	Less than 1	1 - 5 Years	5 - 10 Years	Greater than 10 Years
U.S. Treasury Securities	$ 2,283,627	$ ---	$ 1,385,773	$ 533,660	$ 364,194
Corporate Bonds	1,859,347	39,465	700,917	980,194	138,771
Asset-Backed Securities (ABS), Mortgage-Backed Securities (MBS), Collateralized Mortgage Obligations (CMOs)	41,493	---	---	---	41,493
	$ 4,184,467	$ 39,465	$ 2,086,690	$ 1,513,854	$ 544,458

COM-FSM's exposure to credit risk at September 30, 2024, was as follows:

Moody's Rating	Total
AAA	$2,256,439
AA	24,049
A	824,460
BAA	941,509
Not rated	138,010
	$4,184,467

2. Deposits and Investments, continued

B. Investments, continued

Discretely Presented Component Units, continued

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

COM-FSM has the following recurring fair value measurements as of September 30, 2024:

		Fair Value Measurements Using		
	September 30, 2024	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Equity securities	$ 9,282,437	$ 9,282,437	$ ---	$ ---
Exchange traded funds	1,264,543	1,264,543	---	---
Mutual funds	697,980	697,980	---	---
Domestic fixed income	4,184,467	---	4,184,467	---
Alternative investments	176,711	---	---	176,711
Total investments by fair value level	$15,606,138	$11,244,960	$4,184,467	$176,711
Investment measured at cost:				
Certificates of deposit	420,077			
	$16,026,215			

FSM Development Bank (FSMDB):

As of December 31, 2024, investments at fair value are as follows:

Fixed income securities:	
Domestic fixed income	$ 6,786,066
Equity securities:	
Domestic equities	11,300,150
Exchange traded products	1,584,810
Real estate investment trusts	40,892
	$19,711,918

2. Deposits and Investments, continued

B. Investments, continued

Discretely Presented Component Units, continued

FSM Development Bank (FSMDB), continued:

As of December 31, 2024, investments in domestic fixed income securities are as follows:

	Moody's Credit Rating	Investment maturities (in Years) Less Than 1	1 to 5	6 to 10	Greater Than 10	Fair Value
U.S. Government securities:						
U.S. Treasury Notes	Aaa	$ ---	$2,205,491	$ 518,107	$ ---	$2,723,598
U.S. Government agencies:						
Fannie Mae Pool	Not rated	---	---	---	1,984,828	1,984,828
Freddie Mac Group	Not rated	---	---	---	1,569,953	1,569,953
Corporate bonds	A1	---	106,032	76,672	---	182,704
Corporate bonds	A2	---	90,927	---	---	90,927
Corporate bonds	A3	---	52,510	67,282	---	119,792
Corporate bonds	Aa2	---	---	114,264	---	114,264
		$ ---	$2,454,960	$ 776,325	$3,554,781	$6,786,066

FSMDB has the following recurring fair value measurements as of December 31, 2024:

	December 31, 2024	Fair Value Measurements Using Level 1	Level 2	Level 3
Fixed income:				
U.S. Treasury obligations	$ 2,723,598	$ 2,723,598	$ ---	$ ---
U.S. Government agencies	3,554,781	---	3,554,781	---
Corporate notes	507,687	---	507,687	---
Total fixed income	6,786,066	2,723,598	4,062,468	---
Equity securities:				
U.S. equities	8,417,496	8,417,496	---	---
Non U.S. equities	2,882,654	2,882,654	---	---
Exchange traded products	1,584,810	1,584,810	---	---
Real estate investment trusts	40,892	40,892	---	---
Total investments at fair value	$19,711,918	$15,649,450	$4,062,468	$ ---

2. Deposits and Investments, continued

B. Investments, continued

Discretely Presented Component Units, continued

National Fisheries Corporation (NFC):

As of September 30, 2024, investments comprise Exchange-Traded Funds (EFT) which are listed on a national stock exchange and can be bought and sold in the equity trading markets. Under certain circumstances, issuers may cease or suspend creating new shares, which may cause EFT to trade at a price that differs significantly from the value of its underlying holdings or index. NFC's investment balance in EFT is $1,216,383 as of September 30, 2024. Investments in securities are categorized as Level 1.

FSM Petroleum Corporation (FSMPC):

As of December 31, 2024, investments at fair value are as follows:

Fixed income securities:	
Domestic fixed income	$3,835,172
Other investments:	
Common equities	3,059,607
Exchange traded funds	1,303,399
Money market funds	---
	4,363,006
	$8,198,178

As of December 31, 2024, the Company's fixed income securities had the following maturities:

Investment Type	Fair value	Less than 1 year	1 to 5 years	6 to 10 years	More than 10 years
U.S. treasury securities	$2,236,576	$ ---	$1,602,841	$521,986	$111,749
Corporate bonds	1,598,596	---	1,108,460	446,608	43,528
	$3,835,172	$ ---	$2,711,301	$968,594	$155,277

2. Deposits and Investments, continued

B. Investments, continued

Discretely Presented Component Units, continued

FSM Petroleum Corporation (FSMPC), continued:

The Company's exposure to credit risk as of December 31, 2024, were as follows:

Moody's Rating	
AAA	$2,257,498
A1	375,289
A2	116,871
A3	92,613
BAA1	519,944
BAA2	353,719
BAA3	119,238
Not rated	
	$3,835,172

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

The Company has the following recurring fair value measurements as of December 31, 2024:

		Fair Value Measurements Using		
	December 31, 2024	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Fixed income securities	$3,835,172	$2,236,576	$1,598,596	$---
Equity securities	3,059,607	3,059,607	---	---
Exchange-traded funds	1,303,399	1,303,399	---	---
Total investments by fair value level	$8,198,178	$6,599,582	$1,598,596	$---

2. Deposits and Investments, continued

B. Investments, continued

Discretely Presented Component Units, continued

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

As of September 30, 2024, investments are as follows:

Fixed income securities:	
Domestic fixed income	$2,677,250

As of September 30, 2024 the Plan's fixed income securities had the following maturities:

	Moody's Credit Rating	Less than 1 Year	1 to 5 Years	6 to 10 Years	More than 10 Years	Fair Value
U.S. Treasury obligations	AAA	$214,022	$ 858,084	$181,993	$ ---	$1,254,099
U.S. Government agencies obligations	AA	28,557	142,132	---	39,910	210,599
Corporate bonds	Aaa	---	1,959	6,988	---	8,947
Corporate bonds	Aa	---	5,804	30,636	---	36,440
Corporate bonds	A	79,564	290,395	561,205	42,182	973,346
Corporate bonds	Baa	41,006	50,834	101,979	---	193,819
		$363,149	$1,349,208	$882,801	$82,092	$2,677,250

The Plan has the following recurring fair value measurements as of September 30, 2024:

	September 30, 2024	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level:				
Fixed income securities	$2,677,250	$ ---	$2,677,250	$ ---

3. Receivables

Primary Government

Receivables as of September 30, 2024 for the primary government's individual major governmental funds, and nonmajor governmental and fiduciary funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	General Fund	Grant Assistance	Compact Trust	Nonmajor and Fiduciary Funds	Totals
Receivables:					
General	$ 596,940	$ ---	$ ---	$ 372	$ 597,312
Taxes	6,942,910	---	---	---	6,942,910
Federal agencies	-	12,342,076	---	---	12,342,076
Loans	29,931,943	---	---	---	29,931,943
Advances	5,675,765	721,448	---	31,699	6,428,912
Due from Component Units	500,000	---	---	---	500,000
Accrued interest	26,447	---	---	---	26,447
	43,674,005	13,063,524	---	32,071	56,769,600
Less: allowance for uncollectible accounts	(6,691,452)	(6,676,114)	---	---	(13,367,566)
Net receivables	$36,982,553	$ 6,387,410	$ ---	$32,071	$43,402,034

During the year ended September 30, 2024 certain loans receivable balances resulting from subsidiary loans of loan agreements between the FSM National Government and the Asian Development Bank (ADB) were increased as a result of foreign exchange loss recognized by these respective subsidiary borrowers. The non-cash decrease in loans receivable of $(618,805) is presented in the accompanying statement of activities as a component of $2,345,776 debt service expenditures.

Loans receivable of the primary government are as follows:

General Fund

Loan receivable from Micronesia Longline Fishing Company, a majority-owned subsidiary of NFC, in the amount of SDR 3,514,000, interest at 6.64% per annum, repayments commencing January 15, 1998, with a maturity date of July 15, 2007. The loan is a subsidiary loan of a loan agreement (Loan Number 1257 FSM (SF)) between the FSM National Government and the ADB. As of September 30, 2024, $1,909,214 has been provided for in the allowance for uncollectible accounts.	$1,909,214

3. Receivables, continued

Primary Government, continued

General Fund, continued

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

	General Fund	
State of Chuuk	$1,838,926	
Pohnpei Utilities Corporation	1,131,782	
State of Yap	1,207,610	4,178,318

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

	General Fund	
State of Chuuk	$2,761,015	
State of Yap	1,768,364	
State of Kosrae	1,009,784	
State of Pohnpei	2,192,927	7,732,090

3. Receivables, continued

Primary Government, continued

General Fund, continued

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

	General Fund	
State of Chuuk	$461,479	
State of Yap	143,413	
State of Kosrae	484,295	
State of Pohnpei	270,766	1,359,953

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

	General Fund	
State of Pohnpei/PUC	$3,296,933	
State of Chuuk/CPUC	2,780,477	
State of Yap	1,378,678	
State of Kosrae	777,776	8,233,864

3. Receivables, continued

Primary Government, continued

General Fund, continued

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

	General Fund	
State of Yap/YSPSC	$6,518,504	6,518,504
Total		29,931,943
Less: Allowance		(1,909,214)
Net		$28,022,729

Due from Component Units

On September 17, 2018, FSMT Cable Corporation entered into an interest-free loan with the FSM National Government for $500,000, to support its initial operations and as emergency fund. The loan is uncollateralized and repayment shall commence once FSMT Cable Corporation has equity of $1,000,000 and will be paid out of operational funds. Subject to this clause, repayment was initially set on October 1, 2023 after a five-year grace period and such grace period is subject to review of the parties. After repayment date is confirmed, the loan amount and frequency will be set and the loan is payable over a minimum period of seven years or due on October 1, 2030. The balance outstanding at December 31, 2024 is $500,000. $ 500,000

3. Receivables, continued

Discretely Presented Component Units

Receivables as of September 30 or December 31, 2024 for the discretely presented component units, including applicable allowances for uncollectible accounts, are as follows:

	FSM Tele-Communications Corporation	FSM Development Bank	National Fisheries Corporation	College of Micronesia-FSM	FSM Petroleum Corporation	Caroline Islands Air, Inc.	FSM National Government Employees Health Insurance Plan	FSM Telecomm Cable Corp.	Telecommunications Regulation Authority.	Total
Receivables:										
General	$ 1,652,309	$ ---	$ 1,288,121	$ 13,941,232	$ 3,377,861	$ ---	$ 2,043,348	$ ---	$ 36,461	$ 22,339,332
Loans	---	47,802,502	---	---	---	---	---	---	---	47,802,502
Interest	323,441	159,763	---	---	---	---	---	---	---	483,204
Other	2,447,239	---	1,201	621,375	2,356,104	---	---	---	---	5,425,919
	4,422,989	47,962,265	1,289,322	14,562,607	5,733,965	---	2,043,348	---	36,461	76,050,957
Less: allowance for uncollectible accounts	(3,317,198)	(5,923,529)	(74,327)	(8,480,500)	---	---	(1,843,704)	---	---	(19,639,258)
Net	$ 1,105,791	$ 42,038,736	$ 1,214,995	$ 6,082,107	$ 5,733,965	$ ---	$ 199,644	$ ---	$ 36,461	$ 56,411,699

4 . Interfund Receivables and Payables

Primary Government

Receivables and payables between funds reflected as due to/from other funds in the combined balance sheet at September 30, 2024, are summarized as follows:

Receivable Fund	Payable Fund	Amount
Grants Assistance	General	$32,531,317
General	Grants Assistance	5,559,725
Nonmajor government funds	General	8,030,177
General	Nonmajor government funds	528,130
		$46,649,349

5. Capital Assets

Capital asset activities for the year ended September 30, 2024, are as follows:

Primary Government

	Balance Oct. 01, 2023	Additions and Reclassification	Retirements and Reclassification	Balance Sept. 30, 2024
Depreciable assets:				
Furniture, Equipment and Machinery	$ 19,027,815	$ 268,607	$ (3,083,493)	$ 16,212,929
Vehicles	10,016,454	421,497	(1,018,577)	9,419,374
Boats	23,395,232	4,995	(228,677)	23,171,550
Computer	2,752,982	3,990	28,327	2,785,299
Buildings	75,051,571	632,115	239,000	75,922,686
Aircraft	709,207	---	---	709,207
Infrastructure	206,437,007	285,055	346,513	207,068,575
Right-to-use assets	1,428,331	2,035,701	---	3,464,032
	338,818,599	3,651,960	(3,716,907)	338,753,652
Less: accumulated depreciation				
Furniture, Equipment and Machinery	(12,622,899)	(870,903)	889,705	(12,604,097)
Vehicles	(7,633,932)	(285,965)	391,874	(7,528,023)
Boats	(22,714,104)	(512,813)	514,171	(22,712,746)
Computer	(2,684,492)	(6,039)	(2,284)	(2,692,815)
Buildings	(21,382,294)	(1,512,004)	---	(22,894,298)
Aircraft	(709,207)	---	---	(709,207)
Infrastructure	(95,418,566)	(10,719,483)	---	(106,138,049)
Right-to-use assets	(564,692)	(488,971)	---	(1,053,663)
	(163,730,186)	(14,396,178)	1,793,466	(176,332,898)
Net depreciable capital assets	175,088,413	(10,744,218)	(1,923,441)	162,420,754
Construction in- progress	5,165,842	4,672,874	---	9,838,716
Land	9,121,371	---	---	9,121,371
	14,287,213	4,672,874	---	18,960,087
Net assets	$ 189,375,626	$ (6,071,344)	$ (1,923,441)	$ 181,380,841

5. Capital Assets, continued

Primary Government, continued

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

Office of the President	$ 24,444
Foreign Affairs	101,267
Health and Social Affairs	439,894
Education	238,879
Resources and Development	277,265
Office of National Archives, Cultural and Historic Preservation	54,237
Transportation, Communication and Infrastructure	7,639,352
Finance and Administration	345,557
Justice	362,973
Office of the Public Defender	23,768
Judiciary	69,058
Legislature	72,090
Office of the National Public Auditor	7,516
Environment and Emergency Management	11,778
National Government Programs	4,645,308
Agencies, Boards and Commissions	82,792
	$14,396,178

Discretely Presented Component Units

	Balance October 1, 2023	Additions and Reclassifications	Retirements and Reclassifications	Balance September 30, 2024
Depreciable assets:				
Buildings	$ 38,784,768	$ 5,233	$ ---	$ 38,790,001
Plant and Equipment	124,562,801	2,036,334	(1,855,630)	124,743,505
Machinery, equipment, and others	30,460,183	901,830	(465,745)	30,896,268
Other	20,892,241	---	(391,236)	20,501,005
Total capital assets, being depreciated	214,699,993	2,943,397	(2,712,611)	214,930,779
Less accumulated depreciation	(145,076,009)	(7,646,472)	2,241,321	(150,481,160)
	69,623,984	(4,703,075)	(471,290)	64,449,619
Subscription-based IT assets, net	58,125	(36,696)	---	21,429
Lease assets, net	3,639,833	301,985	(28,292)	3,913,526
Nondepreccicable assets:				
Construction work-in-progress	15,960,271	18,350,146	(498,833)	33,811,584
Land	1,955,685	---	57,889	2,013,574
	$ 91,237,898	$ 13,912,360	$ (940,526)	$ 104,209,732

6. Indefeasible Right of Use (IRU)

FSMTC

In 2009, FSMTC entered into an IRU Capital Lease agreement with a third party for the exclusive use of eight wave lengths of fiber capacity of the two fibers of the Kwajalein Cable System (KCS) which runs between Guam and Kwajalein and which is known as the "HANTRU1 System". Under the terms of the agreement, FSMTC made certain payments of $3,656,301. The initial term of the agreement is for a period of ten years commencing on the date FSMTC is initially granted access, and which term is automatically renewable for a further 10-year period and an additional 5-year period thereafter. Prior to the tenth and twentieth anniversary dates, FSMTC has the option to terminate this agreement; however, such is subject to prior approval of the Rural Utilities Services (RUS) of the U.S. Department of Agriculture. FSMTC's policy is to amortize the right of use over the 25-year period. As of September 30, 2024, accumulated amortization expense of $2,220,654 has been recorded, and the IRU's carrying amount totals $1,675,647.

FSMTCC

On February 2, 2018, FSM Telecommunication Corporation ("FSMTC") and FSMTCC entered into a deed granting FSMTCC a 25-year indefeasible exclusive right of use of fifty percent (50%) of the total available capacity on one fiber pair in the main HANTRU-1 submarine cable. FSMTC will not charge FSMTCC for the conveyances of the IRU granted under the agreement to recover FSMTC's sunk costs in, or to earn a profit on, its investment in the properties and facilities in which it has granted FSMTCC's right of use. On December 9, 2019, FSMNG assigned to FSMTCC all of its rights, titles and interests, and obligations, under the IRU Agreement, and transferred the IRU in the amount of $4,660,000 with accumulated depreciation of $113,883. The IRU shall continue in effect until the West Subsystem is decommissioned. In certain conditions, either party may initiate a termination of IRU, otherwise it is for the life of the Cable system (25 years). Accumulated amortization of $941,796 has been recorded as of December 31, 2024. As of December 31, 2024 the IRU's carrying amount is $3,718,204.

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

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

7. Long-Term Obligations

Primary Government

Asian Development Bank (ADB) Loan Number 1257 FSM (SF) - Fisheries Development Project Loan (SDR 3,792,000), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. The loan is payable semi-annually commencing January 15, 2004 in an amount of SDR 46,100 increasing to SDR 92,400 on January 15, 2014, with a maturity date of July 15, 2033.	$ 1,909,214
ADB Loan Number 1459 FSM (SF) - Water Supply and Sanitation Project Loan (SDR 7,233,000), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. The loan is payable semi-annually commencing February 1, 2007 in an amount of SDR 69,200, increasing to SDR 138,500 on February 1, 2017, with a maturity date of August 1, 2036.	4,178,318
ADB Loan Number 1520 FSM (SF) - Public Sector Reform Program Loan (SDR 12,979,000), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. The loan is payable semi-annually commencing February 1, 2008 in an amount of SDR 129,800, increasing to SDR 259,600 on February 1, 2018, with a maturity date of August 1, 2037.	8,806,502
ADB Loan Number 1816 FSM (SF) - Basic Social Services Project Loan (SDR 6,199,000), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. The loan is payable semi-annually commencing February 1, 2009 in an amount of SDR 129,145, at which time the service charge increases to 1.5% per annum, with a maturity date of August 1, 2032.	1,165,675
ADB Loan Number 1873 FSM (SF) - Private Sector Development Program Loan (SDR 3,912,000), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. The loan is payable semi-annually commencing May 15, 2010 in an amount of SDR 122,250, at which time the service charge increases to 1.5% per annum, with a maturity date of November 15, 2025.	305,329

7. Long-Term Obligations, continued

Primary Government, continued

ADB Loan Number 1874 FSM (SF) - Private Sector Development Project Loan (SDR 6,273,000), non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. The loan is payable semi-annually commencing May 15, 2010 in an amount of SDR 130,687, at which time the service charge increases to 1.5% per annum, with a maturity date of November 15, 2033.	2,406,849
ADB Loan Number 2099 FSM (SF) - Omnibus Infrastructure Development Project (SDR 9,686,000), interest bearing at the rate of 1% per annum on the amount of the loan withdrawn from the Loan Account during the grace period. The loan is payable semi-annually commencing January 15, 2013 in an amount of SDR 201,791, at which time the interest rate increases to 1.5% per annum, with a maturity date of July 15, 2036.	6,313,268
ADB Loan Number 2100 FSM (SF) - Omnibus Infrastructure Development Project (SDR 9,686,000), interest bearing equivalent to the sum of LIBOR and .60% per annum on the amount of the loan withdrawn from the Loan account with a loan term of 25 years including a grace period of 5 years. The loan is payable semi-annually commencing January 15, 2010, in an amount of .83% of the outstanding loan balance and incrementing at certain years between .04% - .16% up to the maturity date of July 15, 2029.	2,233,762
ADB Loan Number 3004 FSM (SF) - Omnibus Infrastructure Development Project (UD 4,680,000), interest bearing equivalent to the sum of LIBOR and .60% per annum on the amount of the loan withdrawn from the Loan account with a loan term of 20 years including a grace period which was defined as period prior to the first principal payment due date. The loan is payable semi-annually commencing December 1, 2018, in an amount of .83% of the outstanding loan balance and incrementing at certain years between .04% - .16% up to the maturity date of June 1, 2038.	3,841,426
ADB Loan Number 3005 FSM (SF) - Omnibus Infrastructure Development Project (SDR 2,896,000), interest bearing equivalent to .2% per annum on the amount of the loan withdrawn from the Loan account with a loan term of 20 years including a grace period of 5 years. The loan is payable semi-annually commencing December 1, 2018, in an amount of .83% of the outstanding loan balance and incrementing at certain years between .04% - .16% up to the maturity date of June 1, 2038.	2,677,078
	$33,837,421

7. Long-Term Obligations, continued

Primary Government, continued

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

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

Year Ending September 30,	Principal	Interest	Total
2025	$ 3,074,330	$ 463,911	$ 3,538,241
2026	3,109,718	421,639	3,531,357
2027	3,046,283	375,369	3,421,652
2028	3,090,968	330,056	3,421,024
2029	2,902,794	283,354	3,186,148
2030 – 2034	12,706,194	869,058	13,575,252
2035 – 2039	5,907,134	189,310	6,096,444
	$33,837,421	$2,932,697	$36,770,118

Other long-term liabilities will be liquidated in the future from governmental funds. During the year ended September 30, 2024, the following changes occurred in liabilities reported as part of the primary government's long-term liabilities in the statement of net position:

	Balance October 1, 2023	Additions	Reductions	SDR Exchange Loss (Gain)	Balance September 30, 2024	Due within One Year
Loans payable:						
ADB loan 1257	$ 2,058,502	$ ---	$(207,343)	$ 58,055	$ 1,909,214	$ 209,301
ADB loan 1459	4,392,891	---	(341,861)	127,288	4,178,318	347,838
ADB loan 1520	9,203,954	---	(666,070)	268,618	8,806,502	672,492
ADB loan 1816	1,272,662	---	(143,253)	36,266	1,165,675	144,634
ADB loan 1873	493,865	---	(197,951)	9,415	305,329	200,188
ADB loan 1874	2,581,652	---	(246,369)	71,566	2,406,849	249,153
ADB loan 2099	6,637,421	---	(514,969)	190,816	6,313,268	518,848
ADB loan 2100	2,564,432	---	(330,670)	---	2,233,762	364,432
ADB loan 3004	4,028,813	---	(187,387)	---	3,841,426	187,387
ADB loan 3005	2,783,605	---	(186,835)	80,308	2,677,078	180,057
	36,017,797	---	(3,022,708)	842,332	33,837,421	3,074,330
Other:						
Compensated absences	1,167,805	1,026,130	(768,175)	---	1,425,760	862,902
	$37,185,602	$1,026,130	$(3,790,883)	$842,332	$35,263,181	$3,937,232

7. Long-Term Obligations, continued

Primary Government, continued

When the ADB extends credit to a particular country, the loan is booked in Special Drawing Rights (SDRs) but the actual loan is delivered in the currency of the borrower, at the current exchange rate between the currency and the SDR. The value of the SDR is subject to periodic review by the International Monetary Fund, which may result in the recognition of a foreign exchange gain or loss. During the year ended September 30, 2024, the FSM National Government recognized a foreign exchange loss of $842,332 associated with valuation of the SDR, which results in an increase in ADB loans payable.

Discretely Presented Component Units

As of September 30, 2024, the discretely presented component units had the following long-term debt outstanding:

FSM Telecommunications Corporation (FSMTC):

Loans payable to RUS, with a 35-year term, interest at 5% per annum, collateralized by the Corporation's specific ground leases and essentially all other assets. Pursuant to loan agreements dated August 1, 1990 and March 12, 2009, the Corporation is required to make monthly payments of both principal and interest to RUS. The loans were originally in the amounts of $32,000,000 and $12,136,000 and the proceeds were used for capital related purposes. The balance is net of a partial loan forgiveness of $8,209,255 approved by the RUS and recorded during the year ended December 30, 2020. Remaining balance is payable in monthly installments of approximately $99,000 with final payment due in April 2030.	$6,643,060
Less current portion of long term debt	(1,048,126)
Long term debt, net of current portion	$5,594,934

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

7. Long-Term Obligations, continued

Discretely Presented Component Units, continued

FSM Telecommunications Corporation (FSMTC), continued:

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

Year ending September 30,	Principal	Interest	Total
2025	$1,048,126	$121,645	$1,169,771
2026	1,084,401	100,481	1,184,882
2027	1,105,986	78,896	1,184,882
2028	1,128,002	56,880	1,184,882
2029	1,150,455	34,427	1,184,882
2030	1,126,090	11,527	1,137,617
	$6,643,060	$403,856	$7,046,916

These notes are subject to certain coverage ratio requirements. The Corporation is not in compliance with its ratio requirements as of September 30, 2024. Management is of the opinion that the lender is aware of this matter and will not call the debt. Therefore, the debt is classified in accordance with expected future payouts.

FSM Development Bank (FSMDB):

Long-term debt consists of the following at December 31, 2024:

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

Drawn on August 20, 2014; original amount of $334,550 (equivalent EUR 250,000), bearing interest fixed at 4.520%, and payable through semi-annual principal and interest installments of $17,997 on January 15, 2015 and equal installments of $19,467 beginning on July 15, 2015 through maturity on July 15, 2025.	$ 19,037
Drawn on August 20, 2014; original amount of $796,976 (equivalent EUR 595,558), bearing interest fixed at 4.520%, and payable through semi-annual principal and interest installments of $42,873 on January 15, 2015 and equal installments of $46,375 beginning on July 15, 2015 through maturity on July 15, 2025.	45,350

7. Long-Term Obligations, continued

Discretely Presented Component Units, continued

FSM Development Bank (FSMDB), continued:

Unsecured loans payable to European Investment Bank (EIB) under a December 2018 master finance contract of USD 4 million. Drawn on March 9, 2020; original amount of $3,193,637, bearing interest fixed at 2,774%, and payable through semi-annual interest payments beginning on September 9, 2020 and principal installments of $138,854 beginning on March 9, 2021 through maturity on March 9, 2032.	2,082,807
	2,147,194
Less current portion of long term debt	(342,095)
Long term debt, net of current portion	$1,805,099

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

Year Ending December 31,	Principal	Interest	Total
2025	$ 342,095	$ 56,721	$ 398,816
2026	277,708	48,148	325,856
2027	277,708	40,444	318,152
2028	277,708	32,740	310,448
2029	277,708	25,037	302,745
Thereafter	694,267	28,889	723,156
	$2,147,194	$231,979	$2,379,173

College of Micronesia-FSM (COM-FSM)

COM-FSM's long-term obligation of $758,259 represents employee accrued annual leave. COM-FSM accumulates annual leave balance, wherein accumulated leave of not in excess of 240 hours shall be paid to the employee upon resignation/termination of employment. COM-FSM has no other long-term debt as of the end of fiscal year 2024.

7. Long-Term Obligations, continued

Discretely Presented Component Units, continued

FSM Telecommunications Cable Corp (FSMTCC)

On September 17, 2018, FSMT Cable Corporation entered into an interest-free loan with the FSM National Government for $500,000, to support its initial operations and as an emergency fund. The loan is uncollateralized and repayment shall commence once FSMT Cable Corporation has equity of $1,000,000 and will be paid out of operational funds. Subject to this clause, repayment was initially set on October 1, 2023 after a five-year grace period and such grace period is subject to review of the parties. After repayment date is confirmed, the loan amount and frequency will be set and the loan is payable over a minimum period of seven years or due on October 1, 2030. The balance outstanding at September 30, 2024 is $500,000.

On May 28, 2018, FSMTCC secured two lines of credit at $1,000,000 each from FSM Development Bank (FSMDB), a component unit of FSMNG, which can be reapplied for extensions. The two lines of credit were extended and mature on September 29, 2026. On October 1, 2021, the Company drew down $650,000 from one of its lines of credit from FSMDB, with an interest rate of 5%. On August 5, 2022, FSMDB restructured the repayment terms with required monthly payments of $29,399 starting March 25, 2022 to February 25, 2024. Outstanding drawdowns total $643,863. The unused portion of the lines of credit total $1,356,137.

Future minimum debt payments as of December 31, 2024, are as follows:

2024	$ 643,863
2025	500,000
	$1,143,863

Management is of the opinion that FSMTCC is in compliance with financial debt covenants associated with the long-term debt for the year ended December 31, 2024.

FSM Petroleum Corporation (FSMPC):

A $5,000,000 bank note from the Bank of Guam (BOG), dated December 2017, for capital asset projects. The loan bore interest fixed at 5.75% per annum and was payable in monthly installments of $55,214 beginning January 20, 2018. On June 27, 2019, an amendment included deferment of principal payments from June 2019 to June 2020, changes in interest rate to variable rate at bank reference rate plus 0.75%, with minimum rate of 5.75% (effective rate of 9.25% as of December 31, 2023) and monthly installments of $61,865 through December 2027. The loan is collateralized by an executed Pledge and Security Agreement for the assignment of the Reserve Bank Account and Revenue, an executed Notice of Security Interest and Chattel Mortgage and are guaranteed by the FSM National Government.	$2,086,711

7. Long-Term Obligations, continued

Discretely Presented Component Units, continued

FSM Petroleum Corporation (FSMPC), continued:

A $3,000,000 bank note from the Bank of FSM (BFSM) drawn in March 2020, to finance earthwork/civil site preparation portion for Integrated Coconut Processing Facility. The loan bears variable interest at bank reference rate (effective 8.5% as of December 31, 2023) and is payable in monthly installments of $32,558 beginning March 2020 to April 25, 2025. The loan is collateralized by future buildings, equipment, furniture and fixtures, inventory, vehicle and accounts receivables.	1,767,502
Total long-term debt	3,854,213
Less current portion	(2,337,198)
	$1,517,015

As of December 31, 2024, future minimum loan repayments are as follows:

Year Ending December 31,	Principal	Interest	Total
2025	$2,337,198	$216,620	$2,553,818
2026	625,482	116,894	742,376
2027	891,533	55,645	947,178
	$3,854,213	$389,159	$4,243,372

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

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

7. Long-Term Obligations, continued

Discretely Presented Component Units, continued

FSM Petroleum Corporation (FSMPC), continued:

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

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

Management believes that FSMPC is in compliance with all covenants as of and for the year ended December 31, 2024 and no event of default has been declared by the lenders.

Changes in other long-term liabilities for the year ended December 31, 2024 are as follows:

	Balance at January 1 2024	Additions	Repayments	Balance at December 31 2024	Due Within One Year
Due to States and the FSM National Government	$1,747,383	$ ---	$ ---	$1,747,383	$ ---
Lease liabilities	2,801,162	46,703	---	2,847,865	205,961
	$4,548,545	$46,703	$ ---	$4,595,248	$205,961

7. Long-Term Obligations, continued

Discretely Presented Component Units, continued

Changes in long-term liabilities of the discretely presented component units for the year ended September 30, 2024 or December 31, 2024, are as follows:

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	Balance 1-Oct-23	Additions	Reductions	Balance September 30, 2024	Due within One Year
Loan payable:					
FSMTC	$ 7,691,186	$ -	$ (1,048,126)	$ 6,643,060	$ 1,048,126
FSMDB	2,609,648	-	(462,454)	2,147,194	342,095
FSMPC	5,312,208	-	(1,457,995)	3,854,213	2,337,198
FSMTCC	349,531	294,332	-	643,863	643,863
	15,962,573	294,332	(2,968,575)	13,288,330	4,371,282
Due to government and others:					
FSMPC	1,747,383	-	-	1,747,383	-
FSMTCC	500,000	-	-	500,000	-
	2,247,383	-	-	2,247,383	-
Lease liability:					
FSMPC	2,801,162	46,703	-	2,847,865	205,961
TRA	27,540	-	(17,183)	10,357	10,357
FSMTCC	109,897	63,663	-	173,560	82,860
MICRE	129,491	-	(28,292)	101,199	29,222
NFC	440,786	-	(106,795)	333,991	76,291
COM-FSM	515,388	-	(265,321)	250,067	87,949
	4,024,264	110,366	(417,591)	3,717,039	492,640
Compensated absences					
COM-FSM	767,689	-	(9,430)	758,259	285,407
	$ 23,001,909	$ 404,698	$ (3,395,596)	$ 20,011,011	$ 5,149,329

9. Operating Transfers In/Out

Primary Government

Operating transfers in/out for each major governmental fund and nonmajor governmental funds in the aggregate, for the year ended September 30, 2024, are as follows:

Source	Recipient	Transfers Out	Transfers In
Other Governmental Fund	General Fund	$(1,992,435)	$1,992,435
		$(1,992,435)	$1,992,435

9. Operating Transfers In/Out, continued

Primary Government, continued

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

10. Contingencies and Commitments

Sick Leave

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

FSM Petroleum Corporation (FSMPC) Loan Guarantee

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

Insurance Coverage

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

Federal Grants

The FSM National Government participates in a number of federally assisted grant programs. These programs are subject to financial and compliance audits to ascertain if Federal laws and guidelines have been followed. Cumulative questioned costs exist and have been set forth in the FSM National Government's Single Audit Report as of September 30, 2024. The ultimate disposition of these questioned costs can be determined only by final action of the respective grantor agencies. Therefore, no provision for any liability that may result upon resolution of this matter has been made in the accompanying financial statements. In addition, a material amount of questioned costs may exist from the four States, which receive federal funds in a subrecipient capacity. If these questioned costs are sustained, such will be funded by State resources.

10. Contingencies and Commitments, continued

Federal Grants, continued

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

Due to States and Primary Government

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

Litigation

The FSM National Government is party to various legal proceedings, many of which are normal recurrences in governmental operations. The Attorney General of the FSM National Government is of the opinion that the probable outcome of suits existing at September 30, 2024, is not predictable.

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

Encumbrances

The FSM National Government utilizes encumbrance accounting to identify fund obligations. Encumbrances represent commitments related to unperformed contracts for goods and services. At September 30, 2024, the FSM National Government has significant encumbrances summarized as follows:

	General	Grants Assistance	Other Governmental Funds	Total
Encumbrances	$4,356,632	$6,348,449	$95,619	$10,800,700

Asian Development Bank (ADB) Loans

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

11. Fund Balance

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

	General	Grants Assistance	Compact Trust	Other	Total
Non-spendable:					
Loans receivable from States	$ 28,022,729	$ -	$ -	$ -	$ 28,022,729
Loans receivable from FSMTCC	500,000	-	-	-	500,000
United Micronesia Dev. Association	1,500,000	-	-	-	1,500,000
Investment in Bank of FSM	7,507,306	-	-	-	7,507,306
ADB contribution	6,927,442	-	-	-	6,927,442
Permanent fund	-	-	23,752,115	-	23,752,115
Restricted For:					
Infrastructure	-	318,086	-	-	318,086
Disaster Assistance	-	5,324,932	-	-	5,324,932
Investment Development Fund	2,090,068	-	-	-	2,090,068
Foreign grant projects	-	18,704,584	-	-	18,704,584
Committed:					
CFSM Public projects	40,995,585	-	-	-	40,995,585
Future operations-FSM Trust fund	434,541,013	-	-	-	434,541,013
Other functions and programs	46,325,132	-	-	7,442,822	53,767,954
Assigned:					
Presidents (Executive branch)	13,654,377	-	-	-	13,654,377
Legislative branch	2,358,506	-	-	-	2,358,506
Judiciary branch	767,874	-	-	-	767,874
FSM projects (Fund 25)	1,543,222	-	-	-	1,543,222
Continuing appropriations (Fund 53	7,388,130	-	-	-	7,388,130
Unassigned	42,856,774	(5,475,031)	-	-	37,381,743
	$ 636,978,158	$ 18,872,571	$ 23,752,115	$ 7,442,822	$ 687,045,666

12. Leases

Primary Government

The FSM National Government, as a lessee, has several lease agreements for office spaces with terms ranging from three (3) to forty-seven (47) years. The FSM National Government used incremental borrowing rates ranging from 0.43% to 3.96% in measuring lease liabilities, as the interest rates implicit in the leases were not readily determinable.

As of September 30, 2024, the measurement of right of use asset, net of ($1,053,663) accumulated amortization, totals $2,410,368.

A summary of future lease payments is as follows:

	Principal	Interest	Total
2025	$ 332,229	$ 57,621	$ 389,850
2026	296,638	51,590	348,228
2027	245,083	45,809	290,892
2028	225,665	40,230	265,895
Thereafter	1,414,605	541,522	1,956,127
	$2,514,220	$736,772	$3,250,992

Discretely Presented Component Units

Telecommunications Regulatory Authority (TRA)

TRA leases office space under a lease which expires in April 30, 2027 with a monthly fixed lease payment of $1,500 effective May 1, 2023.

As of September 30, 2024, the Authority's right-of-use lease asset, net of accumulated depreciation and lease liability are as follows:

Right-of-use lease asset, net	$10,095
Lease liability	$10,357

The approximate future minimum annual lease payments payable by TRA for the year ending September 30, 2024 totals $27,540.

12. Leases, continued

Discretely Presented Component Units, continued

FSM Telecommunications Cable Corp (FSMTCC)

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

	December 31, 2024
ROU, net	$166,434
Lease liabilities	
Current	$ 82,860
Non-Current	$ 90,700

13. Restatement

Management of the FSM National Government determined that previously reported balance of investment was overstated. Accordingly, beginning net position of government activities and beginning fund balance of the compact trust fund have been restated as follows:

	Government Wide Governmental Activities	Compact Trust Fund
Net position/fund balance, at beginning of year, as previously reported	$767,679,586	$26,259,987
Less correction of an error – investment overstatement	5,972,468	5,972,468
Net position/fund balance, at beginning of year, as restated	$761,707,118	$20,287,519
Change in net position/fund balance as previously reported, year ending September 30, 2023	$ 19,915,276	$ 2,277,119
Less correction of an error – investment overstatement	5,972,468	5,972,468
Change in net position/fund balance as restated, year ending September 30, 2023	$ 13,942,808	$(3,695,349)

14. Budgetary Compliance

For the year ended September 30, 2024, significant over-expenditures exceeding appropriations within the General Fund were as follows:

Executive Branch-Non-Core Operational	$4,021,634
National Projects	1,597,942
Office of the National Public Auditor-Non Core Operational	963,847
Office of the National Public Auditor- Core Operational	393,850
Judicial Branch-Non-Core Operational	275,924

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

Federated States of Micronesia
National Government

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

Year Ended September 30, 2024

	Budgeted Amounts		Actual Amounts (note 1)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes	$ 19,150,000	$ 28,250,000	$ 28,925,881	$ 675,881
Fishing rights	35,000,000	34,500,000	31,850,931	(2,649,069)
Investment earnings	-	-	8,898,943	8,898,943
Fees and charges	-	-	382,944	382,944
Other	16,532,154	16,532,154	(251,788)	(16,783,942)
Total revenues	70,682,154	79,282,154	69,806,911	(9,475,243)
Expenditures:				
Executive Branch - Core Operational	38,080,057	40,508,633	33,628,694	6,879,939
Executive Branch - Non-Core Operational	17,550,226	17,550,226	21,571,860	(4,021,634)
Judicial Branch-Core Operational	2,743,062	3,416,270	2,849,629	566,641
Judicial Branch-Non-core Operational	-	-	275,924	(275,924)
Legislative Branch-Core Operational	10,949,368	10,949,368	9,719,916	1,229,452
Legislative Branch-Non-core Operational	266,229	266,229	194,329	71,900
Office of the National Public Auditor-Core Operational	74,441	127,546	521,396	(393,850)
Office of the National Public Auditor-Non-Core Operational	347,405	347,405	1,311,252	(963,847)
Other National Programs	754,241	754,241	776,579	(22,338)
Boards and Commissions	4,205,165	4,944,028	3,941,959	1,002,069
Payments to Component Units	5,805,144	5,805,144	5,228,821	576,323
Other Noncore Programs	-	-	-	-
National projects - continuing projects	10,097,028	10,097,028	11,694,970	(1,597,942)
Total expenditures	90,872,366	94,766,118	91,715,329	3,050,789
Excess (deficiency) of revenues over (under) expenditures	(20,190,212)	(15,483,964)	(21,908,418)	(6,424,454)
Other financing sources (uses), net:				
Operating transfers in/(out), net	-	-	(35,953,408)	(35,953,408)
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes but in the year the supplies are received for financial reporting purposes	-	-	5,586,379	5,586,379
Net change in fund balance	(20,190,212)	(15,483,964)	(52,275,447)	(36,791,483)
Fund balance at the beginning of the year	188,490,563	188,490,563	188,490,563	-
Fund balance at the end of the year	$ 168,300,351	$ 173,006,599	$ 136,215,116	$ (36,791,483)

See accompanying Report of Independent Auditors and notes to required supplementary information - budgetary reporting.

Budgetary Information

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

During fiscal year 2024, supplemental appropriations were also made for both operating and capital purposes, to reflect the evolving priorities of the FSM National Government.

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

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

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

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

Reconciliation - GAAP and Budgetary Bases of Accounting

The Budget Act for fiscal year 2024, Public Law No. 23-24, was approved for the Executive branch and the Legislative branch. Budgets for Special Revenue Funds are generally not submitted. Accordingly, a budget to actual presentation for Special Revenue Funds is not required or presented. Project length financial plans are adopted for capital projects funds. The accompanying Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund presents solely the financial activities of the General Fund administered by the Department of Finance and Administration, and does not include other financial activities administered by that Department and the impact of implementation of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

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

Net change in fund balance - Budgetary basis	$(52,275,447)
Add:	
Net change in fund balance - GAAP for GASB 54 Funds:	
ADB Loan Fund (Fund 91)	(693,473)
IDF Fund	14,882
ERP Fund	(374,587)
FSM Trust Fund	122,125,111
Net change in fund balance - GAAP	$ 68,796,486

Supplementary Information

Federated States of Micronesia
National Government

Combined Schedule of Expenditures by Account - Governmental Fund Types

Year Ended September 30, 2024

	General	Special Revenue: Grants Assistance	Permanent: Compact Trust	Other Governmental Funds	Total
Expenditures:					
Personnel	$ 25,024,044	$ 8,570,723	$ -	$ 669,770	$ 34,264,537
Travel and transportation	5,126,400	4,125,704	-	188,610	9,440,714
Books and library materials	30	30,159	-	-	30,189
Communications	733,260	285,038	-	59,145	1,077,443
Customs and taxes	2,354	-	-	-	2,354
Dues, membership and subscription	777,957	214,644	-	-	992,601
Food stuffs	1,830,924	802,195	-	24,702	2,657,821
Freight	87,968	67,327	-	47,627	202,922
Expendable equipment	921,152	2,299,711	-	4,786	3,225,649
Office supplies and materials	3,048,311	1,327,737	-	29,522	4,405,570
POL	2,706,603	415,594	-	431,648	3,553,845
Advertising, printing and reproduction	113,492	127,986	-	2,150	243,628
Rental services	368,760	746,503	-	195	1,115,458
Repair and maintenance	567,667	20,502	-	9,258	597,427
Utilities	1,278,677	221,223	-	16,541	1,516,441
Miscellaneous goods and services	366,194	106,140	-	4,611	476,945
Medical supplies	79,225	128,976	-	-	208,201
Medical services/claims	51,154	-	-	-	51,154
Contributions, subsidies and grants	8,617,810	7,779	-	-	8,625,589
General contractual services	11,446,502	25,681,134	-	359,373	37,487,009
Professional services	2,338,320	10,321,600	-	-	12,659,920
Employee housing and household storage	1,902,023	96,920	-	-	1,998,943
Recruit and repatriation	107,625	-	-	-	107,625
Compensation-nonpayroll	225,635	52,355	-	-	277,990
Educational allowance	38,271	-	-	-	38,271
Training and registration fees	12,653	83,737	-	-	96,390
Scholarships	3,218,479	-	-	366,385	3,584,864
Official and meeting allowances	93,559	57,074	-	-	150,633
Representation	6,114,796	-	-	5,550	6,120,346
Insurance and fees	3,156,771	1,701	-	23,926	3,182,398
Leased housing, offices, buildings and lan	1,834,710	249,029	-	34,200	2,117,939
Bank charges and custodial fees	46,184	278,200	-	298	324,682
Fishing day vessels	-	-	-	1,582,100	1,582,100
Equipment	1,083,203	4,870,327	-	32,628	5,986,158
Furnitures and fixtures	114,637	-	-	-	114,637
Vehicle and vessels	927,568	107,291	-	-	1,034,859
Land	-	-	-	-	-
Building	-				-
Payment to the state governments and othe	-	100,797,377	-	-	100,797,377
Bad debt expense	1,766,032				1,766,032
Principal and interest payments	2,345,776	-	-	-	2,345,776
Total expenditures	$ 88,474,726	$ 162,094,686	$ -	$ 3,893,025	$ 254,462,437

Federated States of Micronesia
National Government

GENERAL FUND (FUND 1)
Statement of Revenues, Expenditures by Function and Department, and Changes in Fund Balance

Year Ended September 30, 2024
(with comparative totals for the year ended September 30, 2023)

	2024	2023
Revenue:		
Taxes:		
Import	$ 6,333,963	$ 3,896,440
Fuel	158,893	122,727
Corporate tax	8,084,854	8,003,456
Income tax, individuals, net of tax refunds	6,645,524	3,715,526
Gross receipts tax, businesses	6,567,039	4,172,165
Tobacco revenue share	1,135,608	768,726
	28,925,881	20,679,040
Fishing rights	31,850,931	62,453,758
Fees and charges:		
Postal collections	243,626	239,949
Business license and various fees	139,318	118,986
	382,944	358,935
Investment earnings:		
Net change in the fair value of investments	8,305,786	1,319,375
Dividend and interest income	593,157	2,329,260
	8,898,943	3,648,635
MiCare reimbursible,net	6,366	(6,077)
Other	(258,154)	3,141,298
Total revenues	69,806,911	90,275,589
Expenditures:		
Executive Branch:		
Core operational:		
President's Office	2,872,418	2,697,154
Department of External Affairs and LNO's	8,444,514	6,358,333
Office of Personnel	314,411	248,360
Office of Veteran's Affairs	60,098	100
Department of Health and Social Affairs	886,479	1,192,346
Department of Education	288,611	611,106
Office of Resources and development	1,308,505	1,671,577
National archives, cultural and historic prevention	193,806	150,872
Office of Environment and emergency management	598,846	1,002,012
Department of Transportation, Communication and Infrastructure	4,046,571	4,374,520
Department of Finance and Administration	4,980,485	6,954,442
Department of Justice	6,843,864	6,237,663
Office of the Public Defender	1,033,738	955,437
Sub-total	31,872,346	32,453,922

Federated States of Micronesia
National Government

GENERAL FUND (FUND 1)
Statement of Revenues, Expenditures by Function and Department, and Changes in Fund Balance, continued

	2024	2023
Expenditures, continued:		
Executive Branch:		
Non-core operational:		
President's Office	2,545,216	4,706,705
Department of External Affairs and LNO's	2,128,339	1,390,435
Department of Health and Social Affairs	768,753	650,851
Department of Education	4,842,591	4,854,721
Office of Resources and development	671,114	1,637,515
National archives, cultural and historic prevention	6,401	5,537
Office of Environment and emergency management	1,294,082	292,172
Department of Transportation, Communication and Infrastructure	7,788,337	8,918,681
Department of Finance and Administration	150,766	2,388,349
Department of Justice	766,768	1,201,033
Sub-total	20,962,367	26,045,999
Total Executive Branch	52,834,713	58,499,921
Judicial Branch-core operational	2,292,895	1,957,032
Judicial Branch-non-core operational	272,066	436,282
Total Judicial Branch	2,564,961	2,393,314
Legislative Branch:		
Office of the Speaker and members	4,408,489	5,176,411
Congress staff	3,208,102	3,104,614
Delegation offices	1,485,946	3,285,531
Legislative Noncore	187,486	401,207
Total Legislative Branch	9,290,023	11,967,763
Office of the National Public Auditor-Core operational	463,880	1,004,515
Office of the National Public Auditor-Non-Core operational	656,267	465,845
Total Office of the Public Auditor	1,120,147	1,470,360
Agencies, Boards and Commissions:		
National Oceanic Resource Management Authority	966,227	931,400
FSM Banking Board	206,579	229,767
FSM Insurance Board	604,277	625,799
FSM Postal Services	1,011,934	1,113,894
Forum Fisheries Agency	57,657	57,657
Micronesia Legal Service Corporation	150,000	250,000
MLFC Loan Subsidy	226,615	232,496
National Olympic Committee	-	15,000
Saint Cecilia Catholic School	-	40,481
2019 Constitutional Convention Election	6,000	72,528
Tuna Commission Membership Fee	434,201	434,202
Commemoration of World Tuna	43,090	1,590
T3 Monitoring	35,724	-
PNA membership fee	10,000	-
Hosting WPCFC, TTC, & SC NORMA	51,735	-
Other	3,290	-
	3,807,329	4,004,814

Federated States of Micronesia
National Government

GENERAL FUND (FUND 1)
Statement of Revenues, Expenditures by Function and Department,
and Changes in Fund Balance, continued

	2024	2023
Expenditures, continued:		
Agencies, Boards and Commissions, continued:		
Special Programs		
National Election Office	551,813	528,075
Special and General Elections	157,031	1,138,551
	708,844	1,666,626
Payments to Component Units:		
College of Micronesia-FSM (Board of Regents)	120,000	125,000
College of Micronesia-FSM	1,000,000	3,263,700
College of Micronesia-FSM FMI	887,896	-
College of Micronesia-FSM Endowment Fund	-	500,000
FSM Social Security Administration	3,000,000	3,000,000
FSMTCC	-	250,000
Caroline Air Inc.	220,925	554,610
FSM NGEIP (MiCare)	-	-
	5,228,821	7,693,310
Legislative public projects	10,574,112	16,181,325
Total expenditures	86,128,950	103,877,433
Excess of expenditures over revenues	(16,322,039)	(13,601,844)
Other financing sources (uses):		
Operating transfers in:		
Reimbursable Fund	-	-
Entry Fee Revolving Fund	-	-
Postal Services Revolving Fund	402,426	587,447
Insurance Board Revolving Fund	50,247	65,465
Fisheries Observation Revolving Fund	481,611	335,943
Maritime Sueveillance Revolving Fund	-	302,123
Permit Revolving Fund	160,383	118,254
Passport Revolving Fund	897,768	1,167,841
	1,992,435	2,577,073
Operating transfers out:		
FSM Trust Fund	(37,945,843)	-
Reimbursable Fund	-	-
Non-U.S. Grant Fund	-	-
	(37,945,843)	-
Total other financing sources (uses), net	(35,953,408)	2,577,073
Special item:		
Write-off of receivable balances	-	-
Net change in fund balance	(52,275,447)	(11,024,771)
Fund balances at the beginning of the year, as reported	188,490,563	199,515,334
Fund balance at the end of the year	$ 136,215,116	$ 188,490,563

Federated States of Micronesia
National Government

GENERAL FUND (FUND 1)

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

Reconciliation:		
Fund balance, General Fund	$	136,215,116
Add:		
ADB Loan Fund		28,499,557
IDF with FSMDB		2,088,696
Early Retirement Fund		(2,312,067)
FSM Trust Fund		472,486,856
Fund balance, GAAP	$	636,978,158

See accompanying Report of Independent Auditors.

Federated States of Micronesia
National Government

NONMAJOR GOVERNMENTAL FUNDS

Combining Balance Sheet

September 30, 2024

	27 Permit Revolving	28 Filling Office Revolving	29 Maritime Operations Revolving	31 Passport Revolving	32 Aquaculture Revolving	33 Fisheries Observer Revolving	34 Medical Revolving	35 Nurse Board Revolving	36 ICQ Overtime Revolving	39 Scholarship	41 Maritime Surveillance Revolving	42 Postal Services Revolving	43 Insurance Board Revolving	45 Vessel Day Acquisition	Total
ASSETS															
Receivables:															
General	$ -	$ -	$ -	$ -	$ -	$ 372	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 372
Advances	-	-	-	11,152	-	18,826	1,721	-	-	-	-	-	-	-	31,699
Due from other funds	38,010	128,781	148,868	-	28,664	1,188,309	31,497	37,662	-	15,550	476,139	206,836	50,000	5,679,861	8,030,177
	$ 38,010	$ 128,781	$ 148,868	$ 11,152	$ 28,664	$ 1,207,507	$ 33,218	$ 37,662	$ -	$ 15,550	$ 476,139	$ 206,836	$ 50,000	$ 5,679,861	$ 8,062,248
LIABILITIES AND FUND BALANCES															
Liabilities:															
Accounts payable	$ 866	$ -	$ 12,878	$ 44,663	$ -	$ 5,920	$ -	$ -	$ -	$ -	$ 7,060	$ 3,428	$ -	$ -	$ 74,815
Other liabilities and accruals	-	-	5,777	-	-	10,659	-	-	-	-	-	-	-	-	16,436
Due to other funds	-	-	-	248,716	-	-	100	-	279,314	-	-	-	-	-	528,130
Due to grantor agencies	45	-	-	-	-	-	-	-	-	-	-	-	-	-	45
	911	-	18,655	293,379	-	16,579	100	-	279,314	-	7,060	3,428	-	-	619,426
Fund balances:															
Committed	37,099	128,781	130,213	(282,227)	28,664	1,190,928	33,118	37,662	(279,314)	15,550	469,079	203,408	50,000	5,679,861	7,442,822
Total liabilities and fund balances	$ 38,010	$ 128,781	$ 148,868	$ 11,152	$ 28,664	$ 1,207,507	$ 33,218	$ 37,662	$ -	$ 15,550	$ 476,139	$ 206,836	$ 50,000	$ 5,679,861	$ 8,062,248

Federated States of Micronesia
National Government

NONMAJOR GOVERNMENTAL FUNDS

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

Year Ended September 30, 2024

	27	**28**	**29**	**31**	**32**	**33**	**34**	**35**	**36**	**39**	**41**	**42**	**43**	**45**	
	Permit Revolving	Filling Office Revolving	Maritime Operations Revolving	Passport Revolving	Aquaculture Revolving	Fisheries Observer Revolving	Medical Revolving	Nurse Board Revolving	ICQ Overtime Revolving	Scholarship	Maritime Surveillance Revolving	Postal Services Revolving	Insurance Board Revolving	Vessel Day Acquisition	Total
Revenues:															
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 214,459	$ -	$ -	$ -	$ -	$ 214,459
Fees and charges	179,388	8,445	245,186	1,174,899	11	998,830	6,545	2,059	372,723	-	405,392	640,090	77,819	4,979,462	9,090,849
Total revenues	179,388	8,445	245,186	1,174,899	11	998,830	6,545	2,059	372,723	214,459	405,392	640,090	77,819	4,979,462	9,305,308
Expenditures by function:															
Current:															
Transportation, communication and infrastructure	-	-	345,156	-	-	-	-	-	-	-	-	-	-	-	345,156
Health	-	-	-	-	-	-	16,153	7,215	-	-	-	-	-	-	23,368
Education	-	-	-	-	-	-	-	-	-	366,385	-	-	-	-	366,385
Finance and administration	-	-	-	-	-	-	-	-	179,839	-	-	-	-	-	179,839
Resources and development	-	-	-	-	-	-	-	-	139,148	-	-	-	-	-	139,148
Justice	19,005	-	-	177,133	-	-	-	-	242,888	-	420,185	-	-	-	859,211
Agencies, boards and commissions	-	-	-	-	-	317,218	-	-	-	-	-	53,028	27,572	1,582,100	1,979,918
Legislative public projects	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	19,005	-	345,156	177,133	-	317,218	16,153	7,215	561,875	366,385	420,185	53,028	27,572	1,582,100	3,893,025
Excess (deficiency) of revenue over (under) expenditure	160,383	8,445	(99,970)	997,766	11	681,612	(9,608)	(5,156)	(189,152)	(151,926)	(14,793)	587,062	50,247	3,397,362	5,412,283
Other financing uses:															
Operating transfers out	(160,383)	-	-	(897,768)	-	(481,611)	-	-	-	-	-	(402,426)	(50,247)	-	(1,992,435)
Net change in fund balances	-	8,445	(99,970)	99,998	11	200,001	(9,608)	(5,156)	(189,152)	(151,926)	(14,793)	184,636	-	3,397,362	3,419,848
Fund balances at the beginning of the year	37,099	120,336	230,183	(382,225)	28,653	990,927	42,726	42,818	(90,162)	167,476	483,872	18,772	50,000	2,282,499	4,022,974
Fund balances at the end of the year	$ 37,099	$ 128,781	$ 130,213	$ (282,227)	$ 28,664	$ 1,190,928	$ 33,118	$ 37,662	$ (279,314)	$ 15,550	$ 469,079	$ 203,408	$ 50,000	$ 5,679,861	$ 7,442,822

Federated States of Micronesia
National Government

NONMAJOR GOVERNMENTAL FUNDS

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

Year Ended September 30, 2024

	27	28	29	31	32	33	34	35	36	39	41	42	43	45	
	Permit Revolving	Filling Office Revolving	Maritime Operations Revolving	Passport Revolving	Aquaculture Revolving	Fisheries Observer Revolving	Medical Revolving	Nurse Board Revolving	ICQ Overtime Revolving	Scholarship	Maritime Surveillance Revolving	Postal Services Revolving	Insurance Board Revolving	Vessel Day Acquisition	Total
Revenues:															
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 214,459	$ -	$ -	$ -	$ -	$ 214,459
Fees and charges	179,388	8,445	245,186	1,174,899	11	998,830	6,545	2,059	372,723	-	405,392	640,090	77,819	4,979,462	9,090,849
Total revenues	179,388	8,445	245,186	1,174,899	11	998,830	6,545	2,059	372,723	214,459	405,392	640,090	77,819	4,979,462	9,305,308
Expenditures by account:															
Personnel	-	-	83,858	-	-	10,104	6,718	7,215	561,875	-	-	-	-	-	669,770
Travel and transportation	-	-	-	15,663	-	156,109	9,435	-	-	-	-	-	7,403	-	188,610
Communications	-	-	-	-	-	10,632	-	-	-	-	48,513	-	-	-	59,145
Food stuffs	-	-	15,170	-	-	1,820	-	-	-	-	7,712	-	-	-	24,702
Freight	-	-	-	47,627	-	-	-	-	-	-	-	-	-	-	47,627
Expendable equipment	-	-	-	-	-	836	-	-	-	-	-	3,950	-	-	4,786
Office supplies and materials	-	-	14,662	3,570	-	6,499	-	-	-	-	1,924	2,867	-	-	29,522
Miscellaneous goods & services	-	-	-	-	-	4,611	-	-	-	-	-	-	-	-	4,611
POL	-	-	94,292	-	-	3,987	-	-	-	-	333,369	-	-	-	431,648
Advertising, printing and reproduction	-	-	-	-	-	2,150	-	-	-	-	-	-	-	-	2,150
Rental	-	-	-	-	-	-	-	-	-	-	195	-	-	-	195
Repair and maintenance	-	-	1,456	-	-	952	-	-	-	-	6,850	-	-	-	9,258
Utilities	-	-	-	-	-	16,169	-	-	-	-	330	42	-	-	16,541
General contractual services	19,005	-	135,494	77,645	-	60,891	-	-	-	-	-	46,169	20,169	-	359,373
Training and registration fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Scholarships	-	-	-	-	-	-	-	-	-	366,385	-	-	-	-	366,385
Representation	-	-	-	-	-	5,550	-	-	-	-	-	-	-	-	5,550
Insurance and fees	-	-	-	-	-	23,926	-	-	-	-	-	-	-	-	23,926
Leased housing, offices, buildings and land	-	-	-	-	-	12,982	-	-	-	-	21,218	-	-	-	34,200
Bank charges	-	-	224	-	-	-	-	-	-	-	74	-	-	-	298
Fishing vessel days	-	-	-	-	-	-	-	-	-	-	-	-	-	1,582,100	1,582,100
Equipment	-	-	-	32,628	-	-	-	-	-	-	-	-	-	-	32,628
Total expenditures	19,005	-	345,156	177,133	-	317,218	16,153	7,215	561,875	366,385	420,185	53,028	27,572	1,582,100	3,893,025
Excess (deficiency) of revenue over (under) expenditure	160,383	8,445	(99,970)	997,766	11	681,612	(9,608)	(5,156)	(189,152)	(151,926)	(14,793)	587,062	50,247	3,397,362	5,412,283
Other financing uses:															
Operating transfers out	(160,383)	-	-	(897,768)	-	(481,611)	-	-	-	-	-	(402,426)	(50,247)	-	(1,992,435)
Net change in fund balances	-	8,445	(99,970)	99,998	11	200,001	(9,608)	(5,156)	(189,152)	(151,926)	(14,793)	184,636	-	3,397,362	3,419,848
Fund balances at the beginning of the year	37,099	120,336	230,183	(382,225)	28,653	990,927	42,726	42,818	(90,162)	167,476	483,872	18,772	50,000	2,282,499	4,022,974
Fund balances at the end of the year	$ 37,099	$ 128,781	$ 130,213	$ (282,227)	$ 28,664	$ 1,190,928	$ 33,118	$ 37,662	$ (279,314)	$ 15,550	$ 469,079	$ 203,408	$ 50,000	$ 5,679,861	$ 7,442,822

Federated States of Micronesia
National Government

GRANTS ASSISTANCE FUND

Combining Balance Sheet

September 30, 2024

	10	11	12	13	14	15	16	18	19	20	23	26	
	Section 211(a)(1) Education Sector	Section 211(a)(2) Health Sector	Section 211(a)(5) Environment	Section 211(a)(3) Private Sector Development	Section 211(a)(4) Capacity Building	Supplemental Education	Enhanced Reporting Accountability	Infrastructure Maintenance	Section 211(a)(6) Infrastructure	U.S. Federal Grants	Non-U.S. Grants	Disaster Assistance Emergency	Total
ASSETS													
Cash & equivalents	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,947	$ -	$ -	$ -	$ 5,061,664	$ 5,063,611
Receivables:													
Federal agencies	-	-	-	-	-	-	-	-	-	5,781,971	-	-	5,781,971
FSM State Governments	-	-	-	-	-	-	-	-	-	-	-	-	-
Advance	-	-	-	-	1,729	44,802	-	-	-	300,830	252,458	5,620	605,439
Prepayments	-	-	-	-	-	-	-	-	-	-	-	-	-
Due from other funds	2,252,260	-	-	-	-	-	-	841,126	703,393	(424,955)	28,389,007	770,486	32,531,317
	$ 2,252,260	$ -	$ -	$ -	$ 1,729	$ 44,802	$ -	$ 843,073	$ 703,393	$ 5,657,846	$ 28,641,465	$ 5,837,770	$ 43,982,338
LIABILITIES AND FUND BALANCES													
Liabilities:													
Accounts payable	$ 92,042	$ (124,927)	$ -	$ -	$ 938,088	$ (55,419)	$ -	$ -	$ (251,404)	$ 5,250,705	$ 400,630	$ 512,828	$ 6,762,543
Due to FSM State Governments	2,587,939	(1,079,086)	8,880	123,806	(382,942)	538,653	(235,669)	80,596	1,579,400	210,785	-	-	3,432,362
Accrued liabilities and others	(5,992)	-	-	-	-	2,527	-	-	(180,212)	2,563	23,013	-	(158,101)
Due to other funds	-	1,636,918	318,873	373,500	1,913,094	1,033,524	283,816	-	-	-	-	-	5,559,725
Unearned revenues	-	-	-	-	-	-	-	-	-	-	9,513,238	-	9,513,238
Total liabilities	2,673,989	432,905	327,753	497,306	2,468,240	1,519,285	48,147	80,596	1,147,784	5,464,053	9,936,881	512,828	25,109,767
Fund balances:													
Restricted	(421,729)	(432,905)	(327,753)	(497,306)	(2,466,511)	(1,474,483)	(48,147)	762,477	(444,391)	193,793	18,704,584	5,324,942	18,872,571
Total fund balances	(421,729)	(432,905)	(327,753)	(497,306)	(2,466,511)	(1,474,483)	(48,147)	762,477	(444,391)	193,793	18,704,584	5,324,942	18,872,571
Total liabilities and fund balances	$ 2,252,260	$ -	$ -	$ -	$ 1,729	$ 44,802	$ -	$ 843,073	$ 703,393	$ 5,657,846	$ 28,641,465	$ 5,837,770	$ 43,982,338

Federated States of Micronesia
National Government

GRANTS ASSISTANCE FUND

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

Year Ended September 30, 2024

	10 Section 211(a)(1) Education Sector	11 Section 211(a)(2) Health Sector	12 Section 211(a)(5) Environment	13 Section 211(a)(3) Private Sector Development	14 Section 211(a)(4) Capacity Building	15 Supplemental Education	16 Enhanced Reporting Accountability	18 Infrastructure Maintenance	19 Section 211(a)(6) Infrastructure	20 U.S. Federal Grants	23 Non-U.S. Grants	26 Disaster Assistance Emergency	Total
Revenues:													
Compact funding	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,632,602	$ -	$ -	$ -	$ 6,632,602
Compact funding - state gov'ts and others	28,005,629	23,988,556	259,320	251,932	1,504,529	15,260,318	1,893,298	80,596	23,258,572	-	-	-	94,502,750
Federal grants	-	-	-	-	-	-	-	-	-	22,338,736	-	-	22,338,736
Federal grants - state gov'ts and others	-	-	-	-	-	-	-	-	-	6,294,627	-	-	6,294,627
Other grants	-	-	-	-	-	-	-	-	-	-	32,903,412	-	32,903,412
Net change in the fair value of investments	-	-	-	-	-	-	-	-	-	-	-	305,160	305,160
Others	-	-	-	-	-	-	-	743	-	-	-	-	743
	28,005,629	23,988,556	259,320	251,932	1,504,529	15,260,318	1,893,298	81,339	29,891,174	28,633,363	32,903,412	305,160	162,978,030
Expenditures by function:													
Current:													
General government:													
Office of the President	-	-	-	-	-	-	-	-	-	-	50,340	-	50,340
Foreign affairs	-	-	-	-	-	-	-	-	-	-	124,104	-	124,104
Finance and administration	-	-	-	-	744,699	-	48,147	-	-	1,805,022	4,369,239	-	6,967,107
Resources and development	-	-	-	497,306	-	-	-	-	-	496,809	4,604,812	-	5,598,927
Transportation, communication and infrastructure	-	-	-	-	187,531	25,653	-	-	-	10,485,075	6,880,672	-	17,578,931
Health and social affairs	-	432,905	-	-	-	-	-	-	-	8,103,818	1,285,652	-	9,822,375
National archives, cultural and historic preservation	-	-	-	-	-	-	-	-	-	321,958	12,502	-	334,460
Education	421,729	-	-	-	-	657,872	-	-	-	1,107,287	2,146,016	-	4,332,904
Justice	-	-	-	-	-	-	-	-	-	-	-	-	-
Legislative	-	-	-	-	-	-	-	-	-	-	-	-	-
Environment and emergency management	-	-	327,753	-	-	-	-	-	-	18,767	1,214,266	-	1,560,786
Office of the National Public Auditor	-	-	-	-	639,058	-	-	-	-	-	-	-	639,058
Boards and commissions	-	-	-	-	-	-	-	-	-	-	6,917,226	-	6,917,226
Payment to state governments and others	28,005,629	23,988,556	259,320	251,932	1,504,529	15,260,318	1,893,298	80,596	23,258,572	6,294,627	-	-	100,797,377
Capital Projects	-	-	-	-	-	-	-	294,098	7,076,993	-	-	-	7,371,091
Total expenditures	28,427,358	24,421,461	587,073	749,238	3,075,817	15,943,843	1,941,445	374,694	30,335,565	28,633,363	27,604,829	-	162,094,686
Excess (deficiency) of revenue over (under) expenditure	(421,729)	(432,905)	(327,753)	(497,306)	(1,571,288)	(683,525)	(48,147)	(293,355)	(444,391)	-	5,298,583	305,160	883,344
Other financing uses:													
Operating transfers in (out)	-	-	-	-	-	-	-	-	-	-	-	-	-
Net change in fund balances	(421,729)	(432,905)	(327,753)	(497,306)	(1,571,288)	(683,525)	(48,147)	(293,355)	(444,391)	-	5,298,583	305,160	883,344
Fund balances at the beginning of the year	-	-	-	-	(895,223)	(790,958)	-	1,055,832	-	193,793	13,406,001	5,019,782	17,989,227
Fund balances at the end of the year	$ (421,729)	$ (432,905)	$ (327,753)	$ (497,306)	$ (2,466,511)	$ (1,474,483)	$ (48,147)	$ 762,477	$ (444,391)	$ 193,793	$ 18,704,584	$ 5,324,942	$ 18,872,571

Federated States of Micronesia
National Government

GRANTS ASSISTANCE FUND

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

Year Ended September 30, 2024

	10 Section 211(a)(1) Education Sector	11 Section 211(a)(2) Health Sector	12 Section 211(a)(5) Environment	13 Section 211(a)(3) Private Sector Development	14 Section 211(a)(4) Capacity Building	15 Supplemental Education	16 Enhanced Reporting Accountability	18 Infrastructure Maintenance	19 Section 211(a)(6) Infrastructure	20 U.S. Federal Grants	23 Non-U.S. Grants	26 Disaster Assistance Emergency	Total
Revenues:													
Compact funding	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,632,602	$ -	$ -	$ -	$ 6,632,602
Compact funding - state gov'ts and others	28,005,629	23,988,556	259,320	251,932	1,504,529	15,260,318	1,893,298	80,596	23,258,572	-	-	-	94,502,750
Federal grants	-	-	-	-	-	-	-	-	-	22,338,736	-	-	22,338,736
Federal grants - state gov'ts and others	-	-	-	-	-	-	-	-	-	6,294,627	-	-	6,294,627
Other grants	-	-	-	-	-	-	-	-	-	-	32,903,412	-	32,903,412
Net change in the fair value of investments	-	-	-	-	-	-	-	-	-	-	-	305,160	305,160
Others	-	-	-	-	-	-	-	743	-	-	-	-	743
	28,005,629	23,988,556	259,320	251,932	1,504,529	15,260,318	1,893,298	81,339	29,891,174	28,633,363	32,903,412	305,160	162,978,030
Expenditures by account:													
Personnel	334,335	286,742	286,440	372,790	1,164,323	169,359	31,418	-	74,959	3,799,073	2,051,284	-	8,570,723
Travel and transportation	22,438	33,936	19,803	63,114	65,704	182,044	8,339	-	-	2,307,239	1,423,087	-	4,125,704
Books and materials	-	-	-	-	1,650	-	-	-	-	3,946	24,563	-	30,159
Communications	12,495	16,003	6,727	13,329	30,310	2,525	-	-	-	191,029	12,620	-	285,038
Customs and taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Dues, membership and subscription	360	6,120	-	-	4,317	610	-	-	-	104,168	99,069	-	214,644
Food stuffs	-	-	-	-	-	-	-	-	-	41,144	761,051	-	802,195
Freight	43	4,680	115	-	545	-	-	-	-	31,423	30,521	-	67,327
Expendable equipment/furniture	1,246	6,701	2,199	5,367	19,191	69,111	-	-	-	656,468	1,539,428	-	2,299,711
Office supplies and materials	2,449	20,203	4,418	35,910	21,413	8,279	3,710	-	-	777,138	454,217	-	1,327,737
POL	1,542	4,478	-	667	3,502	-	-	-	-	284,185	121,220	-	415,594
Advertising, printing and reproduction	-	-	-	-	-	-	-	-	-	26,781	101,205	-	127,986
Rental services	-	598	270	300	231	4,350	-	-	-	345,986	394,768	-	746,503
Repair and maintenance	-	1,307	99	-	2,485	-	-	-	-	16,363	248	-	20,502
Utilities	-	12,208	60	-	1,332	-	-	-	-	192,254	15,369	-	221,223
Miscellaneous goods and services	-	1,252	371	547	237	-	35	-	-	18,223	85,475	-	106,140
Medical supplies	-	-	-	-	-	-	-	-	-	128,976	-	-	128,976
Contribution, subsidies	-	114	601	5,000	-	-	-	-	-	3,064	(1,000)	-	7,779
General Contractual services	1,771	-	-	-	9,892	244,873	-	294,098	7,002,034	12,631,931	5,496,535	-	25,681,134
Professional services	-	-	-	-	163,593	-	-	-	-	392,668	9,765,339	-	10,321,600
Employee housing and household storage	-	5,750	6,500	-	-	-	-	-	-	55,920	28,750	-	96,920
Compensation-nonpayroll	-	-	-	-	3,862	2,250	-	-	-	6,010	40,233	-	52,355
Training and registration fees	-	500	-	-	15,130	-	3,000	-	-	23,720	41,387	-	83,737
Offical and meeting allowances	-	-	-	-	11,698	-	-	-	-	39,890	5,486	-	57,074
Insurance and fees	-	-	-	-	-	-	-	-	-	1,701	-	-	1,701
Leased housing, offices, buildings and land	45,000	31,463	-	-	50,923	-	1,320	-	-	111,503	8,820	-	249,029
Bank charges	50	850	150	282	950	124	325	-	-	1,175	274,294	-	278,200
Payment to state governments and others	28,005,629	23,988,556	259,320	251,932	1,504,529	15,260,318	1,893,298	80,596	23,258,572	6,294,627	-	-	100,797,377
Equipment	-	-	-	-	-	-	-	-	-	77,693	4,792,634	-	4,870,327
Vehicle	-	-	-	-	-	-	-	-	-	69,065	38,226	-	107,291
Total expenditures	28,427,358	24,421,461	587,073	749,238	3,075,817	15,943,843	1,941,445	374,694	30,335,565	28,633,363	27,604,829	-	162,094,686
Excess (deficiency) of revenue over (under) expenditure	(421,729)	(432,905)	(327,753)	(497,306)	(1,571,288)	(683,525)	(48,147)	(293,355)	(444,391)	-	5,298,583	305,160	883,344
Other financing uses:													
Operating transfers in (out)	-	-	-	-	-	-	-	-	-	-	-	-	-
Net change in fund balances	(421,729)	(432,905)	(327,753)	(497,306)	(1,571,288)	(683,525)	(48,147)	(293,355)	(444,391)	-	5,298,583	305,160	883,344
Fund balances at the beginning of the year	-	-	-	-	(895,223)	(790,958)	-	1,055,832	-	193,793	13,406,001	5,019,782	17,989,227
Fund balances at the end of the year	$ (421,729)	$ (432,905)	$ (327,753)	$ (497,306)	$ (2,466,511)	$ (1,474,483)	$ (48,147)	$ 762,477	$ (444,391)	$ 193,793	$ 18,704,584	$ 5,324,942	$ 18,872,571

See accompanying Report of Independent Auditors.

Other Information

Federated States of Micronesia
National Government

GENERAL FUND (FUND 01 ONLY)
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual, Budgetary Basis

Year Ended September 30, 2024

	Budgeted Amounts: Original Budget	Budgeted Amounts: Final Budget	Expenditures on Budgetary Basis	Variance with Final Budget - Positive (Negative)
Revenues:				
Local taxes	$ 10,150,000	19,250,000	20,841,027	$ 1,591,027
Fishing right fees	35,000,000	34,500,000	31,850,931	(2,649,069)
Corporate Fees	9,000,000	9,000,000	8,084,854	(915,146)
Postal revenues	-	-	243,626	243,626
Investment earnings	-	-	8,898,943	8,898,943
Fees and charges	-	-	139,318	139,318
Other	16,532,154	16,532,154	(251,788)	(16,783,942)
Total revenues	70,682,154	79,282,154	69,806,911	(9,475,243)
Expenditures-budgetary basis by department:				
Executive Branch-Core Operational:				
Office of the President	2,430,172	3,060,172	2,623,930	436,242
President's Office - Public Information	225,948	266,980	176,654	90,326
President's Office - ODA & Compact Management	593,191	604,891	416,830	188,061
Total Office of the President	3,249,311	3,932,043	3,217,414	714,629
Department of Foreign Affairs				
Administration	583,955	635,455	683,498	(48,043)
Division of APA and Multilateral Affairs	228,249	228,249	178,877	49,372
Division of American and European Affairs	202,975	202,975	102,605	100,370
FSM Embassy - China	703,101	703,101	697,698	5,403
FSM Consulate - Guam	599,209	599,209	483,242	115,967
FSM Consulate - Honolulu	763,761	763,761	668,263	95,498
FSM Embassy - Tokyo	1,030,250	1,030,250	692,566	337,684
FSM Embassy - Washington D.C.	888,063	888,063	2,824,047	(1,935,984)
FSM Embassy - Fiji	473,570	473,570	397,481	76,089
FSM Permanent Mission - New York	998,952	998,952	1,051,418	(52,466)
FSM Consulate - Portland, Oregon	892,698	892,698	721,484	171,214
Total Department of Foreign Affairs	7,364,783	7,416,283	8,501,179	(1,084,896)
Department of Health and Social Affairs:				
Administration	214,072	234,022	78,782	155,240
Division of Health	40,219	40,219	38,723	1,496
Health System Support	311,016	334,910	133,274	201,636
Environmental Health Unit	689,985	738,463	479,827	258,636
Social Affairs	40,219	40,219	31,112	9,107
Gender Development Unit	90,488	116,288	90,576	25,712
Youth Support Services	44,339	52,329	44,367	7,962
Sports Development & Physical Activity	48,099	58,894	48,340	10,554
Disablility & Elderly Services	18,205	18,205	3,643	14,562
Total Department of Health and Social Affairs	1,496,642	1,633,549	948,644	684,905
Department of Education:				
Administration	379,053	401,554	166,937	234,617
Division of Formal & Non Formal Educaiton	286,765	291,765	88,615	203,150
Division of Quality & effectiveness(Domestic)	128,796	128,796	(25,058)	153,854
Division of Quality & effectiveness(SEG)	366,570	366,570	104,318	262,252
Total Department of Education	1,161,184	1,188,685	334,812	853,873
Department of Resources and Development:				
Administration	261,974	290,110	262,171	27,939
Division of Tourism	142,421	160,255	63,324	96,931
Division of Marine Resources	138,549	160,146	66,499	93,647
Division of Agriculture	510,963	557,314	307,592	249,722
Division of Trade and Investment	276,068	321,094	217,478	103,616
Division of Energy	123,359	132,660	82,252	50,408
Division of Statistics	554,104	615,796	435,063	180,733
Total Department of Resources and Development	2,007,438	2,237,375	1,434,379	802,996

Federated States of Micronesia
National Government

GENERAL FUND (FUND 01 ONLY)
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual, Budgetary Basis, continued

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
Expenditures-budgetary basis by department, continued:				
Office of National Archives, Culture and Historic Preservation	280,670	280,670	199,687	80,983
Department of Environment, Climate Change and Emergency Management:				
Office of the Director	394,791	402,841	221,241	181,600
Division of Environment	258,186	271,411	96,137	175,274
Division of Climate Change	263,311	276,434	89,804	186,630
Division of Emergency Management	268,348	285,373	213,438	71,935
Total Department of Environment, Climate Change and Emergency Management	1,184,636	1,236,059	620,620	615,439
Office of Veteran's Affairs	107,021	135,622	68,357	67,265
Office of Personnel	258,981	274,081	361,092	(87,011)
Department of Transportation, Communication and Infrastructure:				
Administration	246,493	275,264	228,838	46,426
Division of Marine Transportation	2,452,666	2,460,585	2,425,028	35,557
Division of Infrastructure	922,575	957,534	999,000	(41,466)
Civil Aviation	236,928	276,814	242,925	33,889
Communication	176,166	197,946	159,007	38,939
Project Management Unit	482,796	497,046	416,103	80,943
Total Department of Transportation, Communication and Infrastructure	4,517,624	4,665,189	4,470,901	194,288
Department of Finance and Administration:				
Administration	386,446	465,596	744,122	(278,526)
Division of National Treasury	1,396,359	1,465,964	2,219,533	(753,569)
Division of Customs and Tax Administration	1,935,740	2,146,294	1,722,309	423,985
Division of Investment & International Finance	258,736	287,936	72,817	215,119
Division of Budget & Economic Management	515,875	543,692	360,630	183,062
Total Department of Finance and Administration	4,493,156	4,909,482	5,119,411	(209,929)
Department of Justice:				
Administration	758,340	758,340	348,036	410,304
Registrar of Corporation	147,601	159,961	142,931	17,030
Division of Law	609,612	609,612	410,791	198,821
Division of Litigation	828,873	884,373	441,900	442,473
Division of Anti-Human Trafficking Services	341,039	361,169	256,461	104,708
Division of Immigration and Passport Services	1,184,173	1,286,364	973,327	313,037
Division of Labor	574,788	630,995	232,149	398,846
FSM National Police	2,604,537	2,768,651	1,414,742	1,353,909
Division of Cyber Security	247,508	376,558	119,421	257,137
Division of Border Control & Maritime Surveilance	3,113,205	3,137,385	2,926,549	210,836
Total Department of Justice	10,409,676	10,973,408	7,266,307	3,707,101
Office of the Public Defender	1,548,935	1,626,187	1,085,891	540,296
Total Executive Branch-Core Operational	38,080,057	40,508,633	33,628,694	6,879,939
Executive Branch-Non-Core Operational:				
President's Office	4,465,601	4,465,601	2,548,910	1,916,691
Department of Foreign Affairs	405,083	405,083	2,128,339	(1,723,256)
Department of Health and Social Affairs	363,889	363,889	768,753	(404,864)
Department of Education	5,645,841	5,645,841	4,842,591	803,250
Department of Resources and Development	675,288	675,288	671,114	4,174
Office of National Archives, Culture, Historic Prevention	7,064	7,064	6,401	663
Department of Environment, Climate Change and Emergency Management	288,922	288,922	1,294,082	(1,005,160)
Department of Transportation, Communications and Infrastructure	2,087,067	2,087,067	8,016,607	(5,929,540)
Department of Finance and Administration	1,950,000	1,950,000	162,643	1,787,357
Department of Justice	1,661,471	1,661,471	1,132,420	529,051
Total Executive Branch-Non-Core Operational	17,550,226	17,550,226	21,571,860	(4,021,634)
Total Executive Branch	55,630,283	58,058,859	55,200,554	2,858,305

Federated States of Micronesia
National Government

GENERAL FUND (FUND 01 ONLY)
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual, Budgetary Basis, continued

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
Judicial Branch-Core Operational	2,743,062	3,416,270	2,849,629	566,641
Judicial Branch-Non-core Operational	-	-	275,924	(275,924)
Total Judiciary Branch	2,743,062	3,416,270	3,125,553	290,717
Legislative Branch:				
Office of the Speaker and members	5,437,279	5,437,279	4,691,498	745,781
Members and staff	4,173,762	4,173,762	3,516,325	657,437
Delegation offices	1,338,327	1,338,327	1,512,093	(173,766)
Total Legislative Branch - Core	10,949,368	10,949,368	9,719,916	1,229,452
Legislative Branch - Noncore	266,229	266,229	194,329	71,900
Total Legislative Branch	11,215,597	11,215,597	9,914,245	1,301,352
Office of the National Public Auditor				
Public Auditor (Core)	74,441	127,546	521,396	(393,850)
Single Audit (Non-core)	347,405	347,405	1,311,252	(963,847)
Total Office of the National Public Auditor	421,846	474,951	1,832,648	(1,357,697)
Special Programs:				
National Election	729,063	729,063	584,960	144,103
General Election	25,178	25,178	191,619	(166,441)
Total Special Programs	754,241	754,241	776,579	(22,338)
Agencies, Board and Commissions:				
National Oceanic Resource Management Authority	1,666,486	1,705,626	1,074,103	631,523
Tuna Commission Membership	-	334,201	434,201	(100,000)
Forum Fisheries Agency	-	63,000	57,657	5,343
MLFC Loan Subsidy	187,735	317,735	226,615	91,120
Micronesia Legal Services Corporation	-	100,000	150,000	(50,000)
FSM Insurance	781,132	802,166	611,158	191,008
FSM Banking Board	295,308	318,004	210,907	107,097
2019 Constitutional Convention Election	-	-	6,000	(6,000)
Commemoration of World Tuna	-	-	43,090	(43,090)
PNA membership fee	-	10,000	10,000	-
T3 Monitoring			35,724	(35,724)
Hosting WPCFC, TTC, & SC NORMA	-		51,735	(51,735)
DRF-Low Income Households	-	-	3,288	(3,288)
Postal Services	1,274,504	1,293,296	1,024,191	269,105
Other	-	-	3,290	(3,290)
Total Agencies, Boards and Commissions	4,205,165	4,944,028	3,941,959	1,002,069
Payments to component units:				
CIA Subsidy	1,119,408	1,119,408	220,925	898,483
FSM Social Security Administration	1,500,000	1,500,000	3,000,000	(1,500,000)
Board of Regents-COM	120,000	120,000	120,000	-
COM-FSM Operation	2,000,000	2,000,000	1,000,000	1,000,000
COM-FSM (FMI)	965,736	965,736	887,896	77,840
COM-FSM Endowment Fund	100,000	100,000	-	100,000
Total payments to component units	5,805,144	5,805,144	5,228,821	576,323
Other Non Core programs and appropriations	-	-	-	-
Other National government programs-continuing appropriations	10,097,028	10,097,028	11,694,970	(1,597,942)
Total expenditures	90,872,366	94,766,118	91,715,329	3,050,789
Excess (deficiency) of revenues over (under) expenditures	(20,190,212)	(15,483,964)	(21,908,418)	(6,424,454)

Federated States of Micronesia
National Government

GENERAL FUND (FUND 01 ONLY)
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual, Budgetary Basis, continued

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
Other financing sources (uses):				
Operating Transfers in (out):				
Passport Fund	-	-	897,768	897,768
Permit Revolving Fund	-	-	160,383	160,383
Fisheries Observation Fund	-	-	481,611	481,611
National Postal Services Fund	-	-	402,426	402,426
Insurance Board Revolving Fund	-	-	50,247	50,247
FSM Trust Fund - National fund	-	-	(37,945,843)	(37,945,843)
Total Operating Transfers in/out	-	-	(35,953,408)	(35,953,408)
Total other financing sources (uses), net	-	-	(35,953,408)	(35,953,408)
	(20,190,212)	(15,483,964)	(57,861,826)	(42,377,862)
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes but in the year the supplies are received for financial reporting purposes	-	-	5,586,379	5,586,379
Net change in fund balance	(20,190,212)	(15,483,964)	(52,275,447)	(36,791,483)
Fund balance at beginning of year	188,490,563	188,490,563	188,490,563	-
Fund balance at end of year	$ 168,300,351	$ 173,006,599	$ 136,215,116	$ (36,791,483)

Federated States of Micronesia
National Government

WORLD BANK PROJECT FINANCIAL SUMMARY

For the Year Ended September 30, 2024

GRANT NAMES	GRANT AMOUNT	PRIOR YEAR EXPENDITURE	CURRENT YEAR EXPENDITURE	TOTAL EXPENDITURE	CURRENT YEAR ENCUMBRANCES	TOTAL EXPENSES & ENCUMBRANCES	GRANT BALANCE
FSM-PALAU CONNECTIVITY PROJECT (ICT):							
Work	20,462,438	7,156,794	372,070	7,528,864	615,343	8,144,207	12,318,231.08
Component 2 - DTCI	841,127	-	-	-	-	-	841,127
Component 3- TRA	1,842,075	1,181,129	125,695	1,306,823	244,155	1,550,979	291,097
Component 4 - Project Management	2,035,889	530,968	239,358	770,326	87,309	857,635	1,178,254
Old code - All Components 36335	38,518,471	36,508,003	-	36,508,003	6,486	36,514,489	2,003,982
Subtotal	**63,700,000**	**45,376,893**	**737,123**	**46,114,016**	**953,294**	**47,067,310**	**16,632,691**
NEW PROGRAMMATIC PREPARATION ADVANCE (PPA2):							
Component 1 - SEEP preparation	875,000	6,434	-	6,434	-	6,434	868,566
Component 2 - PROPER preparation	1,328,163	542,150	383,926	926,076	7,890	933,966	394,197
Component 3 - SCORE preparation	875,000	-	-	-	-	-	875,000
Component 4 -	421,837	-	-	-	-	-	421,837
Subtotal	**3,500,000**	**548,584**	**383,926**	**932,510**	**7,890**	**940,400**	**2,559,600**
PROJECT FOR STRENGTHENING PUBLIC FINANCIAL MANAGEMENT (PFM):							
COMPONENT 1 - Strenghthening FMIS Environment	680,000	279,596	250,052	529,648	249,510	779,158	(99,158)
COMPONENT 2 - FMIS	5,440,000	600,188	843,906	1,444,094	3,055,658	4,499,752	940,248
COMPONENT 3 - RMS	4,670,256	1,466,006	1,289,006	2,755,013	1,616,235	4,371,247	299,009
COMPONENT 4 - Change Management & Human Resource Development	1,715,579	916,666	215,018	1,131,684	218,668	1,350,353	365,226
COMPONENT 5 - Project Management	3,494,165	1,634,185	216,828	1,851,012	190,811	2,041,824	1,452,341
Subtotal	16,000,000	4,896,641	2,814,811	7,711,452	5,330,882	**13,042,334**	**2,957,666**
SUSTAINABLE ENERGY DEVELOPMENT AND ACCESS PROJECT (SEDAP)							
COMPONENT 1 -Improving Reliability of Electricity Supply in Pohnpei State	12,900,000	1,993,661	1,671,340	3,665,002	8,844,967	12,509,969	390,031
COMPONENT 2 - Expanding Access to Electricity in Chuuk State	4,200,000	52,974	-	52,974	3,261,412	3,314,386	885,614
COMPONENT 3 - Scalling up Renewable Energy Generation in Chuuk, Yap, and Kosrae States	8,950,000	802,444	1,187,375	1,989,818	1,117,499	3,107,317	5,842,683
COMPONENT 4 - Institutional Strengthening and Capacity Building in the Energy Sector	1,000,000	-	19,998	19,998	179,983	199,981	800,019
COMPONENT 5 - Technical Assistance and Project Management	2,950,000	1,330,827	270,101	1,600,929	269,287	1,870,216	1,079,784
Subtotal	30,000,000	4,179,906	3,148,814	7,328,721	13,673,148	**21,001,869**	**8,998,131**
FSM MARITIME INVESTMENT PROJECT (FMIP)							
Component 1 - Maritime Infrastructure	20,500,000	-	-	-	-	-	20,500,000
Component 2 - Maritime Safety and Security	7,550,000	-	-	-	-	-	7,550,000
Component 3A - Technical Assistance for Port Planning & Project Management	6,940,000	2,332,250	2,040,484	4,372,734	354,286	4,727,020	2,212,980
Component 3B - Technical Assistance for Port Planning & Project Management	3,500,000	2,301,146	468,182	2,769,328	125,657	2,894,985	605,015
Component 4/CERC - Contingency	2,500,000	758,004	348,117	1,106,121	1,393,879	2,500,000	-
Subtotal	**40,990,000**	**5,391,400**	**2,856,783**	**8,248,183**	**1,873,822**	**10,122,005**	**30,867,995**
DIGITAL FSM (DFSM)							
COMPONENT 1 - National Digital Connectivity Infrastructure	15,000,000	2,637,879	6,869,052	9,506,931	3,961,112	13,468,043	1,531,956.89
COMPONENT 2 - Digital Government Platform	5,840,000	356,698	1,020,664	1,377,362	1,455,918	2,833,280	3,006,720.37
COMPONENT 3A - Enabling Environment for Digital Gov't & Digital Economy	1,760,000	130,813	301,726	432,539	288,730	721,269	1,038,730.85
COMPONENT 3B- Enabling Environment for Digital Gov't & Digital Economy	500,000	-	-	-	-	-	500,000.00
COMPONENT 3C - Enabling Environment for Digital Gov't & Digital Economy	400,000	3,015	24,550	27,565	-	27,565	372,435.41
COMPONENT 3D- Enabling Environment for Digital Gov't & Digital Economy	1,000,000	-	16,884	16,884	-	16,884	983,116.23
COMPONENT 4A - Project Management (PIU)	1,300,000	323,516	172,667	496,183	366,356	862,539	437,461.22
COMPONENT 4B - Project Management (CIU Budget)	5,000,000	1,402,032	1,006,394	2,408,426	847,974	3,256,401	1,743,599.45
Subtotal	**30,800,000**	**4,853,952**	**9,411,937**	**14,265,889**	**6,920,090**	**21,185,980**	**9,614,020**
PRIORITIZED ROAD INVESTMENT AND MANAGEMENT ENHANCEMENTS PROJECT (PRIME)							
COMPONENT 1 -Spatial and Sector Planning Tools	1,500,000	178,729	160,788	339,517	45,479	384,996	1,115,003.70
COMPONENT 2 - Climate Resilient Infrastructure Solutions	34,000,000	340,403	929,087	1,269,489	2,030,042	3,299,531	30,700,468.97
COMPONENT 3A - Strengthening the Enabling Environment	4,500,000	834,918	488,859	1,323,777	483,422	1,807,199	2,692,800.80
Subtotal	**40,000,000**	**1,354,049**	**1,578,734**	**2,932,783**	**2,558,943**	**5,491,727**	**34,508,273**
STRATEGIC CLIMATE-ORIENTED ROAD ENHANCEMENTS PROJECT (SCORE)							
COMPONENT 1 -	310,000	-	-	-		-	310,000.00
COMPONENT 2 -	28,000,000	-	345,442	345,442	1,460,518	1,805,960	26,194,039.75
COMPONENT 3 -	6,940,000	43,630	219,846	263,475	247,878	511,353	6,428,647.11
Subtotal	**35,250,000**	**43,630**	**565,288**	**608,917**	**1,708,396**	**2,317,313**	**32,932,687**
FSM Skills and Employability Enhancement Project (SEEP)							
COMPONENT 1 -	3,330,000	-	70,066	70,066	239,487	309,553	3,020,447.18
COMPONENT 2 -	11,560,000	500	99,361	99,861	49,500	149,361	11,410,639.50
COMPONENT 3 -	520,000	-	-	-	-	-	520,000.00
COMPONENT 4 -	2,290,000	57,198	344,138	401,336	174,562	575,898	1,714,102.15
	17,700,000	**57,698**	**513,564**	**571,262**	**463,549**	**1,034,811**	**16,665,189**
TOTAL FOR ACTIVE GRANTS	**277,940,000**	**66,702,754**	**22,010,979**	**88,713,732**	**33,490,016**	**122,203,748**	**155,736,252**

PROJECT IN PIPELINE	
Federated States of Micronesia Maritime Investment Project II	13,000,000
FSM Strengthening Public Financial Management II	18,000,000
FSM Agriculture and Food Security Project	10,000,000
Federated States of Micronesia Access & Reliability Improvement and Sustainable Energy	45,000,000
PROPER	56,000,000
	142,000,000
CLOSED PROJECT	
ESDP	**14,400,000.00**
PROP	**5,500,000.00**
	19,900,000.00
TOTAL PROJECTS GRANTS	**439,840,000.35**

Federated States of Micronesia
National Government

WORLD BANK PROJECT FINANCIAL SUMMARY

For the Year Ended September 30, 2023

GRANT NAMES	GRANT AMOUNT	PRIOR YEAR EXPENDITURE	CURRENT YEAR EXPENDITURE	TOTAL EXPENDITURE	CURRENT YEAR ENCUMBRANCES	TOTAL EXPENSES & ENCUMBRANCES	GRANT BALANCE
FSM-PALAU CONNECTIVITY PROJECT (ICT):							
Micronesia & Terrestial Work	56,893,649	41,782,938	206,688	41,989,626	701,919	42,691,545	14,202,103.93
Component 2 - DTCI	1,860,000	613,277	-	613,277	-	613,277	1,246,723
Component 3- TRA	2,145,000	1,484,054	-	1,484,054	369,850	1,853,904	291,097
Component 4 - Project Management	2,801,351	1,100,229	189,708	1,289,936	44,619	1,334,555	1,466,796
Subtotal	**63,700,000**	**44,980,498**	**396,395**	**45,376,893**	**1,116,387**	**46,493,280**	**17,206,720**
NEW PROGRAMMATIC PREPARATION ADVANCE (PPA2):							
Component 1 - SEEP preparation	875,000	3,409	3,025	6,434	810	7,244	867,756
Component 2 - PROPER preparation	1,328,163	127,849	414,301	542,150	225,583	767,733	560,430
Component 3 - SCORE preparation	875,000	41,609	(41,599)	10	-	10	874,990
Component 4 -	421,837	-	-	-	-	-	421,837
Subtotal	**3,500,000**	**172,867**	**375,727**	**548,594**	**226,393**	**774,987**	**2,725,013**
PROJECT FOR STRENGTHENING PUBLIC FINANCIAL MANAGEMENT (PFM):							
COMPONENT 1 - Strenghthening FMIS Environment	550,000	53,399	226,196	279,596	238,562	518,158	31,842
COMPONENT 2 - FMIS	6,350,000	535,581	64,607	600,188	458,791	1,058,978	5,291,022
COMPONENT 3 - RMS	4,250,256	792,411	673,595	1,466,006	2,653,367	4,119,373	130,883
COMPONENT 4 - Change Management & Human Resource Development	1,585,579	650,347	266,319	916,666	110,522	1,027,189	558,390
COMPONENT 5 - Project Management	3,264,165	1,342,320	291,865	1,634,185	117,610	1,751,795	1,512,370
Subtotal	16,000,000	3,374,058	1,522,583	4,896,641	3,578,853	**8,475,494**	**7,524,506**
SUSTAINABLE ENERGY DEVELOPMENT AND ACCESS PROJECT (SEDAP)							
COMPONENT 1 -Improving Reliability of Electricity Supply in Pohnpei State	12,700,000	818,586	1,175,075	1,993,661	10,474,226	12,467,888	232,112
COMPONENT 2 - Expanding Access to Electricity in Chuuk State	3,450,000	52,974	-	52,974	101,584	154,558	3,295,442
COMPONENT 3 - Scalling up Renewable Energy Generation in Chuuk, Yap, and Kosrae States	9,900,000	148,769	653,675	802,444	2,248,857	3,051,301	6,848,699
COMPONENT 4 - Institutional Strengthening and Capacity Building in the Energy Sector	1,000,000	-	-	-	-	-	1,000,000
COMPONENT 5 - Technical Assistance and Project Management	2,950,000	1,083,546	247,281	1,330,827	239,311	1,570,138	1,379,862
Subtotal	30,000,000	2,103,876	2,076,031	4,179,906	13,063,978	**17,243,885**	**12,756,115**
FSM MARITIME INVESTMENT PROJECT (FMIP)							
Component 1 - Maritime Infrastructure	20,500,000	-	-	-	-	-	20,500,000
Component 2 - Maritime Safety and Security	7,550,000	-	-	-	-	-	7,550,000
Component 3A - Technical Assistance for Port Planning & Project Management	6,940,000	1,651,054	681,282	2,332,335	651,918	2,984,253	3,955,747
Component 3B - Technical Assistance for Port Planning & Project Management	3,500,000	1,797,678	503,468	2,301,146	142,440	2,443,586	1,056,414
Component 4/CERC - Contingency	2,500,000	758,004	348,117	1,106,121	1,393,879	2,500,000	-
Subtotal	**40,990,000**	**4,206,735**	**1,532,866**	**5,739,601**	**2,188,237**	**7,927,838**	**33,062,162**
DIGITAL FSM (DFSM)							
COMPONENT 1 - National Digital Connectivity Infrastructure	15,000,000	919,279	1,718,600	2,637,879	2,279,269	4,917,147	10,082,852.51
COMPONENT 2 - Digital Government Platform	6,500,000	51,000	305,698	356,698	506,413	863,111	5,636,889.44
COMPONENT 3A - Enabling Environment for Digital Gov't & Digital Economy	750,000	34,335	96,478	130,813	263,362	394,175	355,824.85
COMPONENT 3B- Enabling Environment for Digital Gov't & Digital Economy	500,000	-	-	-	-	-	500,000.00
COMPONENT 3C - Enabling Environment for Digital Gov't & Digital Economy	750,000	-	-	-	-	-	750,000.00
COMPONENT 3D- Enabling Environment for Digital Gov't & Digital Economy	1,000,000	-	-	-	-	-	1,000,000.00
COMPONENT 4A - Project Management (PIU)	1,300,000	231,658	91,858	323,516	153,776	477,291	822,708.66
COMPONENT 4B - Project Management (CIU Budget)	5,000,000	693,136	708,896	1,402,032	714,829	2,116,861	2,883,138.52
Subtotal	**30,800,000**	**1,929,408**	**2,921,530**	**4,850,937**	**3,917,649**	**8,768,586**	**22,031,414**
PRIORITIZED ROAD INVESTMENT AND MANAGEMENT ENHANCEMENTS PROJECT (PRIME)							
COMPONENT 1 -Spatial and Sector Planning Tools	1,500,000	89,075	89,653	178,729	45,479	224,208	1,275,791.85
COMPONENT 2 - Climate Resilient Infrastructure Solutions	34,000,000	10	340,403	340,413	1,278,208	1,618,621	32,381,379.00
COMPONENT 3A - Strengthening the Enabling Environment	4,500,000	125,279	262,548	834,918	125,279	960,197	3,539,803.22
Subtotal	**40,000,000**	**214,364**	**692,604**	**1,354,059**	**1,448,966**	**2,803,026**	**37,196,974**
STRATEGIC CLIMATE-ORIENTED ROAD ENHANCEMENTS PROJECT (SCORE)							
COMPONENT 1 -	310,000	-	-	-	-	-	310,000.00
COMPONENT 2 -	28,000,000	-	-	-	-	-	28,000,000.00
COMPONENT 3 -	6,940,000	-	43,630	43,630	-	43,630	6,896,370.49
Subtotal	**35,250,000**	**0**	**43,630**	**43,630**	**0**	**43,630**	**35,206,370**
FSM Skills and Employability Enhancement Project (SEEP)							
COMPONENT 1 -	3,330,000	-	-	-	-	-	3,330,000.00
COMPONENT 2 -	11,560,000	-	500	500	-	500	11,559,500.00
COMPONENT 3 -	520,000	-	-	-	-	-	520,000.00
COMPONENT 4 -	2,290,000	-	57,198	57,198	135,550	192,748	2,097,252.00
	17,700,000	**0**	**57,698**	**57,698**	**135,550**	**193,248**	**17,506,752**
TOTAL FOR ACTIVE GRANTS	**277,940,000**	**56,981,806**	**9,619,063**	**67,047,961**	**25,676,013**	**92,723,974**	**185,216,026**

PROJECT IN PIPELINE	
Federated States of Micronesia Maritime Investment Project II	13,000,000
FSM Strengthening Public Financial Management II	5,000,000
FSM Agriculture and Food Security Project	20,000,000
Federated States of Micronesia Access & Reliability Improvement and Sustainable Energy	20,000,000
PROPER	30,000,000
	88,000,000
CLOSED PROJECT	
ESDP	**14,400,000.00**
PROP	**5,500,000.00**
	19,900,000.00
TOTAL PROJECTS GRANTS	**385,840,000.00**