

**FEDERATED STATES OF MICRONESIA**

---

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

---

**SEPTEMBER 30, 2007**

## INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Honorable Emmanuel Mori  
President,  
Federated States of Micronesia

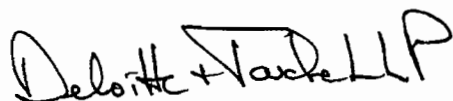
We have compiled the accompanying combined financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Federated States of Micronesia (FSM) National Government and the States of the FSM as of and for the year ended September 30, 2007, and the other supplementary information as set forth in pages 13 through 33, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The other supplementary information is presented only for purposes of additional analysis and is not a required part of the basic combined financial statements. The combined financial statements include the accounts of the FSM National Government and the four States of the FSM, being the State of Chuuk, the State of Kosrae, the State of Pohnpei, and the State of Yap. These entities comprise the sovereign nation of the Federated States of Micronesia.

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

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

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the respective financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the FSM National Government, the State of Chuuk, the State of Kosrae, the State of Pohnpei, and the State of Yap as of and for the year ended September 30, 2007. Those financial statements were the basis from which we compiled the accompanying combined financial statements. Copies of the respective financial statements and the independent auditors' reports dated June 23, 2008, June 10, 2008, June 27, 2008, June 16, 2008, and June 30, 2008, respectively, which expressed certain qualified opinions, may be obtained from the FSM Office of the Public Auditor.

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



July 4, 2008

# FEDERATED STATES OF MICRONESIA

## Combined Statement of Net Assets September 30, 2007

(See Accompanying Independent Accountants' Compilation Report)

	Primary Governments	Component Units
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 5,462,481	\$ 16,009,082
Time certificates of deposit	532,777	2,853,425
Investments	97,207,156	12,959,519
Receivables, net of allowance for uncollectibles	33,463,027	15,263,730
Due from primary government	-	616,042
Advances	2,202,131	12,501
Inventories	34,491	4,591,374
Other current assets	1,719,718	1,520,751
Restricted assets	3,134,989	1,278,729
Total current assets	143,756,770	55,105,153
Noncurrent assets:		
Investments	23,396,314	15,254,296
Receivables, net of current portion	23,626,559	19,165,324
Capital assets, net of accumulated depreciation	182,354,249	118,073,720
Due from component units	922,724	-
Other noncurrent assets	1,745,465	1,420,982
Restricted assets	43,788,683	-
Total noncurrent assets	275,833,994	153,914,322
Total assets	\$ 419,590,764	\$ 209,019,475
<b>LIABILITIES</b>		
Current liabilities:		
Bank overdraft	\$ 177,198	\$ 54,555
Current portion of long-term obligations	998,882	6,936,468
Accounts payable	12,224,569	5,905,438
Compensated absences payable	851,022	-
Other liabilities and accruals	15,004,935	5,839,244
Tax refunds payable	493,828	-
Due to component units	616,042	-
Due to FSM State Governments	8,859,495	-
Due to primary government	-	1,786,171
Deferred revenue	4,845,425	3,706,964
Total current liabilities	44,071,396	24,228,840
Noncurrent liabilities:		
Noncurrent portion of long-term obligations	61,416,135	34,761,148
Other noncurrent liabilities	1,809,607	2,450,000
Compensated absences payable	3,003,342	-
Total noncurrent liabilities	66,229,084	37,211,148
Total liabilities	110,300,480	61,439,988
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	182,354,249	80,517,624
Restricted for:		
Nonexpendable:		
Future operations	39,391,579	6,009,777
Expendable:		
Compact related	30,112,629	-
Capital projects	314,299	-
Debt service	13,730,772	-
Other purposes	8,245,187	-
Unrestricted	35,141,569	61,052,086
Total net assets	309,290,284	147,579,487
Total liabilities and net assets	\$ 419,590,764	\$ 209,019,475

# FEDERATED STATES OF MICRONESIA

## Combined Statement of Activities Year Ended September 30, 2007 (See Accompanying Independent Accountants' Compilation Report)

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governments	Component Units
<b>Primary governments:</b>						
Governmental activities:						
President's office	\$ 821,600	\$ -	\$ 99,545	\$ -	\$ (722,055)	\$ -
External affairs and LNOs	3,001,782	-	-	-	(3,001,782)	-
Health, education and social affairs	61,359,520	481,715	58,490,868	-	(2,386,937)	-
Economic development	7,709,333	119,233	1,521,670	-	(6,068,430)	-
Transportation, communication and infrastructure	25,887,670	1,005,499	776,006	-	(24,106,165)	-
Finance and administration	24,530,997	2,020,452	14,700,849	267,130	(7,542,566)	-
Justice	6,827,689	89,475	859,157	-	(5,879,057)	-
Office of the Public Defender	564,483	-	-	-	(564,483)	-
Judiciary	1,937,949	-	1,260	-	(1,936,689)	-
Legislature	3,221,718	-	-	-	(3,221,718)	-
Office of the Public Auditor	809,408	-	156,224	-	(653,184)	-
National government programs	4,878,679	4,600	1,096,129	-	(3,777,950)	-
Other appropriations	5,433,250	122,206	446,745	-	(4,864,299)	-
Payments to component units	2,871,886	-	1,658,186	-	(1,213,700)	-
Boards, commissions, councils and other	8,969,554	817,146	740,263	-	(7,412,145)	-
Future operations	-	150,443	3,696,784	2,311,581	6,158,808	-
Capital projects	1,028,715	-	-	13,350,575	12,321,860	-
Debt service	599,342	245,845	352,446	-	(1,051)	-
Total primary governments	<u>\$ 160,453,575</u>	<u>\$ 5,056,614</u>	<u>\$ 84,596,132</u>	<u>\$ 15,929,286</u>	<u>(54,871,543)</u>	<u>-</u>
<b>Component units:</b>						
FSM Telecommunications Corporation	\$ 14,165,471	\$ 12,823,174	\$ -	\$ -	-	(1,342,297)
FSM Development Bank	1,616,993	2,945,661	-	-	-	1,328,668
National Fisheries Corporation	1,255,463	98,415	100,000	-	-	(1,057,048)
College of Micronesia - FSM	18,967,513	17,675,214	-	-	-	(1,292,299)
FSM Coconut Development Authority	312,257	90,430	185,550	-	-	(36,277)
MiCare Plan, Inc.	5,259,806	5,687,809	300,000	-	-	728,003
Chuuk State Health Care Plan	1,022,253	872,263	-	-	-	(149,990)
Chuuk Public Utilities Corporation	4,094,937	2,151,578	398,640	-	-	(1,544,719)
Chuuk State Housing Corporation	611,752	54,968	49,000	-	-	(507,784)
Kosrae Utilities Corporation	2,285,478	1,539,653	-	-	-	(745,825)
Micronesian Petroleum Corporation	3,936,977	4,057,717	-	-	-	120,740
Pohnpei Utilities Corporation	14,585,306	11,369,043	99,140	124,753	-	(2,992,370)
Pohnpei Port Authority	1,547,051	2,781,178	-	1,269,005	-	2,503,132
Pohnpei Fisheries Corporation	278,165	32,807	-	-	-	(245,358)
Pohnpei Transportation Authority	1,606,831	1,328,638	17,819	-	-	(260,374)
Small Business Guarantee and Finance Corporation	113,123	25,040	82,530	-	-	(5,553)
Economic Development Authority	415,193	171,535	25,645	-	-	(218,013)
Pohnpei State Housing Authority	2,231,922	147,971	93,231	-	-	(1,990,720)
Public Transportation System	359,225	183,259	218,494	-	-	42,528
Yap Visitor's Bureau	277,027	8,739	-	-	-	(268,288)
Yap State Public Service Corporation	4,043,769	5,020,612	-	-	-	976,843
Yap Fishing Authority	920,403	229,190	-	-	-	(691,213)
The Diving Seagull, Inc.	5,244,319	5,501,572	-	-	-	257,253
Total component units	<u>\$ 85,151,234</u>	<u>\$ 74,796,466</u>	<u>\$ 1,570,049</u>	<u>\$ 1,393,758</u>	<u>-</u>	<u>(7,390,961)</u>
<b>General revenues:</b>						
Taxes:					26,562,280	-
Fishing rights					15,005,147	-
Unrestricted investment earnings					16,327,304	2,056,438
Other					2,389,333	3,413,309
Total general revenues					<u>60,284,064</u>	<u>5,469,747</u>
<b>Special items:</b>						
Write off of receivables					(5,167,873)	-
Write down of investments					(1,202,005)	-
Recovery on previously written off receivables					1,412,649	-
Write off of liabilities					3,233,483	-
Total special items					<u>(1,723,746)</u>	<u>-</u>
Change in net assets					3,688,775	(1,921,214)
Net assets at the beginning of the year, as restated					<u>305,601,509</u>	<u>149,500,701</u>
Net assets at the end of the year					<u>\$ 309,290,284</u>	<u>\$ 147,579,487</u>

**FEDERATED STATES OF MICRONESIA**

Combined Balance Sheet  
Governmental Funds  
September 30, 2007

(See Accompanying Independent Accountants' Compilation Report)

	Special Revenue							Capital Projects	Permanent	Other Governmental Funds	Total
	General	U.S Federal Grants	Section 111 Investment Development	Early Retirement Program	Asian Development Bank Loan	Compact Sector Grants	Compact Other Grants	Compact Capital Projects	Compact Trust		
<b>ASSETS</b>											
Cash and cash equivalents	\$ 4,086,374	\$ 400	\$ -	\$ -	\$ 1,146,430	\$ -	\$ -	\$ -	\$ -	\$ 229,277	\$ 5,462,481
Time certificates of deposit	-	-	532,777	-	-	-	-	-	-	-	532,777
Equity in internal investment pool	68,773,461	-	-	-	-	-	4,270,133	-	-	4,919,782	77,963,376
Investments	9,710,508	-	4,020,881	4,003,410	-	-	1,195,801	2,473,500	-	7,576,124	28,980,224
Receivables, net:											
General	273,109	-	279	-	-	-	-	-	-	-	273,388
Taxes	4,526,427	-	-	-	-	-	-	-	-	-	4,526,427
Federal agencies	-	3,931,347	-	-	-	234,848	-	-	-	-	4,166,195
Loans	2,349,615	-	7,850,258	-	29,501,285	-	-	-	-	118,325	39,819,483
Other governments and agencies	1,820,302	1,740,499	-	-	-	617,331	-	37,272	-	1,084,489	5,299,893
Accrued interest	-	-	2,896	-	-	-	-	-	-	-	2,896
Other	3,204,821	-	-	-	85,381	-	-	-	-	306,716	3,596,918
Due from component units	922,724	-	-	-	-	-	-	-	-	-	922,724
Due from other funds	11,113,483	4,555,488	-	-	-	7,242,106	-	12,589,239	-	9,803,795	45,304,111
Advances	1,675,593	22,457	-	-	-	464,350	-	-	-	29,732	2,192,132
Inventories	11,757	-	-	-	-	-	-	-	-	22,734	34,491
Other assets	2,879,568	-	-	-	-	-	-	-	-	-	2,879,568
Restricted assets:											
Cash and cash equivalents	5,461,411	-	-	-	741,336	-	-	-	-	906,930	7,109,677
Time certificates of deposit	313,484	-	-	-	-	-	-	-	-	38,030	351,514
Investments	7,922,016	-	-	1,646,807	-	-	-	-	39,391,579	4,161,949	53,122,351
<b>Total assets</b>	<b>\$ 125,044,653</b>	<b>\$ 10,250,191</b>	<b>\$ 12,407,091</b>	<b>\$ 5,650,217</b>	<b>\$ 31,474,432</b>	<b>\$ 8,558,635</b>	<b>\$ 1,195,801</b>	<b>\$ 19,370,144</b>	<b>\$ 39,391,579</b>	<b>\$ 29,197,883</b>	<b>\$ 282,540,262</b>
<b>LIABILITIES AND FUND BALANCES</b>											
<b>Liabilities:</b>											
Bank overdraft	\$ 177,198	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 177,198
Accounts payable	9,388,177	904,076	87,951	-	2,642	1,200,872	1,475	18,097	-	621,278	12,224,568
Other liabilities and accruals	14,724,803	120,939	-	-	-	702,699	-	249	-	72,288	15,620,978
Tax refunds payable	493,828	-	-	-	-	-	-	-	-	-	493,828
Due to FSM State Governments	4,527,014	4,242,749	-	-	80,277	-	-	-	-	9,455	8,859,495
Due to other funds	34,198,019	1,541,459	-	4,142,955	227,453	485,121	1,032,443	-	-	3,676,661	45,304,111
Deferred revenue	30,074	2,887,668	-	-	2,184	538,004	-	-	-	1,387,495	4,845,425
<b>Total liabilities</b>	<b>63,539,113</b>	<b>9,696,891</b>	<b>87,951</b>	<b>4,142,955</b>	<b>312,556</b>	<b>2,926,696</b>	<b>1,033,918</b>	<b>18,346</b>	<b>-</b>	<b>5,767,177</b>	<b>87,525,603</b>
<b>Fund balances (deficits):</b>											
<b>Reserved for:</b>											
Related assets	15,964,806	-	7,850,258	5,650,217	31,389,051	-	-	2,510,772	39,391,579	7,925,706	110,682,389
Encumbrances	4,435,793	11,677,278	-	-	29,290	12,109,458	10,337	667,332	-	1,396,758	30,326,246
Continuing appropriations	6,264,225	-	-	-	20,000	44,950,760	50,000	1,492,481	-	2,659,120	55,436,586
Compact programs	-	-	4,468,882	-	-	-	-	-	-	-	4,468,882
Debt service fund	5,302,342	-	-	-	-	-	-	-	-	4,161,949	9,464,291
Special projects	-	-	-	-	-	-	-	-	-	-	-
<b>Unreserved:</b>											
General fund	29,538,374	-	-	-	-	-	-	-	-	-	29,538,374
Special revenue funds	-	(11,123,978)	-	(4,142,955)	(276,465)	(51,428,279)	101,546	-	-	8,401,679	(58,468,452)
Debt service fund	-	-	-	-	-	-	-	-	-	206,391	206,391
Capital projects funds	-	-	-	-	-	-	-	14,681,213	-	(1,320,897)	13,360,316
<b>Total fund balances (deficit)</b>	<b>61,505,540</b>	<b>553,300</b>	<b>12,319,140</b>	<b>1,507,262</b>	<b>31,161,876</b>	<b>5,631,939</b>	<b>161,883</b>	<b>19,351,798</b>	<b>39,391,579</b>	<b>23,430,706</b>	<b>195,015,023</b>
<b>Total liabilities and fund balances</b>	<b>\$ 125,044,653</b>	<b>\$ 10,250,191</b>	<b>\$ 12,407,091</b>	<b>\$ 5,650,217</b>	<b>\$ 31,474,432</b>	<b>\$ 8,558,635</b>	<b>\$ 1,195,801</b>	<b>\$ 19,370,144</b>	<b>\$ 39,391,579</b>	<b>\$ 29,197,883</b>	
Amounts reported for governmental activities in the statement of net assets are different because:											
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds										\$ 182,354,249	
Long-term liabilities, including loans payable, are not due and payable in the current period and, therefore, are not reported in the funds. The liabilities include:											
Loans payable										(62,415,017)	
Compensated absences payable										(3,854,364)	
Claims payable										(1,809,607)	
										<u>114,275,261</u>	
Net assets of governmental activities											<u>\$ 309,290,284</u>

**FEDERATED STATES OF MICRONESIA**

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits)  
Governmental Funds  
Year Ended September 30, 2007  
(See Accompanying Independent Accountants' Compilation Report)

	General	Special Revenue					Capital Projects	Permanent	Other Governmental Funds	Total
		U.S Federal Grants	Section 111 Investment Development	Early Retirement Program	Asian Development Bank Loan	Compact Sector Grants	Compact Other Grants	Compact Capital Projects		
<b>Revenues:</b>										
Compact funding	\$ -	\$ 10,779,584	\$ -	\$ -	\$ -	\$ 56,748,330	\$ -	\$ -	\$ -	\$ 67,527,914
Taxes	26,172,986	-	-	-	-	-	-	-	999,492	27,172,478
Federal and other grants	-	22,881,967	-	-	-	-	-	-	1,802,845	24,684,812
Fishing rights	15,005,147	-	-	-	-	-	-	-	-	15,005,147
Interest and dividends	462,695	-	99,040	-	14,508	-	-	-	-	576,243
Fees and charges	2,615,574	374,725	-	-	-	-	-	-	2,046,266	5,036,565
Net increase in the fair value of investments	15,670,919	422	244,198	143,181	-	-	-	6,008,365	652,106	22,719,191
Other	2,188,033	-	1,300	-	231,337	-	-	-	723,076	3,143,746
<b>Total revenues</b>	<b>62,115,354</b>	<b>34,036,698</b>	<b>344,538</b>	<b>143,181</b>	<b>245,845</b>	<b>56,748,330</b>	<b>-</b>	<b>6,008,365</b>	<b>6,223,785</b>	<b>165,866,096</b>
<b>Expenditures:</b>										
<b>Current:</b>										
<b>General government:</b>										
President's office	721,443	99,545	-	-	-	-	-	-	-	820,988
External affairs and LNOs	2,958,372	-	-	-	-	-	-	-	-	2,958,372
Health, education and social affairs	679,751	19,144,671	-	-	38,571,949	196,585	-	-	2,367,172	60,960,128
Economic development	2,484,507	263,275	1,226,571	-	19,777	1,081,739	-	-	1,093,972	6,169,841
Transportation, communication and infrastructure	4,198,585	6,614,170	-	-	7,403,160	-	352,081	-	892,588	19,460,584
Finance and administration	12,347,106	6,028,478	-	-	975,872	4,366,607	52,930	118,839	1,661,845	25,551,677
Justice	5,759,022	1,716	-	-	811,391	-	-	-	146,461	6,718,590
Office of the Public Defender	554,836	-	-	-	-	-	-	-	-	554,836
Judiciary	1,703,304	-	-	-	1,260	-	-	-	-	1,704,564
Legislature	3,154,468	-	-	-	-	-	-	-	-	3,154,468
Office of the Public Auditor	669,513	39,791	-	-	116,433	-	-	-	-	825,737
National government programs	3,828,528	1,096,129	-	-	-	-	-	-	-	4,924,657
Other appropriations	6,516,780	-	-	271,290	-	-	-	-	-	6,788,070
Payments to component units	1,106,067	1,111,048	250,000	-	297,138	-	-	-	5,000	2,769,253
Boards, commissions, councils and other	5,441,540	621,787	-	-	6,788	572,196	-	51,626	940,384	7,634,321
Debt service	-	-	-	-	466,552	-	-	-	132,790	599,342
Capital projects	-	-	-	-	-	-	-	-	1,028,715	1,028,715
<b>Total expenditures</b>	<b>52,123,822</b>	<b>35,020,610</b>	<b>1,476,571</b>	<b>271,290</b>	<b>1,468,989</b>	<b>53,221,873</b>	<b>249,515</b>	<b>522,546</b>	<b>8,268,927</b>	<b>152,624,143</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>9,991,532</b>	<b>(983,912)</b>	<b>(1,132,033)</b>	<b>(128,109)</b>	<b>(1,223,144)</b>	<b>3,526,457</b>	<b>(249,515)</b>	<b>(522,546)</b>	<b>6,008,365</b>	<b>(2,045,142)</b>
<b>Other financing sources (uses):</b>										
Loan proceeds	2,273,501	-	-	238,755	3,515,976	-	-	-	784,351	6,812,583
Operating transfers in	6,959,918	1,445,121	-	-	-	-	-	-	3,320,552	11,725,591
Operating transfers out	(4,537,172)	(166,091)	-	(344,166)	-	-	-	(1,393,213)	(5,284,949)	(11,725,591)
<b>Total other financing sources (uses), net</b>	<b>4,696,247</b>	<b>1,279,030</b>	<b>-</b>	<b>(105,411)</b>	<b>3,515,976</b>	<b>-</b>	<b>-</b>	<b>(1,393,213)</b>	<b>-</b>	<b>6,812,583</b>
<b>Special items:</b>										
Write off of receivables	(2,717,873)	-	-	-	-	-	-	-	(2,450,000)	(5,167,873)
Write down of investments	-	-	-	-	-	-	(1,202,005)	-	-	(1,202,005)
Recovery on previously written off receivables	1,412,649	-	-	-	-	-	-	-	-	1,412,649
Write off of liabilities	3,233,483	-	-	-	-	-	-	-	-	3,233,483
<b>Total special items</b>	<b>1,928,259</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,202,005)</b>	<b>-</b>	<b>(2,450,000)</b>	<b>(1,723,746)</b>
<b>Net change in fund balances (deficits)</b>	<b>16,616,038</b>	<b>295,118</b>	<b>(1,132,033)</b>	<b>(233,520)</b>	<b>2,292,832</b>	<b>3,526,457</b>	<b>(249,515)</b>	<b>(3,117,764)</b>	<b>6,008,365</b>	<b>(5,675,188)</b>
<b>Fund balances (deficit) at the beginning of the year</b>	<b>44,889,502</b>	<b>258,182</b>	<b>13,451,173</b>	<b>1,740,782</b>	<b>28,869,044</b>	<b>2,105,482</b>	<b>411,398</b>	<b>22,469,562</b>	<b>33,383,214</b>	<b>29,105,894</b>
<b>Fund balances (deficit) at the end of the year</b>	<b>\$ 61,505,540</b>	<b>\$ 553,300</b>	<b>\$ 12,319,140</b>	<b>\$ 1,507,262</b>	<b>\$ 31,161,876</b>	<b>\$ 5,631,939</b>	<b>\$ 161,883</b>	<b>\$ 19,351,798</b>	<b>\$ 39,391,579</b>	<b>\$ 23,430,706</b>

**FEDERATED STATES OF MICRONESIA**

Reconciliation of the Combined Statement of Revenues, Expenditures,  
and Changes in Fund Balances of Governmental Funds to  
the Combined Statement of Activities  
Year Ended September 30, 2007  
(See Accompanying Independent Accountants' Compilation Report)

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

Net change in fund balances - total governmental funds from page 5	\$ 18,330,790
Governmental funds report capital outlays as expenditures. However, in the combined statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period, including increases to construction in progress	(7,421,714)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(6,339,686)
Some expenses reported in the combined statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds. These expenses include accrued annual leave and claims and judgments payable that are reported in the combined statement of activities, but not in funds	<u>(880,615)</u>
Change in net assets of governmental activities as presented on page 3	<u>\$ 3,688,775</u>

## FEDERATED STATES OF MICRONESIA

### Combined Statement of Fiduciary Net Assets Fiduciary Funds - Private Purpose Trusts September 30, 2007

(See Accompanying Independent Accountants' Compilation Report)

	<u>FSM Social Security Administration</u>	<u>Pohnpei State Development Loan Fund</u>	<u>Yap State Development Loan Fund</u>	<u>Total</u>
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 4,328,461	\$ 226,858	\$ 70,628	\$ 4,625,947
Time certificates of deposit	-	540,013	136,286	676,299
Receivables, net:				
Contributions	3,284,107	-	-	3,284,107
Loans	-	67,002	122,555	189,557
Accrued interest	151,056	9,988	377	161,421
Other	33,457	-	-	33,457
Investments	39,618,679	-	-	39,618,679
Capital assets, net of accumulated depreciation	85,352	-	-	85,352
Total assets	<u>47,501,112</u>	<u>843,861</u>	<u>329,846</u>	<u>48,674,819</u>
<b><u>LIABILITIES</u></b>				
Accounts payable	144,915	-	-	144,915
Other liabilities and accruals	24,699	-	2,074	26,773
Due to component units	14,282	123,946	94,111	232,339
Total liabilities	<u>183,896</u>	<u>123,946</u>	<u>96,185</u>	<u>404,027</u>
<b><u>NET ASSETS</u></b>				
Held in trust for:				
Social security benefits	47,317,216	-	-	47,317,216
Other purposes	-	719,915	233,661	953,576
Total net assets	<u>\$ 47,317,216</u>	<u>\$ 719,915</u>	<u>\$ 233,661</u>	<u>\$ 48,270,792</u>



**FEDERATED STATES OF MICRONESIA**

Combined Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds - Private Purpose Trusts  
Year Ended September 30, 2007

(See Accompanying Independent Accountants' Compilation Report)

	<u>FSM Social Security Administration</u>	<u>Pohnpei State Development Loan Fund</u>	<u>Yap State Development Loan Fund</u>	<u>Total</u>
Additions:				
Contributions:	\$ 12,783,551	\$ -	\$ -	\$ 12,783,551
Total contributions	<u>12,783,551</u>	<u>-</u>	<u>-</u>	<u>12,783,551</u>
Investment earnings:				
Net increase in the fair value of investments	2,927,650	26,134	4,829	2,958,613
Interest and dividends	<u>1,060,147</u>	<u>6,569</u>	<u>19,487</u>	<u>1,086,203</u>
Total investment earnings	3,987,797	32,703	24,316	4,044,816
Less investment expense	<u>262,632</u>	<u>-</u>	<u>-</u>	<u>262,632</u>
Net investment earnings	<u>3,725,165</u>	<u>32,703</u>	<u>24,316</u>	<u>3,782,184</u>
Other	<u>436,813</u>	<u>130</u>	<u>279</u>	<u>437,222</u>
Total additions	<u>16,945,529</u>	<u>32,833</u>	<u>24,595</u>	<u>17,002,957</u>
Deductions:				
Benefits	13,977,875	-	-	13,977,875
Refunds	20,088	-	-	20,088
Administrative expenses	<u>1,037,987</u>	<u>32,833</u>	<u>12,297</u>	<u>1,083,117</u>
Total deductions	<u>15,035,950</u>	<u>32,833</u>	<u>12,297</u>	<u>15,081,080</u>
Change in net assets	1,909,579	-	12,298	1,921,877
Net assets at the beginning of the year	<u>45,407,637</u>	<u>719,915</u>	<u>221,363</u>	<u>46,348,915</u>
Net assets at the end of the year	<u>\$ 47,317,216</u>	<u>\$ 719,915</u>	<u>\$ 233,661</u>	<u>\$ 48,270,792</u>

**FEDERATED STATES OF MICRONESIA**

Combined Statement of Net Assets  
Component Units  
September 30, 2007

(See Accompanying Independent Accountants' Compilation Report)

	FSM Tele-Communications Corporation	FSM Development Bank	National Fisheries Corporation	College of Micronesia-FSM	FSM Coconut Development Authority	MiCare Plan, Inc.	Chuuk State Health Care Plan	Chuuk Public Utility Corporation	Chuuk State Housing Corporation	Kosrae Utilities Authority	Micronesian Petroleum Corporation	Pohnpei Utilities Corporation
<b>ASSETS</b>												
Current assets:												
Cash and cash equivalents	\$ 1,260,460	\$ 1,890,029	\$ 24,674	\$ 6,053,088	\$ 73,804	\$ 110,781	\$ 73,116	\$ 1,314	\$ 81,124	\$ 559,727	\$ 130,008	\$ 357,056
Time certificates of deposit	111,142	300,000	-	-	-	-	700,000	-	176,283	-	-	-
Investments	10,197,514	-	-	-	-	878,450	-	-	-	666,731	31,824	685,000
Receivables, net:												
General	876,156	2,638	23,506	3,448,834	1,869	232,412	287,056	283,627	152,232	153,508	294,533	2,167,439
Loans	-	1,770,062	-	-	-	-	-	-	615,521	-	-	-
Interest	184,602	128,529	-	-	-	-	-	-	-	-	-	-
Other	465,586	306,008	-	1,059,993	-	41,069	-	-	-	7,793	-	23,698
Due from primary government	100,795	-	2,317	478,767	-	36,480	-	-	-	-	-	-
Advances	10,184	-	-	-	-	-	-	-	-	-	-	-
Inventories	642,886	-	80,944	406,204	20,306	-	-	195,861	-	425,233	705,418	1,277,873
Other assets	775,147	2,500	-	42,559	1,254	221,486	446	188,038	-	44,478	12,539	10,186
Restricted assets	-	-	-	-	-	-	-	-	-	-	-	-
Total current assets	14,624,472	4,399,766	131,441	11,489,445	97,233	1,520,678	1,060,618	668,840	1,025,160	1,857,470	1,174,322	4,521,252
Noncurrent assets:												
Capital assets, net of accumulated depreciation	45,123,969	259,071	111,704	11,767,373	264,328	34,353	25,743	3,971,652	117,857	5,103,684	2,076,698	28,391,763
Investments	-	12,011,829	-	3,103,077	-	-	-	-	-	-	-	139,390
Loans receivable	-	19,165,324	-	-	-	-	-	-	-	-	-	-
Other noncurrent assets	-	-	-	-	-	-	-	-	-	660,987	-	355,011
Total noncurrent assets	45,123,969	31,436,224	111,704	14,870,450	264,328	34,353	25,743	3,971,652	117,857	5,764,671	2,076,698	28,886,164
Total assets	\$ 59,748,441	\$ 35,835,990	\$ 243,145	\$ 26,359,895	\$ 361,561	\$ 1,555,031	\$ 1,086,361	\$ 4,640,492	\$ 1,143,017	\$ 7,622,141	\$ 3,251,020	\$ 33,407,416
<b>LIABILITIES</b>												
Current liabilities:												
Bank overdraft	844,084	-	3,600,000	-	-	-	-	54,555	-	-	-	-
Current portion of long-term debt	933,124	138,111	215,651	184,197	2,810	2,337,542	175,149	879,401	-	76,694	793,543	134,922
Accounts payable	-	8,546	48,324	1,734,637	1,267	-	-	342,782	418	38,504	115,046	503,912
Other liabilities and accruals	801,169	-	-	-	-	-	-	1,677,011	-	30,945	11,146	1,169,952
Due to primary government	196,243	-	-	2,880,551	-	-	-	230,695	-	13,402	-	312,752
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	-
Total current liabilities	2,774,620	146,657	3,863,975	4,799,385	4,077	2,337,542	175,149	3,184,444	418	159,545	982,013	2,121,538
Noncurrent liabilities:												
Due to primary government	22,824,013	-	-	-	-	-	-	3,318,811	-	-	452,235	3,010,853
Noncurrent portion of long-term debt	22,824,013	-	-	-	-	-	-	3,318,811	-	360,635	452,235	3,010,853
Total noncurrent liabilities	45,648,026	-	-	-	-	-	-	6,637,622	-	360,635	904,470	6,021,706
Total liabilities	25,598,633	146,657	3,863,975	4,799,385	4,077	2,337,542	175,149	6,503,255	418	520,180	1,434,248	5,132,391
<b>NET ASSETS</b>												
Invested in capital assets, net of related debt	21,455,872	259,071	(604,886)	11,767,373	264,328	34,353	25,743	(226,560)	117,857	5,103,684	2,076,698	24,769,163
Restricted for:												
Nonexpendable	12,693,936	35,430,262	(3,015,944)	3,103,077	-	(816,864)	885,469	(1,636,203)	1,024,742	1,908,277	(259,926)	139,390
Unrestricted	34,149,808	35,689,333	(3,620,830)	21,560,510	357,484	(782,511)	911,212	(1,862,763)	1,142,599	7,101,961	1,816,772	28,275,025
Total net assets	\$ 59,748,441	\$ 35,835,990	\$ 243,145	\$ 26,359,895	\$ 361,561	\$ 1,555,031	\$ 1,086,361	\$ 4,640,492	\$ 1,143,017	\$ 7,622,141	\$ 3,251,020	\$ 33,407,416
Total liabilities and net assets	\$ 59,748,441	\$ 35,835,990	\$ 243,145	\$ 26,359,895	\$ 361,561	\$ 1,555,031	\$ 1,086,361	\$ 4,640,492	\$ 1,143,017	\$ 7,622,141	\$ 3,251,020	\$ 33,407,416

**FEDERATED STATES OF MICRONESIA**

Combined Statement of Net Assets, Continued  
Component Units  
September 30, 2007

(See Accompanying Independent Accountants' Compilation Report)

	Pohnpei Port Authority	Pohnpei Fisheries Corporation	Pohnpei Transportation Authority	Small Business Guarantee and Finance Corporation	Economic Development Authority	Pohnpei State Housing Authority	Public Transportation System	Yap Visitor's Bureau	Yap State Public Service Corporation	Yap Fishing Authority	The Diving Seagull, Inc.	Total
<b>ASSETS</b>												
Current assets:												
Cash and cash equivalents	\$ 2,467,790	\$ 53,098	\$ -	\$ 28,025	\$ 20,953	\$ 1,113,327	\$ 75,621	\$ 149,878	\$ 947,504	\$ -	\$ 1,539,705	\$ 16,009,082
Time certificates of deposit	-	-	-	-	500,000	-	-	-	-	-	1,566,000	2,853,425
Investments	-	-	-	-	-	-	-	-	-	-	-	12,959,519
Receivables, net:												
General	498,165	-	155,749	1,913	16,707	102,786	1,428	-	868,650	18,703	-	9,587,911
Loans	-	-	-	-	-	-	-	-	-	-	-	2,385,583
Interest	-	-	-	-	-	-	-	-	-	-	-	313,131
Other	38,618	-	-	5,893	688	28,326	-	90,967	7,580	710	900,176	2,977,105
Due from primary government	-	-	-	-	-	-	-	-	-	-	-	616,042
Advances	-	-	-	-	-	-	-	-	745,824	-	-	12,501
Inventories	-	-	90,754	-	-	71	-	-	20,469	-	-	4,591,374
Other assets	-	-	4,417	-	-	-	56,566	-	-	3,116	-	1,520,751
Restricted assets	-	-	-	1,278,729	-	-	-	-	-	-	-	1,278,729
<b>Total current assets</b>	<b>3,004,573</b>	<b>53,098</b>	<b>250,920</b>	<b>1,314,560</b>	<b>538,348</b>	<b>242,510</b>	<b>133,615</b>	<b>240,845</b>	<b>2,590,027</b>	<b>22,529</b>	<b>4,143,431</b>	<b>55,105,153</b>
Noncurrent assets:												
Capital assets, net of accumulated depreciation	6,207,246	274,330	82,245	5,612	37,917	11,216	144,326	12,636	9,670,034	2,024,666	2,355,297	118,073,720
Investments	-	-	-	-	-	-	-	-	-	-	-	15,254,296
Loans receivable	-	-	-	404,984	-	-	-	-	-	-	-	19,165,324
Other noncurrent assets	-	-	-	-	-	-	-	-	-	-	-	1,420,982
<b>Total noncurrent assets</b>	<b>6,207,246</b>	<b>274,330</b>	<b>82,245</b>	<b>410,596</b>	<b>37,917</b>	<b>11,216</b>	<b>144,326</b>	<b>12,636</b>	<b>9,670,034</b>	<b>2,024,666</b>	<b>2,355,297</b>	<b>153,914,322</b>
<b>Total assets</b>	<b>\$ 9,211,819</b>	<b>\$ 327,428</b>	<b>\$ 333,165</b>	<b>\$ 1,725,156</b>	<b>\$ 576,265</b>	<b>\$ 253,726</b>	<b>\$ 277,941</b>	<b>\$ 253,481</b>	<b>\$ 12,260,061</b>	<b>\$ 2,047,195</b>	<b>\$ 6,498,728</b>	<b>\$ 209,019,475</b>
<b>LIABILITIES</b>												
Current liabilities:												
Bank overdraft	-	85,299	-	-	-	-	-	-	-	-	-	54,555
Current portion of long-term debt	85,416	57,413	63,262	-	237,080	-	4,491	29,701	107,441	19,862	415,084	6,936,468
Accounts payable	165,212	-	17,380	6,700	269,869	13,986	29,144	1,880	40,125	380,842	380,842	5,905,438
Other liabilities and accruals	-	-	922,724	-	-	-	-	-	228,156	85,852	339,237	5,839,244
Due to primary government	4,968	66,667	1,356	-	-	-	-	-	-	-	-	1,786,171
Deferred revenue	-	-	-	-	-	-	330	-	-	-	-	3,706,964
<b>Total current liabilities</b>	<b>255,596</b>	<b>209,379</b>	<b>1,004,722</b>	<b>6,700</b>	<b>506,949</b>	<b>13,986</b>	<b>33,965</b>	<b>31,581</b>	<b>375,722</b>	<b>105,714</b>	<b>1,135,163</b>	<b>24,228,840</b>
Noncurrent liabilities:												
Due to primary government	-	2,450,000	-	-	-	-	-	-	-	-	-	2,450,000
Noncurrent portion of long-term debt	-	55,000	-	-	-	-	-	-	2,793,156	-	1,946,445	34,761,148
<b>Total noncurrent liabilities</b>	<b>-</b>	<b>2,505,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,793,156</b>	<b>-</b>	<b>1,946,445</b>	<b>37,211,148</b>
<b>Total liabilities</b>	<b>255,596</b>	<b>2,714,379</b>	<b>1,004,722</b>	<b>6,700</b>	<b>506,949</b>	<b>13,986</b>	<b>33,965</b>	<b>31,581</b>	<b>3,168,878</b>	<b>105,714</b>	<b>3,081,608</b>	<b>61,439,988</b>
<b>NET ASSETS</b>												
Invested in capital assets, net of related debt	6,207,246	(2,175,670)	82,245	5,612	37,917	11,216	144,326	12,636	6,769,437	2,024,666	2,355,297	80,517,624
Restricted for:												
Nonexpendable	2,748,977	(211,281)	(753,802)	1,683,714	-	-	99,650	209,264	108,127	-	-	6,009,777
Unrestricted	8,956,223	(2,386,951)	(671,557)	1,718,456	69,316	239,740	243,976	221,900	9,091,183	1,941,481	3,417,120	147,579,487
<b>Total net assets</b>	<b>\$ 9,211,819</b>	<b>\$ 327,428</b>	<b>\$ 333,165</b>	<b>\$ 1,725,156</b>	<b>\$ 576,265</b>	<b>\$ 253,726</b>	<b>\$ 277,941</b>	<b>\$ 253,481</b>	<b>\$ 12,260,061</b>	<b>\$ 2,047,195</b>	<b>\$ 6,498,728</b>	<b>\$ 209,019,475</b>
<b>Total liabilities and net assets</b>												

**FEDERATED STATES OF MICRONESIA**

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

Year Ended September 30, 2007

(See Accompanying Independent Accountants' Compilation Report)

	FSM Tele-Communications Corporation	FSM Development Bank	National Fisheries Corporation	College of Micronesia-FSM	FSM Coconut Development Authority	MiCare Plan, Inc.	Chuuk State Health Care Plan	Chuuk Public Utility Corporation	Chuuk State Housing Corporation	Kosrae Utilities Authority	Micronesian Petroleum Corporation	Pohnpei Utilities Corporation
Operating revenues:												
Charges for services	\$ 12,536,582	\$ 2,870,959	\$ 98,415	\$ 16,534,507	\$ 90,430	\$ 5,676,543	\$ 834,562	\$ 2,131,785	\$ 54,968	\$ 1,539,653	\$ 4,057,717	\$ 11,369,043
Other	280,592	74,702	-	1,140,707	-	11,266	37,701	19,793	-	-	-	-
Total operating revenues	12,823,174	2,945,661	98,415	17,675,214	90,430	5,687,809	872,263	2,151,578	54,968	1,539,653	4,057,717	11,369,043
Operating expenses:												
Cost of services	428,683	934,649	15,315	15,869,452	123,538	5,130,946	779,597	2,068,993	-	-	3,524,125	11,144,899
Depreciation	3,294,765	78,141	181,239	1,137,699	17,434	11,374	5,786	1,025,563	18,384	487,376	33,009	2,084,348
Administrative costs	9,307,235	604,203	215,392	1,960,362	171,285	117,486	236,870	764,586	593,368	1,798,102	379,843	1,356,059
Total operating expenses	13,030,683	1,616,993	411,946	18,967,513	312,257	5,259,806	1,022,253	3,859,142	611,752	2,285,478	3,936,977	14,585,306
Operating income (loss)	(207,509)	1,328,668	(313,531)	(1,292,299)	(221,827)	428,003	(149,990)	(1,707,564)	(556,784)	(745,825)	120,740	(3,216,263)
Nonoperating revenues (expenses):												
Net increase in the fair value of investments	1,484,615	-	-	368,067	-	43,790	-	-	-	-	-	-
Interest income	62,402	-	-	-	-	-	-	-	-	105,612	2,009	-
Interest expense	(1,134,788)	-	-	-	-	-	-	(235,795)	-	-	(64,230)	(58,056)
Contributions from primary government	-	-	100,000	-	185,550	300,000	-	398,640	49,000	-	-	99,140
Other income (expense)	-	368,055	(345,507)	-	11,363	-	-	9,225	-	10,016	(51,969)	16,588
Total nonoperating revenues (expenses), net	412,229	368,055	(245,507)	368,067	196,913	343,790	-	172,070	49,000	115,628	(114,190)	57,672
Capital contributions	-	-	-	-	-	-	-	-	-	122,048	-	124,753
Net income (loss)	204,720	1,696,723	(559,038)	(924,232)	(24,914)	771,793	(149,990)	(1,535,494)	(507,784)	(508,149)	6,550	(3,033,838)
Net assets at the beginning of the year	33,945,088	33,992,610	(3,061,792)	22,484,742	382,398	(1,554,304)	1,061,202	(327,269)	1,650,383	7,610,110	1,810,222	31,308,863
Net assets at the end of the year	\$ 34,149,808	\$ 35,689,333	\$ (3,620,830)	\$ 21,560,510	\$ 357,484	\$ (782,511)	\$ 911,212	\$ (1,862,763)	\$ 1,142,599	\$ 7,101,961	\$ 1,816,772	\$ 28,275,025

**FEDERATED STATES OF MICRONESIA**

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

Year Ended September 30, 2007

(See Accompanying Independent Accountants' Compilation Report)

	Pohnpei Port Authority	Pohnpei Fisheries Corporation	Pohnpei Transportation Authority	Small Business Guarantee and Finance Corporation	Economic Development Authority	Pohnpei State Housing Authority	Public Transportation System	Yap Visitors Bureau	Yap State Public Service Corporation	Yap Fishing Authority	The Diving Seagull, Inc.	Total
Operating revenues:												
Charges for services	\$ 2,781,178	\$ 32,807	\$ 1,328,638	\$ 25,040	\$ 80,526	\$ 147,971	\$ 183,259	\$ 8,739	\$ 5,020,612	\$ 229,190	\$ 5,501,572	\$ 73,134,696
Other	-	-	-	-	91,009	-	-	-	-	-	-	1,661,770
Total operating revenues	2,781,178	32,807	1,328,638	25,040	171,535	147,971	183,259	8,739	5,020,612	229,190	5,501,572	74,796,466
Operating expenses:												
Cost of services	1,291,470	2,660	1,556,000	-	210,025	-	60,934	-	3,946,322	268,795	4,687,935	52,044,338
Depreciation	255,581	274,307	50,831	3,949	-	4,906	35,542	10,750	757,028	211,666	342,035	10,321,713
Administrative costs	-	1,198	-	109,174	205,168	2,227,016	262,749	266,955	312,516	-	11,558	20,901,125
Total operating expenses	1,547,051	278,165	1,606,831	113,123	415,193	2,231,922	359,225	277,705	5,015,866	480,461	5,041,528	83,267,176
Operating income (loss)	1,234,127	(245,358)	(278,193)	(88,083)	(243,658)	(2,083,951)	(175,966)	(268,966)	4,746	(251,271)	460,044	(8,470,710)
Nonoperating revenues (expenses), net												
Net increase in the fair value of investments	-	-	-	-	-	-	-	-	-	-	-	1,896,472
Interest income	18,962	-	-	46,693	30,833	-	-	-	13,120	-	84,444	364,075
Interest expense	-	(16,641)	-	-	-	-	-	-	(16,599)	-	(202,791)	(1,728,900)
Contributions from primary government	-	-	17,819	82,530	25,645	93,231	218,494	255,011	322,665	138,470	-	2,286,195
Other income (expense)	123	1,010,878	18,352	12,000	571,464	1,533	34,295	678	988,696	(439,942)	-	2,215,848
Total nonoperating revenues (expenses), net	19,085	994,237	36,171	141,223	627,942	94,764	252,789	255,689	1,307,882	(301,472)	(118,347)	5,033,690
Capital contributions	1,269,005	-	-	-	-	-	-	-	-	-	-	1,515,806
Net income (loss)	2,522,217	748,879	(242,022)	53,140	384,284	(1,989,187)	76,823	(13,277)	1,312,628	(552,743)	341,697	(1,921,214)
Net assets at the beginning of the year	6,434,006	(3,135,830)	(429,535)	1,665,316	(314,968)	2,228,927	167,153	235,177	7,778,555	2,494,224	3,075,423	149,500,701
Net assets at the end of the year	\$ 8,956,223	\$ (2,386,951)	\$ (671,557)	\$ 1,718,456	\$ 69,316	\$ 239,740	\$ 243,976	\$ 221,900	\$ 9,091,183	\$ 1,941,481	\$ 3,417,120	\$ 147,579,487

**FEDERATED STATES OF MICRONESIA**

---

**OTHER SUPPLEMENTARY INFORMATION**

---

**SEPTEMBER 30, 2007**

# FEDERATED STATES OF MICRONESIA

## Governmental Funds Balance Sheet Combining General Funds September 30, 2007

(See Accompanying Independent Accountants' Compilation Report)

	FSM National Government	State of Chuuk	State of Kosrae	State of Pohnpei	State of Yap	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 1,603,479	\$ 14,125	\$ 350,033	\$ 2,076,772	\$ 41,965	\$ 4,086,374
Equity in internal investment pool	12,466,890	2,360,561	-	-	53,946,010	68,773,461
Investments	1,500,000	-	200,000	6,010,508	2,000,000	9,710,508
Receivables, net:						
General	273,109	-	-	-	-	273,109
Taxes	2,825,300	-	-	1,701,127	-	4,526,427
Loans	1,500,000	-	254,000	-	595,615	2,349,615
Other governments and agencies	736,371	784,456	-	-	299,475	1,820,302
Other	31,937	-	355,525	2,766,225	51,134	3,204,821
Due from component units	-	-	-	922,724	-	922,724
Due from other funds	4,930,481	496,422	249,303	3,135,560	2,301,717	11,113,483
Advances	978,701	-	42,043	97,920	556,929	1,675,593
Inventories	-	-	11,757	-	-	11,757
Other assets	1,159,850	-	-	-	1,719,718	2,879,568
Restricted assets:						
Cash and cash equivalents	2,084,218	2,726,679	242,204	76,668	331,642	5,461,411
Time certificates of deposit	-	-	313,484	-	-	313,484
Investments	-	5,302,342	-	-	2,619,674	7,922,016
Total assets	<u>\$ 30,090,336</u>	<u>\$ 11,684,585</u>	<u>\$ 2,018,349</u>	<u>\$ 16,787,504</u>	<u>\$ 64,463,879</u>	<u>\$ 125,044,653</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Bank overdraft	\$ -	\$ 127,814	\$ 49,384	\$ -	\$ -	\$ 177,198
Accounts payable	1,634,599	6,357,015	160,866	84,629	1,151,068	9,388,177
Other liabilities and accruals	1,760,393	11,505,443	86,062	1,238,625	134,280	14,724,803
Tax refunds payable	493,828	-	-	-	-	493,828
Due to FSM State Governments	4,527,014	-	-	-	-	4,527,014
Due to other funds	4,286,591	5,811,674	1,889,679	5,079,115	17,130,960	34,198,019
Deferred revenue	-	-	-	-	30,074	30,074
Total liabilities	<u>12,702,425</u>	<u>23,801,946</u>	<u>2,185,991</u>	<u>6,402,369</u>	<u>18,446,382</u>	<u>63,539,113</u>
<b>Fund balances (deficits):</b>						
<b>Reserved for:</b>						
Related assets	5,173,547	2,726,679	1,063,488	960,776	6,040,316	15,964,806
Encumbrances	2,973,381	446,952	11,173	137,057	867,230	4,435,793
Continuing appropriations	3,116,737	2,266,198	-	288,529	592,761	6,264,225
Debt service funds	-	5,302,342	-	-	-	5,302,342
<b>Unreserved:</b>						
General fund	<u>6,124,246</u>	<u>(22,859,532)</u>	<u>(1,242,303)</u>	<u>8,998,773</u>	<u>38,517,190</u>	<u>29,538,374</u>
Total fund balances (deficit)	<u>17,387,911</u>	<u>(12,117,361)</u>	<u>(167,642)</u>	<u>10,385,135</u>	<u>46,017,497</u>	<u>61,505,540</u>
Total liabilities and fund balances	<u>\$ 30,090,336</u>	<u>\$ 11,684,585</u>	<u>\$ 2,018,349</u>	<u>\$ 16,787,504</u>	<u>\$ 64,463,879</u>	<u>\$ 125,044,653</u>

## FEDERATED STATES OF MICRONESIA

### Governmental Funds Balance Sheet Combining U.S. Federal Grants Funds September 30, 2007

(See Accompanying Independent Accountants' Compilation Report)

	FSM National Government	State of Chuuk	State of Kosrae	State of Pohnpei	State of Yap	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 400	\$ -	\$ -	\$ -	\$ -	\$ 400
Receivables, net:						
Federal agencies	3,905,217	-	-	-	26,130	3,931,347
Other governments and agencies	318,848	-	-	917,357	504,294	1,740,499
Due from other funds	445,978	-	117,654	-	3,991,856	4,555,488
Advances	-	-	22,457	-	-	22,457
Total assets	<u>\$ 4,670,443</u>	<u>\$ -</u>	<u>\$ 140,111</u>	<u>\$ 917,357</u>	<u>\$ 4,522,280</u>	<u>\$ 10,250,191</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 384,165	\$ -	\$ 35,231	\$ 80,190	\$ 404,490	\$ 904,076
Other liabilities and accruals	69,294	-	2,637	48,944	64	120,939
Due to FSM State Governments	4,242,749	-	-	-	-	4,242,749
Due to other funds	-	-	-	764,905	776,554	1,541,459
Deferred revenue	-	-	103,844	23,318	2,760,506	2,887,668
Total liabilities	<u>4,696,208</u>	<u>-</u>	<u>141,712</u>	<u>917,357</u>	<u>3,941,614</u>	<u>9,696,891</u>
Fund balances (deficits):						
Reserved for:						
Encumbrances	6,060,628	-	35,889	69,042	5,511,719	11,677,278
Unreserved:						
Special revenue funds	<u>(6,086,393)</u>	<u>-</u>	<u>(37,490)</u>	<u>(69,042)</u>	<u>(4,931,053)</u>	<u>(11,123,978)</u>
Total fund balances (deficit)	<u>(25,765)</u>	<u>-</u>	<u>(1,601)</u>	<u>-</u>	<u>580,666</u>	<u>553,300</u>
Total liabilities and fund balances	<u>\$ 4,670,443</u>	<u>\$ -</u>	<u>\$ 140,111</u>	<u>\$ 917,357</u>	<u>\$ 4,522,280</u>	<u>\$ 10,250,191</u>



**FEDERATED STATES OF MICRONESIA**

Governmental Funds Balance Sheet  
 Combining Section 111 Investment Development Funds  
 September 30, 2007

(See Accompanying Independent Accountants' Compilation Report)

	FSM National Government	State of Chuuk	State of Kosrae	State of Pohnpei	State of Yap	Total
<b>ASSETS</b>						
Time certificates of deposit	\$ 532,777	\$ -	\$ -	\$ -	\$ -	\$ 532,777
Investments	4,020,881	-	-	-	-	4,020,881
Receivables, net:						
General	279	-	-	-	-	279
Loans	7,850,258	-	-	-	-	7,850,258
Accrued interest	2,896	-	-	-	-	2,896
Total assets	<u>\$ 12,407,091</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,407,091</u>
<b>FUND BALANCES</b>						
Liabilities						
Accounts payable	<u>\$ 87,951</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,951</u>
Fund balances:						
Reserved for:						
Related assets	7,850,258	-	-	-	-	7,850,258
Compact programs	4,468,882	-	-	-	-	4,468,882
Total fund balances	<u>12,319,140</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,319,140</u>
Total liabilities and fund balances	<u>\$ 12,407,091</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,407,091</u>

**FEDERATED STATES OF MICRONESIA**

Governmental Funds Balance Sheet  
Combining Early Retirement Program Funds  
September 30, 2007

(See Accompanying Independent Accountants' Compilation Report)

	<u>FSM National Government</u>	<u>State of Chuuk</u>	<u>State of Kosrae</u>	<u>State of Pohnpei</u>	<u>State of Yap</u>	<u>Total</u>
<b><u>ASSETS</u></b>						
Investments	\$ 4,003,410	\$ -	\$ -	\$ -	\$ -	\$ 4,003,410
Restricted assets:						
Investments	<u>-</u>	<u>-</u>	<u>1,646,807</u>	<u>-</u>	<u>-</u>	<u>1,646,807</u>
Total assets	<u>\$ 4,003,410</u>	<u>\$ -</u>	<u>\$ 1,646,807</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,650,217</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>						
Liabilities:						
Due to other funds	<u>\$ 4,142,955</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,142,955</u>
Total liabilities	<u>4,142,955</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,142,955</u>
Fund balances (deficits):						
Reserved for:						
Related assets	4,003,410	-	1,646,807	-	-	5,650,217
Unreserved:						
Special revenue funds	<u>(4,142,955)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,142,955)</u>
Total fund balances (deficit)	<u>(139,545)</u>	<u>-</u>	<u>1,646,807</u>	<u>-</u>	<u>-</u>	<u>1,507,262</u>
Total liabilities and fund balances	<u>\$ 4,003,410</u>	<u>\$ -</u>	<u>\$ 1,646,807</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,650,217</u>

**FEDERATED STATES OF MICRONESIA**

Governmental Funds Balance Sheet  
Combining Asian Development Bank Loan Funds  
September 30, 2007

(See Accompanying Independent Accountants' Compilation Report)

	FSM National Government	State of Chuuk	State of Kosrae	State of Pohnpei	State of Yap	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 1,146,430	\$ -	\$ -	\$ -	\$ -	\$ 1,146,430
Receivables, net:						
Loans	29,501,285	-	-	-	-	29,501,285
Other	85,381	-	-	-	-	85,381
Restricted assets:						
Cash and cash equivalents	741,336	-	-	-	-	741,336
Total assets	<u>\$ 31,474,432</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,474,432</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 2,642	\$ -	\$ -	\$ -	\$ -	\$ 2,642
Due to FSM State Governments	80,277	-	-	-	-	80,277
Due to other funds	227,453	-	-	-	-	227,453
Deferred revenue	2,184	-	-	-	-	2,184
Total liabilities	<u>312,556</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>312,556</u>
Fund balances (deficits):						
Reserved for:						
Related assets	31,389,051	-	-	-	-	31,389,051
Encumbrances	29,290	-	-	-	-	29,290
Continuing appropriations	20,000	-	-	-	-	20,000
Unreserved:						
Special revenue funds	(276,465)	-	-	-	-	(276,465)
Total fund balances (deficit)	<u>31,161,876</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,161,876</u>
Total liabilities and fund balances	<u>\$ 31,474,432</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,474,432</u>

**FEDERATED STATES OF MICRONESIA**

Governmental Funds Balance Sheet  
Combining Compact Sector Grants Funds  
September 30, 2007

(See Accompanying Independent Accountants' Compilation Report)

	<u>FSM National Government</u>	<u>State of Chuuk</u>	<u>State of Kosrae</u>	<u>State of Pohnpei</u>	<u>State of Yap</u>	<u>Total</u>
<b><u>ASSETS</u></b>						
Receivables, net:						
Federal agencies	\$ -	\$ -	\$ 234,848	\$ -	\$ -	\$ 234,848
Other governments and agencies	-	77,478	-	539,853	-	617,331
Due from other funds	734,044	4,634,931	736,273	1,136,858	-	7,242,106
Advances	-	454,894	8,231	1,225	-	464,350
Total assets	<u>\$ 734,044</u>	<u>\$ 5,167,303</u>	<u>\$ 979,352</u>	<u>\$ 1,677,936</u>	<u>\$ -</u>	<u>\$ 8,558,635</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>						
Liabilities:						
Accounts payable	\$ 214,612	\$ 625,941	\$ 85,461	\$ 274,858	\$ -	\$ 1,200,872
Other liabilities	-	113,149	185,799	403,751	-	702,699
Due to other funds	37,740	-	-	447,381	-	485,121
Deferred revenue	-	-	-	538,004	-	538,004
Total liabilities	<u>252,352</u>	<u>739,090</u>	<u>271,260</u>	<u>1,663,994</u>	<u>-</u>	<u>2,926,696</u>
Fund balances (deficits):						
Reserved for:						
Encumbrances	6,728,697	4,200,315	824,568	355,878	-	12,109,458
Continuing appropriations	44,950,760	-	-	-	-	44,950,760
Unreserved:						
Special revenue funds	<u>(51,197,765)</u>	<u>227,898</u>	<u>(116,476)</u>	<u>(341,936)</u>	<u>-</u>	<u>(51,428,279)</u>
Total fund balances (deficit)	<u>481,692</u>	<u>4,428,213</u>	<u>708,092</u>	<u>13,942</u>	<u>-</u>	<u>5,631,939</u>
Total liabilities and fund balances	<u>\$ 734,044</u>	<u>\$ 5,167,303</u>	<u>\$ 979,352</u>	<u>\$ 1,677,936</u>	<u>\$ -</u>	<u>\$ 8,558,635</u>

**FEDERATED STATES OF MICRONESIA**

Governmental Funds Balance Sheet  
Combining Compact Other Grants Funds  
September 30, 2007

(See Accompanying Independent Accountants' Compilation Report)

	<u>FSM National Government</u>	<u>State of Chuuk</u>	<u>State of Kosrae</u>	<u>State of Pohnpei</u>	<u>State of Yap</u>	<u>Total</u>
<b><u>ASSETS</u></b>						
Investments	\$ -	\$ -	\$ -	\$ 1,195,801	\$ -	\$ 1,195,801
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,195,801</u>	<u>\$ -</u>	<u>\$ 1,195,801</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ 1,475	\$ -	\$ 1,475
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,032,443</u>	<u>-</u>	<u>1,032,443</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,033,918</u>	<u>-</u>	<u>1,033,918</u>
Fund balances (deficits):						
Reserved for:						
Encumbrances	-	-	-	10,337	-	10,337
Continuing appropriations	-	-	-	50,000	-	50,000
Unreserved:						
Special revenue funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>101,546</u>	<u>-</u>	<u>101,546</u>
Total fund balances (deficit)	<u>-</u>	<u>-</u>	<u>-</u>	<u>161,883</u>	<u>-</u>	<u>161,883</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,195,801</u>	<u>\$ -</u>	<u>\$ 1,195,801</u>

**FEDERATED STATES OF MICRONESIA**

Governmental Funds Balance Sheet  
Combining Compact Capital Projects Funds  
September 30, 2007

(See Accompanying Independent Accountants' Compilation Report)

	<u>FSM National Government</u>	<u>State of Chuuk</u>	<u>State of Kosrae</u>	<u>State of Pohnpei</u>	<u>State of Yap</u>	<u>Total</u>
<b>ASSETS</b>						
Equity in internal investment pool	\$ -	\$ -	\$ -	\$ -	\$ 4,270,133	\$ 4,270,133
Investments	-	2,473,500	-	-	-	2,473,500
Receivables, net:						
Other governments and agencies	-	37,272	-	-	-	37,272
Due from other funds	-	-	-	-	12,589,239	12,589,239
Total assets	<u>\$ -</u>	<u>\$ 2,510,772</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,859,372</u>	<u>\$ 19,370,144</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 18,097	\$ 18,097
Other liabilities and accruals	-	-	-	-	249	249
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,346</u>	<u>18,346</u>
<b>Fund balances (deficits):</b>						
<b>Reserved for:</b>						
Related assets	-	2,510,772	-	-	-	2,510,772
Encumbrances	-	-	-	-	667,332	667,332
Continuing appropriations	-	-	-	-	1,492,481	1,492,481
<b>Unreserved:</b>						
Capital projects funds	-	-	-	-	14,681,213	14,681,213
Total fund balances (deficit)	<u>-</u>	<u>2,510,772</u>	<u>-</u>	<u>-</u>	<u>16,841,026</u>	<u>19,351,798</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 2,510,772</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,859,372</u>	<u>\$ 19,370,144</u>

**FEDERATED STATES OF MICRONESIA**

Governmental Funds Balance Sheet  
Combining Compact Trust Funds  
September 30, 2007

(See Accompanying Independent Accountants' Compilation Report)

	<u>FSM National Government</u>	<u>State of Chuuk</u>	<u>State of Kosrae</u>	<u>State of Pohnpei</u>	<u>State of Yap</u>	<u>Total</u>
<u>ASSETS</u>						
Restricted assets:						
Investments	\$ 11,040,196	\$ 8,499,574	\$ 2,982,085	\$ 9,863,333	\$ 7,006,391	39,391,579
Total assets	<u>\$ 11,040,196</u>	<u>\$ 8,499,574</u>	<u>\$ 2,982,085</u>	<u>\$ 9,863,333</u>	<u>\$ 7,006,391</u>	<u>\$ 39,391,579</u>
<u>FUND BALANCES</u>						
Fund balances (deficits):						
Reserved for:						
Related assets	\$ 11,040,196	\$ 8,499,574	\$ 2,982,085	\$ 9,863,333	\$ 7,006,391	39,391,579
Total fund balances (deficit)	<u>\$ 11,040,196</u>	<u>\$ 8,499,574</u>	<u>\$ 2,982,085</u>	<u>\$ 9,863,333</u>	<u>\$ 7,006,391</u>	<u>\$ 39,391,579</u>

**FEDERATED STATES OF MICRONESIA**

Governmental Funds Balance Sheet  
Combining Other Governmental Funds  
September 30, 2007

(See Accompanying Independent Accountants' Compilation Report)

	FSM National Government	State of Chuuk	State of Kosrae	State of Pohnpei	State of Yap	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 229,277	\$ 229,277
Equity in internal investment pool	1,693,690	-	-	-	3,226,092	4,919,782
Investments	3,762,944	-	900,000	2,913,180	-	7,576,124
Receivables, net:						
Loans	103,011	-	15,314	-	-	118,325
Other governments and agencies	-	919,789	72,230	9,987	82,483	1,084,489
Other	3,103	-	295,271	8,342	-	306,716
Due from other funds	3,106,569	1,176,743	1,035,751	3,934,867	549,865	9,803,795
Advances	-	-	28,392	1,340	-	29,732
Inventories	-	-	-	22,734	-	22,734
Restricted assets:						
Cash and cash equivalents	-	-	354,383	552,547	-	906,930
Time certificates of deposit	-	-	38,030	-	-	38,030
Investments	-	-	-	4,161,949	-	4,161,949
Total assets	<u>\$ 8,669,317</u>	<u>\$ 2,096,532</u>	<u>\$ 2,739,371</u>	<u>\$ 11,604,946</u>	<u>\$ 4,087,717</u>	<u>\$ 29,197,883</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 54,832	\$ 451,257	\$ 26,971	\$ 18,355	\$ 69,863	\$ 621,278
Other liabilities and accruals	-	-	12,017	4,801	55,470	72,288
Due to FSM State Governments	9,455	-	-	-	-	9,455
Due to other funds	522,333	496,422	249,302	883,441	1,525,163	3,676,661
Deferred revenue	1,220,776	-	109,803	27,486	29,430	1,387,495
Total liabilities	<u>1,807,396</u>	<u>947,679</u>	<u>398,093</u>	<u>934,083</u>	<u>1,679,926</u>	<u>5,767,177</u>
<b>Fund balances (deficits):</b>						
<b>Reserved for:</b>						
Related assets	3,865,955	1,176,743	1,307,727	1,575,281	-	7,925,706
Encumbrances	448,016	113,314	76,615	540,279	218,534	1,396,758
Continuing appropriations	1,003,362	-	317,900	1,187,858	150,000	2,659,120
Debt service fund	-	-	-	4,161,949	-	4,161,949
<b>Unreserved:</b>						
Special revenue funds	3,110,356	(141,204)	639,036	2,679,213	2,114,278	8,401,679
Debt service fund	-	-	-	206,391	-	206,391
Capital projects funds	(1,565,768)	-	-	319,892	(75,021)	(1,320,897)
Total fund balances (deficit)	<u>6,861,921</u>	<u>1,148,853</u>	<u>2,341,278</u>	<u>10,670,863</u>	<u>2,407,791</u>	<u>23,430,706</u>
Total liabilities and fund balances	<u>\$ 8,669,317</u>	<u>\$ 2,096,532</u>	<u>\$ 2,739,371</u>	<u>\$ 11,604,946</u>	<u>\$ 4,087,717</u>	<u>\$ 29,197,883</u>



## FEDERATED STATES OF MICRONESIA

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

#### Combining General Funds

Year Ended September 30, 2007

(See Accompanying Independent Accountants' Compilation Report)

	FSM National Government	State of Chuuk	State of Kosrae	State of Pohnpei	State of Yap	Total
<b>Revenues:</b>						
Taxes	\$ 10,367,609	\$ 3,864,578	\$ 1,012,309	\$ 7,717,751	\$ 3,210,739	\$ 26,172,986
Fishing rights	15,005,147	-	-	-	-	15,005,147
Interest and dividends	462,695	-	-	-	-	462,695
Fees and charges	595,882	801,867	354,351	122,206	741,268	2,615,574
Net increase in the fair value of investments	2,459,304	1,851,965	161,830	1,722,264	9,475,556	15,670,919
Other	1,110,441	483,938	76,293	192,547	324,814	2,188,033
<b>Total revenues</b>	<b>30,001,078</b>	<b>7,002,348</b>	<b>1,604,783</b>	<b>9,754,768</b>	<b>13,752,377</b>	<b>62,115,354</b>
<b>Expenditures:</b>						
<b>Current:</b>						
<b>General government:</b>						
President's office	721,443	-	-	-	-	721,443
External affairs and LNOs	2,958,372	-	-	-	-	2,958,372
Health, education and social affairs	247,949	603	14,655	58,146	358,398	679,751
Economic development	1,038,358	245,812	406,348	288,958	505,031	2,484,507
Transportation, communication and infrastructure	670,924	1,118,264	-	591,199	1,818,198	4,198,585
Finance and administration	2,575,878	4,293,989	999,227	3,343,295	1,134,717	12,347,106
Justice	3,165,860	637,967	660	1,372,516	582,019	5,759,022
Office of the Public Defender	554,836	-	-	-	-	554,836
Judiciary	978,198	553,728	-	-	171,378	1,703,304
Legislature	3,154,468	-	-	-	-	3,154,468
Office of the Public Auditor	669,013	-	-	-	500	669,513
National government programs	3,828,528	-	-	-	-	3,828,528
Other appropriations	3,871,555	-	-	2,428,258	216,967	6,516,780
Payments to component units	833,648	73,187	-	-	199,232	1,106,067
Boards, commissions, councils and other	1,354,787	2,074,217	553,512	703,452	755,572	5,441,540
<b>Total expenditures</b>	<b>26,623,817</b>	<b>8,997,767</b>	<b>1,974,402</b>	<b>8,785,824</b>	<b>5,742,012</b>	<b>52,123,822</b>
Excess (deficiency) of revenues over (under) expenditures	3,377,261	(1,995,419)	(369,619)	968,944	8,010,365	9,991,532
<b>Other financing sources (uses):</b>						
Loan proceeds	-	773,501	1,500,000	-	-	2,273,501
Operating transfers in	1,204,672	3,639,440	1,951,316	-	164,490	6,959,918
Operating transfers out	(2,614,729)	(284,872)	-	(420,951)	(1,216,620)	(4,537,172)
<b>Total other financing sources (uses), net</b>	<b>(1,410,057)</b>	<b>4,128,069</b>	<b>3,451,316</b>	<b>(420,951)</b>	<b>(1,052,130)</b>	<b>4,696,247</b>
<b>Special items:</b>						
Write off of receivables	(944,533)	-	-	(984,713)	(788,627)	(2,717,873)
Recovery on previously written off receivab	-	1,049,602	363,047	-	-	1,412,649
Write off of liabilities	-	3,233,483	-	-	-	3,233,483
<b>Total special items</b>	<b>(944,533)</b>	<b>4,283,085</b>	<b>363,047</b>	<b>(984,713)</b>	<b>(788,627)</b>	<b>1,928,259</b>
Net change in fund balances (deficits)	1,022,671	6,415,735	3,444,744	(436,720)	6,169,608	16,616,038
Fund balances (deficit) at the beginning of the year	16,365,240	(18,533,096)	(3,612,386)	10,821,855	39,847,889	44,889,502
Fund balances (deficit) at the end of the year	<b>\$ 17,387,911</b>	<b>\$ (12,117,361)</b>	<b>\$ (167,642)</b>	<b>\$ 10,385,135</b>	<b>\$ 46,017,497</b>	<b>\$ 61,505,540</b>

**FEDERATED STATES OF MICRONESIA**

Governmental Funds Statement of Revenues, Expenditures,  
and Changes in Fund Balances (Deficits)  
Combining U.S. Federal Grants Funds  
Year Ended September 30, 2007  
(See Accompanying Independent Accountants' Compilation Report)

	FSM National Government	State of Chuuk	State of Kosrae	State of Pohnpei	State of Yap	Total
<b>Revenues:</b>						
Compact funding	\$ -	\$ -	\$ -	\$ -	\$ 10,779,584	\$ 10,779,584
Federal and other grants	15,333,263	-	760,078	2,574,695	4,213,931	22,881,967
Fees and charges	-	-	-	-	374,725	374,725
Net increase in the fair value of investments	-	-	422	-	-	422
<b>Total revenues</b>	<u>15,333,263</u>	<u>-</u>	<u>760,500</u>	<u>2,574,695</u>	<u>15,368,240</u>	<u>34,036,698</u>
<b>Expenditures:</b>						
<b>Current:</b>						
<b>General government:</b>						
President's office	99,545	-	-	-	-	99,545
Health, education and social affairs	5,334,748	-	600,640	1,916,957	11,292,326	19,144,671
Economic development	40,422	-	2,788	-	220,065	263,275
Transportation, communication and infrastructure	6,614,170	-	-	-	-	6,614,170
Finance and administration	2,108,458	-	-	341,211	3,578,809	6,028,478
Justice	-	-	-	1,716	-	1,716
Office of the Public Auditor	39,791	-	-	-	-	39,791
National government programs	1,096,129	-	-	-	-	1,096,129
Payments to component units	-	-	-	-	1,111,048	1,111,048
Boards, commissions, councils and other	-	-	169,671	314,811	137,305	621,787
<b>Total expenditures</b>	<u>15,333,263</u>	<u>-</u>	<u>773,099</u>	<u>2,574,695</u>	<u>16,339,553</u>	<u>35,020,610</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	(12,599)	-	(971,313)	(983,912)
<b>Other financing sources (uses):</b>						
Operating transfers in	-	-	-	-	1,445,121	1,445,121
Operating transfers out	-	-	(1,601)	-	(164,490)	(166,091)
<b>Total other financing sources (uses), net</b>	<u>-</u>	<u>-</u>	<u>(1,601)</u>	<u>-</u>	<u>1,280,631</u>	<u>1,279,030</u>
<b>Net change in fund balances (deficits)</b>	<u>-</u>	<u>-</u>	<u>(14,200)</u>	<u>-</u>	<u>309,318</u>	<u>295,118</u>
Fund balances (deficit) at the beginning of the year	(25,765)	-	12,599	-	271,348	258,182
Fund balances (deficit) at the end of the year	<u>\$ (25,765)</u>	<u>\$ -</u>	<u>\$ (1,601)</u>	<u>\$ -</u>	<u>\$ 580,666</u>	<u>\$ 553,300</u>

**FEDERATED STATES OF MICRONESIA**

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

**Combining Section 111 Investment Development Funds**

**Year Ended September 30, 2007**

**(See Accompanying Independent Accountants' Compilation Report)**

	<u>FSM National Government</u>	<u>State of Chuuk</u>	<u>State of Kosrae</u>	<u>State of Pohnpei</u>	<u>State of Yap</u>	<u>Total</u>
<b>Revenues:</b>						
Interest and dividends	\$ 99,040	\$ -	\$ -	\$ -	\$ -	\$ 99,040
Net increase in the fair value of investments	244,198	-	-	-	-	244,198
Other	1,300	-	-	-	-	1,300
<b>Total revenues</b>	<u>344,538</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>344,538</u>
<b>Expenditures:</b>						
<b>Current:</b>						
<b>General government:</b>						
Economic development	1,226,571	-	-	-	-	1,226,571
Payments to component units	250,000	-	-	-	-	250,000
<b>Total expenditures</b>	<u>1,476,571</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,476,571</u>
<b>Net change in fund balances (deficits)</b>	<u>(1,132,033)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,132,033)</u>
<b>Fund balances (deficit) at the beginning of the year</b>	<u>13,451,173</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,451,173</u>
<b>Fund balances (deficit) at the end of the year</b>	<u>\$ 12,319,140</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,319,140</u>

**FEDERATED STATES OF MICRONESIA**

Governmental Funds Statement of Revenues, Expenditures,  
and Changes in Fund Balances (Deficits)  
Combining Early Retirement Program Funds  
Year Ended September 30, 2007  
(See Accompanying Independent Accountants' Compilation Report)

	<u>FSM National Government</u>	<u>State of Chuuk</u>	<u>State of Kosrae</u>	<u>State of Pohnpei</u>	<u>State of Yap</u>	<u>Total</u>
Revenues:						
Net increase in the fair value of investment	\$ -	\$ -	\$ 143,181	\$ -	\$ -	\$ 143,181
Total revenues	<u>-</u>	<u>-</u>	<u>143,181</u>	<u>-</u>	<u>-</u>	<u>143,181</u>
Expenditures:						
Current:						
General government:						
Other appropriations	<u>-</u>	<u>-</u>	<u>271,290</u>	<u>-</u>	<u>-</u>	<u>271,290</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>271,290</u>	<u>-</u>	<u>-</u>	<u>271,290</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	(128,109)	-	-	(128,109)
Other financing sources (uses):						
Loan proceeds	<u>-</u>	<u>-</u>	<u>238,755</u>	<u>-</u>	<u>-</u>	<u>238,755</u>
Operating transfers out	<u>-</u>	<u>-</u>	<u>(344,166)</u>	<u>-</u>	<u>-</u>	<u>(344,166)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(105,411)</u>	<u>-</u>	<u>-</u>	<u>(105,411)</u>
Net change in fund balances (deficits)	-	-	(233,520)	-	-	(233,520)
Fund balances (deficit) at the beginning of the year	<u>(139,545)</u>	<u>-</u>	<u>1,880,327</u>	<u>-</u>	<u>-</u>	<u>1,740,782</u>
Fund balances (deficit) at the end of the year	<u>\$ (139,545)</u>	<u>\$ -</u>	<u>\$ 1,646,807</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,507,262</u>

**FEDERATED STATES OF MICRONESIA**

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

Combining Asian Development Bank Loan Funds

Year Ended September 30, 2007

(See Accompanying Independent Accountants' Compilation Report)

	FSM National Government	State of Chuuk	State of Kosrae	State of Pohnpei	State of Yap	Total
<b>Revenues:</b>						
Interest and dividends	\$ 14,508	\$ -	\$ -	\$ -	\$ -	\$ 14,508
Other	231,337	-	-	-	-	231,337
<b>Total revenues</b>	<b>245,845</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>245,845</b>
<b>Expenditures:</b>						
<b>Current:</b>						
<b>General government:</b>						
Economic development	19,777	-	-	-	-	19,777
Finance and administration	975,872	-	-	-	-	975,872
Boards, commissions and other	6,788	-	-	-	-	6,788
Debt service	466,552	-	-	-	-	466,552
<b>Total expenditures</b>	<b>1,468,989</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,468,989</b>
Excess (deficiency) of revenues over (under) expenditures	(1,223,144)	-	-	-	-	(1,223,144)
<b>Other financing sources (uses):</b>						
Loan proceeds	3,515,976	-	-	-	-	3,515,976
<b>Total other financing sources (uses), net</b>	<b>3,515,976</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,515,976</b>
<b>Net change in fund balances (deficits)</b>	<b>2,292,832</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,292,832</b>
<b>Fund balances (deficit) at the beginning of the year</b>	<b>28,869,044</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28,869,044</b>
<b>Fund balances (deficit) at the end of the year</b>	<b>\$ 31,161,876</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 31,161,876</b>

**FEDERATED STATES OF MICRONESIA**

Governmental Funds Statement of Revenues, Expenditures,  
and Changes in Fund Balances (Deficits)  
Combining Compact Sector Grants Funds  
Year Ended September 30, 2007  
(See Accompanying Independent Accountants' Compilation Report)

	<u>FSM National Government</u>	<u>State of Chuuk</u>	<u>State of Kosrae</u>	<u>State of Pohnpei</u>	<u>State of Yap</u>	<u>Total</u>
Revenues:						
Compact funding	\$ 10,208,827	\$ 22,134,194	\$ 7,061,476	\$ 17,343,833	\$ -	\$ 56,748,330
Total revenues	<u>10,208,827</u>	<u>22,134,194</u>	<u>7,061,476</u>	<u>17,343,833</u>	<u>-</u>	<u>56,748,330</u>
Expenditures:						
Current:						
General government:						
Health, education and social affairs	1,920,796	16,354,363	4,756,880	15,539,910	-	38,571,949
Economic development	198,169	467,781	415,789	-	-	1,081,739
Transporting, communication and infrastructure	7,403,160	-	-	-	-	7,403,160
Finance and administration	302,675	988,408	1,271,601	1,803,923	-	4,366,607
Justice	-	811,391	-	-	-	811,391
Judiciary	1,260	-	-	-	-	1,260
Office of the Public Auditor	116,433	-	-	-	-	116,433
Payments to component units	164,780	132,358	-	-	-	297,138
Boards, commissions, councils and other	-	469,682	102,514	-	-	572,196
Total expenditures	<u>10,107,273</u>	<u>19,223,983</u>	<u>6,546,784</u>	<u>17,343,833</u>	<u>-</u>	<u>53,221,873</u>
Net change in fund balances (deficits)	101,554	2,910,211	514,692	-	-	3,526,457
Fund balances (deficit) at the beginning of the year	<u>380,138</u>	<u>1,518,002</u>	<u>193,400</u>	<u>13,942</u>	<u>-</u>	<u>2,105,482</u>
Fund balances (deficit) at the end of the year	<u>\$ 481,692</u>	<u>\$ 4,428,213</u>	<u>\$ 708,092</u>	<u>\$ 13,942</u>	<u>\$ -</u>	<u>\$ 5,631,939</u>

**FEDERATED STATES OF MICRONESIA**

**Governmental Funds Statement of Expenditures  
and Changes in Fund Balances (Deficits)  
Combining Compact Other Grants Funds  
Year Ended September 30, 2007**

(See Accompanying Independent Accountants' Compilation Report)

	<u>FSM National Government</u>	<u>State of Chuuk</u>	<u>State of Kosrae</u>	<u>State of Pohnpei</u>	<u>State of Yap</u>	<u>Total</u>
Expenditures:						
Current:						
General government:						
Health, education and social affairs	\$ -	\$ -	\$ -	\$ 196,585	\$ -	\$ 196,585
Finance and administration	-	-	-	52,930	-	52,930
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>249,515</u>	<u>-</u>	<u>249,515</u>
Net change in fund balances (deficits)	-	-	-	(249,515)	-	(249,515)
Fund balances (deficit) at the beginning of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>411,398</u>	<u>-</u>	<u>411,398</u>
Fund balances (deficit) at the end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 161,883</u>	<u>\$ -</u>	<u>\$ 161,883</u>

**FEDERATED STATES OF MICRONESIA**

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

Combining Compact Capital Projects Funds

Year Ended September 30, 2007

(See Accompanying Independent Accountants' Compilation Report)

	<u>FSM National Government</u>	<u>State of Chuuk</u>	<u>State of Kosrae</u>	<u>State of Pohnpei</u>	<u>State of Yap</u>	<u>Total</u>
Expenditures:						
Current:						
General government:						
Transportation, communication and infrastructure	\$ -	\$ -	\$ -	\$ -	\$ 352,081	\$ 352,081
Finance and administration	-	-	-	-	118,839	118,839
Boards, commissions and others	-	-	-	-	51,626	51,626
Total expenditures	-	-	-	-	522,546	522,546
Other financing sources (uses):						
Operating transfers out	-	(1,164,712)	-	-	(228,501)	(1,393,213)
Special item:						
Write down of investments	-	(1,202,005)	-	-	-	(1,202,005)
Net change in fund balances (deficits)	-	(2,366,717)	-	-	(751,047)	(3,117,764)
Fund balances (deficit) at the beginning of the year	-	4,877,489	-	-	17,592,073	22,469,562
Fund balances (deficit) at the end of the year	\$ -	\$ 2,510,772	\$ -	\$ -	\$ 16,841,026	\$ 19,351,798



**FEDERATED STATES OF MICRONESIA**

Governmental Funds Statement of Revenues  
and Changes in Fund Balances (Deficits)  
Combining Compact Trust Funds  
Year Ended September 30, 2007

(See Accompanying Independent Accountants' Compilation Report)

	<u>FSM National Government</u>	<u>State of Chuuk</u>	<u>State of Kosrae</u>	<u>State of Pohnpei</u>	<u>State of Yap</u>	<u>Total</u>
Revenues:						
Net increase in the fair value of investments	\$ 1,645,839	\$ 1,267,090	\$ 444,560	\$ 1,606,385	\$ 1,044,491	\$ 6,008,365
Total revenues	<u>1,645,839</u>	<u>1,267,090</u>	<u>444,560</u>	<u>1,606,385</u>	<u>1,044,491</u>	<u>6,008,365</u>
Net change in fund balances (deficits)	1,645,839	1,267,090	444,560	1,606,385	1,044,491	6,008,365
Fund balances (deficit) at the beginning of the year	<u>9,394,357</u>	<u>7,232,484</u>	<u>2,537,525</u>	<u>8,256,948</u>	<u>5,961,900</u>	<u>33,383,214</u>
Fund balances (deficit) at the end of the year	<u>\$ 11,040,196</u>	<u>\$ 8,499,574</u>	<u>\$ 2,982,085</u>	<u>\$ 9,863,333</u>	<u>\$ 7,006,391</u>	<u>\$ 39,391,579</u>

**FEDERATED STATES OF MICRONESIA**

Governmental Funds Statement of Revenues, Expenditures,  
and Changes in Fund Balances (Deficits)  
Combining Other Governmental Funds  
Year Ended September 30, 2007  
(See Accompanying Independent Accountants' Compilation Report)

	FSM National Government	State of Chuuk	State of Kosrae	State of Pohnpei	State of Yap	Total
<b>Revenues:</b>						
Taxes	\$ -	\$ -	\$ -	\$ 511,911	\$ 487,581	\$ 999,492
Federal and other grants	496,319	1,085,694	46,000	81,957	92,875	1,802,845
Fees and charges	1,174,326	94,360	256,176	496,383	25,021	2,046,266
Net increase in the fair value of investments	202,346	-	84,481	365,279	-	652,106
Other	-	-	397,840	325,236	-	723,076
<b>Total revenues</b>	<u>1,872,991</u>	<u>1,180,054</u>	<u>784,497</u>	<u>1,780,766</u>	<u>605,477</u>	<u>6,223,785</u>
<b>Expenditures:</b>						
<b>Current:</b>						
<b>General government:</b>						
Health, education and social affairs	605,927	707,261	39,746	1,014,238	-	2,367,172
Economic development	117,590	-	117,058	-	859,324	1,093,972
Transportation, communication and infrastructure	892,588	-	-	-	-	892,588
Finance and administration	-	378,433	296,962	633,329	353,121	1,661,845
Justice	-	44,164	55,000	-	47,297	146,461
Payments to component units	-	-	-	-	5,000	5,000
Boards, commissions, councils and other	466,059	-	474,325	-	-	940,384
Debt service	-	-	-	132,790	-	132,790
Capital projects	37,255	-	53,325	938,135	-	1,028,715
<b>Total expenditures</b>	<u>2,119,419</u>	<u>1,129,858</u>	<u>1,036,416</u>	<u>2,718,492</u>	<u>1,264,742</u>	<u>8,268,927</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(246,428)</u>	<u>50,196</u>	<u>(251,919)</u>	<u>(937,726)</u>	<u>(659,265)</u>	<u>(2,045,142)</u>
<b>Other financing sources (uses):</b>						
Loan proceeds	-	-	-	-	784,351	784,351
Operating transfers in	2,614,729	284,872	-	420,951	-	3,320,552
Operating transfers out	<u>(1,204,672)</u>	<u>(2,474,728)</u>	<u>(1,605,549)</u>	<u>-</u>	<u>-</u>	<u>(5,284,949)</u>
<b>Total other financing sources (uses), net</b>	<u>1,410,057</u>	<u>(2,189,856)</u>	<u>(1,605,549)</u>	<u>420,951</u>	<u>784,351</u>	<u>(1,180,046)</u>
<b>Special items:</b>						
Write off of receivables	-	-	-	<u>(2,450,000)</u>	-	<u>(2,450,000)</u>
<b>Net change in fund balances (deficits)</b>	<u>1,163,629</u>	<u>(2,139,660)</u>	<u>(1,857,468)</u>	<u>(2,966,775)</u>	<u>125,086</u>	<u>(5,675,188)</u>
<b>Fund balances (deficit) at the beginning of the year</b>	<u>5,698,292</u>	<u>3,288,513</u>	<u>4,198,746</u>	<u>13,637,638</u>	<u>2,282,705</u>	<u>29,105,894</u>
<b>Fund balances (deficit) at the end of the year</b>	<u>\$ 6,861,921</u>	<u>\$ 1,148,853</u>	<u>\$ 2,341,278</u>	<u>\$ 10,670,863</u>	<u>\$ 2,407,791</u>	<u>\$ 23,430,706</u>