

**FEDERATED STATES OF MICRONESIA**

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

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**SEPTEMBER 30, 2012**

## **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, 2012, and the other supplementary information as set forth in pages 14 through 22. We have not audited or reviewed the accompanying combined financial statements and other supplementary information and, accordingly, do not express opinions or provide any assurance about whether the combined financial statements and other supplementary information are in accordance with accounting principles generally accepted in the United States of America. The other supplementary information is presented only for purposes of additional analysis and is not a required part of the basic combined financial statements. The combined financial statements include the accounts of the FSM National Government and the four States of the FSM, being the State of Chuuk, the State of Kosrae, the State of Pohnpei, and the State of Yap. These entities comprise the sovereign nation of the Federated States of Micronesia.

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

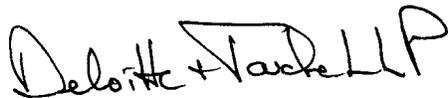
Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial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

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

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, 2012. Those financial statements were the basis from which we compiled the accompanying combined financial statements. Copies of the respective financial statements and the independent auditors' reports dated June 30, 2013, June 24, 2013, June 12, 2013, June 21, 2013 and June 28, 2013 respectively, which expressed certain qualified opinions, may be obtained from the FSM Office of the National Public Auditor.

The FSM National Government and the States of the FSM have not presented the Management's Discussion and Analysis and budgetary comparison information that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, 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.

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

July 11, 2013

**FEDERATED STATES OF MICRONESIA**

Combined Statement of Net Assets  
September 30, 2012

(See Accompanying Independent Accountants' Compilation Report)

	Primary Governments	Component Units
<b><u>ASSETS</u></b>		
Current assets:		
Cash and cash equivalents	\$ 11,348,084	\$ 31,987,491
Time certificates of deposit	2,226,076	5,515,377
Investments	59,775,963	4,425,037
Receivables, net of allowance for uncollectibles	37,748,173	23,042,251
Due from component units	706,466	-
Due from primary government	-	183,960
Advances	848,063	39,151
Inventories	29,947	10,054,091
Other current assets	790,930	4,768,400
Restricted assets	11,051,728	840,224
Total current assets	124,525,430	80,855,982
Noncurrent assets:		
Investments	19,550,942	16,542,725
Receivables, net of current portion	42,185,450	14,118,559
Capital assets, net of accumulated depreciation	335,110,479	145,407,625
Other noncurrent assets	8,077,292	5,134,029
Restricted assets	77,619,448	-
Total noncurrent assets	482,543,611	181,202,938
Total assets	\$ 607,069,041	\$ 262,058,920
<b><u>LIABILITIES</u></b>		
Current liabilities:		
Bank overdraft	\$ -	\$ -
Current portion of long-term obligations	2,885,258	7,991,862
Short term notes	561,987	1,139,509
Accounts payable	14,920,421	8,079,697
Land acquisition payable	8,618,545	-
Current portion of compensated absences payable	1,628,087	-
Other liabilities and accruals	3,756,569	10,065,638
Tax refunds payable	506,727	-
Retention payable	7,673,871	-
Due to federal agencies	1,126,478	-
Due to component units	183,960	-
Due to private purpose trust	-	-
Due to FSM State Governments	6,914,884	-
Due to primary government	-	2,528,486
Deferred revenue	8,174,758	3,042,033
Total current liabilities	56,951,545	32,847,225
Noncurrent liabilities:		
Long-term obligations, net of current portion	82,202,610	47,992,407
Other noncurrent liabilities	495,576	-
Compensated absences payable, net of current portion	2,990,554	-
Total noncurrent liabilities	85,688,740	47,992,407
Total liabilities	142,640,285	80,839,632
<b><u>NET ASSETS</u></b>		
Invested in capital assets, net of related debt	335,110,479	94,835,482
Restricted for:		
Nonexpendable:		
Future operations	43,819,605	-
Other purposes	-	8,375,340
Expendable:		
Compact related	12,244,730	-
Capital projects	-	-
Debt service	10,482,083	-
Other purposes	7,571,205	4,247,108
Unrestricted	55,200,654	73,761,358
Total net assets	464,428,756	181,219,288
Total liabilities and net assets	\$ 607,069,041	\$ 262,058,920

**FEDERATED STATES OF MICRONESIA**

Combined Statement of Activities

Year Ended September 30, 2012

(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	\$ 3,539,264	\$ -	\$ 349,302	\$ -	\$ (3,189,962)	\$ -
External affairs and LNOs	3,941,202	-	-	-	(3,941,202)	-
Health and social affairs	30,789,534	814,850	29,361,517	-	(613,167)	-
Education	37,208,523	1,627	35,556,275	-	(1,650,621)	-
Economic development	7,010,482	195,524	3,583,182	-	(3,231,776)	-
Transportation, communication and infrastructure	15,226,064	706,034	2,627,980	-	(11,892,050)	-
Finance and administration	25,197,871	2,659,944	8,564,296	688,059	(13,285,572)	-
Justice	7,833,028	2,457,604	-	-	(5,375,424)	-
Office of the Public Defender	668,254	-	-	-	(668,254)	-
SBOC office	1,327,330	-	120,635	-	(1,206,695)	-
Environmental and emergency management	1,261,785	61,886	866,597	-	(333,302)	-
National archives, cultural and preservation	259,581	-	148,840	-	(110,741)	-
Judiciary	1,932,801	18,813	-	-	(1,913,988)	-
Legislature	3,514,175	-	-	-	(3,514,175)	-
Office of the Public Auditor	1,553,972	-	548,931	-	(1,005,041)	-
National government programs	1,685,442	-	1,409,681	-	(275,761)	-
Land and natural resources	-	-	-	-	-	-
Other appropriations	5,992,556	-	27,992	-	(5,964,564)	-
Payments to component units	2,255,738	-	391,904	-	(1,863,834)	-
Boards, commissions, councils and other	8,209,091	1,433,838	344,523	-	(6,430,730)	-
Municipal affairs	3,080,715	-	-	-	(3,080,715)	-
Future operations	-	-	-	-	-	-
Capital projects	5,324,066	-	-	-	(5,324,066)	-
Interest - unallocated	1,114,338	-	82,569	-	(1,031,769)	-
Capital assets transferred to FSM State Governments	-	-	-	56,779,301	56,779,301	-
<b>Total primary governments</b>	<b>\$ 168,925,812</b>	<b>\$ 8,350,120</b>	<b>\$ 83,984,224</b>	<b>\$ 57,467,360</b>	<b>(19,124,108)</b>	<b>-</b>
<b>Component units:</b>						
FSM Telecommunications Corporation	\$ 16,307,231	\$ 13,986,609	\$ -	\$ 360,000	-	(1,960,622)
FSM Development Bank	1,846,415	2,624,055	250,000	-	-	1,027,640
National Fisheries Corporation	262,114	266,309	-	-	-	4,195
College of Micronesia - FSM	22,580,161	22,029,281	-	-	-	(550,880)
FSM Coconut Development Authority	455,318	255,727	201,608	-	-	2,017
FSM Petroleum Corporation	57,029,892	61,575,499	-	-	-	4,545,607
Vital Energy Inc (FSMPC CU)	513,254	393,910	-	-	-	(119,344)
Caroline Islands Air, Inc.	451,564	380,050	-	-	-	(71,514)
MiCare Plan, Inc.	5,935,506	5,470,437	100,000	-	-	(365,069)
Chuuk State Health Care Plan	1,052,470	1,101,760	-	8,272	-	57,562
Chuuk Public Utilities Corporation	5,676,006	5,357,313	-	661,509	-	342,816
Chuuk State Housing Authority	153,307	84,056	-	-	-	(69,251)
Kosrae Port Authority	1,053,427	176,425	-	-	-	(877,002)
Kosrae Utilities Authority	3,148,523	2,768,974	-	-	-	(379,549)
Pohnpei Utilities Corporation	16,672,725	14,781,304	-	-	-	(1,891,421)
Pohnpei Port Authority	2,234,041	2,462,889	-	-	-	228,848
Pohnpei Transportation Authority	576,987	355,945	-	-	-	(221,042)
Small Business Guarantee and Finance Corporation	177,291	104,292	-	-	-	(72,999)
Pohnpei State Housing Authority	129,540	219,506	-	-	-	89,966
Public Transportation System	562,458	321,936	241,048	-	-	526
Yap Visitor's Bureau	304,537	-	-	-	-	(304,537)
Yap State Public Service Corporation	6,789,033	6,063,666	762,219	-	-	36,852
The Diving Seagull, Inc.	10,588,649	16,527,562	-	-	-	5,938,913
<b>Total component units</b>	<b>\$ 154,500,449</b>	<b>\$ 157,307,505</b>	<b>\$ 1,554,875</b>	<b>\$ 1,029,781</b>	<b>-</b>	<b>5,391,712</b>
<b>General revenues:</b>						
Taxes:					36,734,301	-
Fishing rights					26,384,403	-
Unrestricted investment earnings					8,846,376	1,942,505
Other					2,918,816	1,781,583
<b>Total general revenues</b>					<b>74,883,896</b>	<b>3,724,088</b>
<b>Special items:</b>						
Write-off of receivables					(3,984,875)	-
Contributions to permanent fund					12,261,931	82,615
<b>Total special items</b>					<b>8,277,056</b>	<b>82,615</b>
<b>Change in net assets</b>					<b>64,036,844</b>	<b>9,198,415</b>
Net assets at the beginning of the year, as previously reported					403,426,070	170,852,041
Prior-period adjustment					(3,034,158)	1,168,832
Net assets at the beginning of the year, as restated					400,391,912	172,020,873
Net assets at the end of the year					<b>\$ 464,428,756</b>	<b>\$ 181,219,288</b>

**FEDERATED STATES OF MICRONESIA**

Combined Balance Sheet  
Governmental Funds  
September 30, 2012

(See Accompanying Independent Accountants' Compilation Report)

	Special Revenue		Permanent		Other Governmental Funds	Total
	General	Grants Assistance	Compact Trust	Yap State Investment Fund		
<b>ASSETS</b>						
Cash and cash equivalents	\$ 11,095,845	\$ -	\$ -	\$ -	\$ 252,239	\$ 11,348,084
Time certificates of deposit	2,226,076	-	-	-	-	2,226,076
Equity in internal investment pool	16,755,680	-	-	-	-	16,755,680
Investments	43,192,086	6,070,197	-	-	38,000	49,300,283
Receivables, net:						
General	1,177,614	-	-	-	300	1,177,914
Taxes	6,356,238	-	-	-	-	6,356,238
Federal agencies	1,103,571	22,036,514	-	-	-	23,140,085
Loans	42,200,953	-	-	-	443,603	42,644,556
FSM National Government	-	1,037,489	-	-	418,389	1,455,878
Accrued interest	643,696	-	-	-	-	643,696
Other	-	28,494	-	-	5,742	34,236
Due from component units	706,466	-	-	-	-	706,466
Due from other funds	9,579,369	18,220,876	-	-	7,967,844	35,768,089
Advances	530,262	573,089	-	-	5,860	1,109,211
Inventories	-	-	-	-	29,947	29,947
Other assets	8,447,575	417,749	-	-	2,898	8,868,222
Restricted assets:						
Cash and cash equivalents	11,329,841	7,700	-	-	25,295	11,362,836
Time certificates of deposit	200,000	-	-	-	354,383	554,383
Investments	10,482,083	-	43,819,605	35,723,211	-	90,024,899
<b>Total assets</b>	<b>\$ 166,027,355</b>	<b>\$ 48,392,108</b>	<b>\$ 43,819,605</b>	<b>\$ 35,723,211</b>	<b>\$ 9,544,500</b>	<b>\$ 303,506,779</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 5,656,965	\$ 9,166,143	\$ -	\$ -	\$ 97,313	\$ 14,920,421
Retention payable	218,701	7,455,170	-	-	-	7,673,871
Other liabilities and accruals	3,133,442	595,008	-	-	13,247	3,741,697
Tax refunds payable	506,727	-	-	-	-	506,727
Land acquisition payable	8,618,545	-	-	-	-	8,618,545
Note payable	561,987	6,000	-	-	-	567,987
Due to component units	177,960	-	-	-	-	177,960
Due to private purpose trust fund	-	-	-	-	-	-
Due to federal agencies	-	1,126,478	-	-	-	1,126,478
Due to FSM State Governments	4,854,411	2,060,473	-	-	-	6,914,884
Due to other funds	26,188,720	8,660,324	-	-	919,045	35,768,089
Deferred revenue	140,020	7,942,050	-	-	92,688	8,174,758
<b>Total liabilities</b>	<b>50,057,478</b>	<b>37,011,646</b>	<b>-</b>	<b>-</b>	<b>1,122,293</b>	<b>88,191,417</b>
<b>Fund balances:</b>						
Non-spendable	59,337,511	1,465,806	43,819,605	35,723,211	515,631	140,861,764
Restricted	11,782,147	13,106,646	-	-	586,181	25,474,974
Committed	27,781,289	150,000	-	-	7,266,330	35,197,619
Assigned	7,560,566	-	-	-	621,443	8,182,009
Unassigned:						
General fund	9,508,364	-	-	-	-	9,508,364
Special revenue funds	-	(3,341,990)	-	-	(567,378)	(3,909,368)
Capital projects funds	-	-	-	-	-	-
<b>Total fund balances</b>	<b>115,969,877</b>	<b>11,380,462</b>	<b>43,819,605</b>	<b>35,723,211</b>	<b>8,422,207</b>	<b>215,315,362</b>
<b>Total liabilities and fund balances</b>	<b>\$ 166,027,355</b>	<b>\$ 48,392,108</b>	<b>\$ 43,819,605</b>	<b>\$ 35,723,211</b>	<b>\$ 9,544,500</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	\$ 335,110,479
Loans receivable from FSM State Governments	4,219,872
Long-term liabilities, including loans payable, are not due and payable in the current period and, therefore, are not reported in the funds. The liabilities include:	
Loans payable	(85,102,740)
Compensated absences payable	(4,618,641)
Claims payable	(495,576)
	<u>249,113,394</u>

Net assets of governmental activities \$ 464,428,756

**FEDERATED STATES OF MICRONESIA**

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 Year Ended September 30, 2012  
 (See Accompanying Independent Accountants' Compilation Report)

	General	Special	Permanent		Other Governmental Funds	Total
		Revenue	Grants Assistance	Compact Trust		
<b>Revenues:</b>						
Compact funding	\$ -	\$ 93,661,803	\$ -	\$ -	\$ -	\$ 93,661,803
Taxes	35,861,816	-	-	-	872,485	36,734,301
CFSM grants	-	197,548	-	-	652,885	850,433
Federal and other grants	-	46,549,927	-	-	389,421	46,939,348
Fishing rights	26,384,403	-	-	-	-	26,384,403
Interest and dividends	586,897	-	-	-	-	586,897
Fees and charges	3,517,758	17,192	-	-	4,613,815	8,148,765
Net change in the fair value of investments	8,185,826	-	6,844,008	5,205,303	-	20,235,137
MiCare reimbursable	243,131	-	-	-	-	243,131
Other	2,569,520	69,699	212,620	-	305,934	3,157,773
<b>Total revenues</b>	<b>77,349,351</b>	<b>140,496,169</b>	<b>7,056,628</b>	<b>5,205,303</b>	<b>6,834,540</b>	<b>236,941,991</b>
<b>Expenditures:</b>						
<b>Current:</b>						
<b>General government:</b>						
President's office	3,503,155	-	-	-	-	3,503,155
External affairs and LNOs	3,931,460	-	-	-	-	3,931,460
Health and social affairs	597,517	29,687,281	-	-	690,409	30,975,207
Education	1,688,840	36,481,196	-	-	180,989	38,351,025
Economic development (Resources and development)	2,037,179	4,624,974	-	-	207,938	6,870,091
Transportation, communication and infrastructure	7,902,656	1,979,457	-	-	1,407,301	11,289,414
Finance and general governmental administration	13,249,037	8,582,118	-	-	2,617,450	24,448,605
Justice	6,740,568	45,692	-	-	549,993	7,336,253
Office of the Public Defender	653,439	-	-	-	-	653,439
SBOC office	1,125,319	120,635	-	-	-	1,245,954
Environmental and emergency management	320,725	866,597	-	-	70,175	1,257,497
National archives, cultural and historic preservation	100,342	148,840	-	-	-	249,182
Judiciary	1,925,086	-	-	-	-	1,925,086
Legislature	3,528,507	-	-	-	-	3,528,507
Office of the Public Auditor	984,132	548,931	-	-	-	1,533,063
National government programs	9,476	1,409,681	-	-	-	1,419,157
Land and natural resources	-	-	-	-	-	-
Other appropriations	6,009,062	27,992	-	-	-	6,037,054
Payments to component units	2,165,441	89,955	-	-	-	2,255,396
Municipal affairs	3,080,715	-	-	-	-	3,080,715
Boards, commissions, councils and other	5,251,626	344,523	-	-	532,743	6,128,892
Capital projects	-	56,493,276	-	-	-	56,493,276
Debt service	3,339,342	-	-	-	82,569	3,421,911
<b>Total expenditures</b>	<b>68,143,624</b>	<b>141,451,148</b>	<b>-</b>	<b>-</b>	<b>6,339,567</b>	<b>215,934,339</b>
<b>Deficiency of revenues under expenditures</b>	<b>9,205,727</b>	<b>(954,979)</b>	<b>7,056,628</b>	<b>5,205,303</b>	<b>494,973</b>	<b>21,007,652</b>
<b>Other financing sources (uses):</b>						
Proceeds from issuance of long-term debt	3,290,241	-	-	-	-	3,290,241
Operating transfers in	6,176,341	983,717	-	-	1,513,938	8,673,996
Operating transfers out	(2,497,655)	(4,213,600)	-	-	(1,962,741)	(8,673,996)
<b>Total other financing sources (uses), net</b>	<b>6,968,927</b>	<b>(3,229,883)</b>	<b>-</b>	<b>-</b>	<b>(448,803)</b>	<b>3,290,241</b>
<b>Special items:</b>						
Revaluation of ADB shares	-	-	-	-	-	-
Write-off of receivables	(3,984,875)	-	-	-	-	(3,984,875)
<b>Total special items</b>	<b>(3,984,875)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,984,875)</b>
<b>Net change in fund balances</b>	<b>12,189,779</b>	<b>(4,184,862)</b>	<b>7,056,628</b>	<b>5,205,303</b>	<b>46,170</b>	<b>20,313,018</b>
<b>Fund balances at the beginning of the year, as previously reported</b>	<b>102,345,659</b>	<b>18,060,888</b>	<b>36,762,977</b>	<b>30,517,908</b>	<b>8,376,037</b>	<b>196,063,469</b>
<b>Prior-period adjustment</b>	<b>1,434,439</b>	<b>(2,495,564)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,061,125)</b>
<b>Fund balances at the beginning of the year, as restated</b>	<b>103,780,098</b>	<b>15,565,324</b>	<b>36,762,977</b>	<b>30,517,908</b>	<b>8,376,037</b>	<b>195,002,344</b>
<b>Fund balances at the end of the year</b>	<b>\$ 115,969,877</b>	<b>\$ 11,380,462</b>	<b>\$ 43,819,605</b>	<b>\$ 35,723,211</b>	<b>\$ 8,422,207</b>	<b>\$ 215,315,362</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, 2012 (See Accompanying Independent Accountants' Compilation Report)

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

Net change in fund balances - total governmental funds	\$	20,313,018
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Capital outlays are reported as expenditures in governmental funds. However, in the combined statement of activities, the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense. For the current year, these amounts consist of:

Capital outlays, net of disposals	52,160,133	
Depreciation expense	(7,841,965)	
		44,318,168

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds

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The incurrence of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. For the current year, these amounts consist of:

Special Drawing Rights (SDR) adjustment to long-term loans allocated to the FSM State Governments	-	
Long-term debt proceeds	(3,028,322)	
Repayment of long-term debt	2,305,435	
		(722,887)

Some expenses reported in the combined statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. For the current year, these consist of:

Change in compensated absences payable	128,545	
Change in accrued interest payable	-	
Foreign exchange adjustment in SDR amount for ADB Loans	-	
		128,545

Change in net assets of governmental activities	\$	<u>64,036,844</u>
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**FEDERATED STATES OF MICRONESIA**

Combined Statement of Fiduciary Net Assets  
Fiduciary Funds - Private Purpose Trusts  
September 30, 2012

(See Accompanying Independent Accountants' Compilation Report)

	FSM Social Security Administration	Pohnpei State Development Loan Fund	Yap State Development Loan Fund	Total
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 2,440,547	\$ 275,223	\$ 106,729	\$ 2,822,499
Time certificates of deposit	-	577,890	146,363	724,253
Receivables, net:				
Contributions	2,842,350	-	-	2,842,350
Loans	-	19,816	21,858	41,674
Accrued interest	63,599	847	835	65,281
Other	18,125	-	15,764	33,889
Investments	37,206,732	-	-	37,206,732
Due from primary government	500,000	-	-	500,000
Capital assets, net of accumulated depreciation	102,841	-	-	102,841
 Total assets	 <u>\$ 43,174,194</u>	 <u>\$ 873,776</u>	 <u>\$ 291,549</u>	 <u>\$ 44,339,519</u>
<b><u>LIABILITIES</u></b>				
Accounts payable	\$ 305,286	\$ 142,782	\$ 41,207	\$ 489,275
Other liabilities and accruals	29,372	-	-	29,372
 Total liabilities	 <u>334,658</u>	 <u>142,782</u>	 <u>41,207</u>	 <u>518,647</u>
<b><u>NET ASSETS</u></b>				
Held in trust for:				
Social security benefits	42,839,536	-	-	42,839,536
Restricted	-	19,816	21,858	41,674
Other purposes	-	711,178	228,484	939,662
 Total net assets	 <u>42,839,536</u>	 <u>730,994</u>	 <u>250,342</u>	 <u>43,820,872</u>
 Total liabilities and net assets	 <u>\$ 43,174,194</u>	 <u>\$ 873,776</u>	 <u>\$ 291,549</u>	 <u>\$ 44,339,519</u>

## FEDERATED STATES OF MICRONESIA

### Combined Statement of Changes in Fiduciary Net Assets

#### Fiduciary Funds - Private Purpose Trusts

Year Ended September 30, 2012

(See Accompanying Independent Accountants' Compilation Report)

	FSM Social Security Administration	Pohnpei State Development Loan Fund	Yap State Development Loan Fund	Total
Additions:				
Contributions:	\$ 16,371,874	\$ -	\$ -	\$ 16,371,874
Total contributions	16,371,874	-	-	16,371,874
Investment earnings (loss):				
Net change in the fair value of investments	3,102,803	-	-	3,102,803
Interest and dividends	736,904	4,913	4,547	746,364
Total investment earnings (loss)	3,839,707	4,913	4,547	3,849,167
Less investment expense	(169,274)	-	-	(169,274)
Net investment earnings (loss)	3,670,433	4,913	4,547	3,679,893
Contributions	1,000,000	-	-	1,000,000
Other	487,874	(12,076)	-	475,798
Total additions	21,530,181	(7,163)	4,547	21,527,565
Deductions:				
Benefits	17,982,093	-	-	17,982,093
Refunds	34,551	-	-	34,551
Administrative expenses	1,083,370	-	-	1,083,370
Total deductions	19,100,014	-	-	19,100,014
Change in net assets	2,430,167	(7,163)	4,547	2,427,551
Net assets at the beginning of the year	40,409,369	738,157	245,795	41,393,321
Net assets at the end of the year	\$ 42,839,536	\$ 730,994	\$ 250,342	\$ 43,820,872

**FEDERATED STATES OF MICRONESIA**

Combined Statement of Net Assets (Deficiency)

Component Units

September 30, 2012

(See Accompanying Independent Accountants' Compilation Report)

	FSM Tele- Communications Corporation	FSM Development Bank	National Fisheries Corporation	College of Micronesia- FSM	FSM Coconut Development Authority	FSM Petroleum Corporation	Vital Energy Inc. (FSMPC CU)	Caroline Islands Air, Inc.	MiCare Plan, Inc.	Chuuk State Health Care Plan	Chuuk Public Utility Corporation	Chuuk State Housing Authority	Kosrae Port Authority
<b>ASSETS</b>													
Current assets:													
Cash and cash equivalents	\$ 1,254,195	\$ 4,391,374	\$ 70,733	\$ 6,385,567	\$ 137,550	\$ 7,720,743	\$ 1,000	\$ 14,071	\$ 276,841	\$ 533,158	\$ 47,626	\$ 96,132	\$ 6,809
Time certificates of deposit	176,315	2,851,042	-	-	-	516,017	-	-	-	200,000	-	-	-
Investments	1,292,090	-	389,363	-	-	-	-	-	1,254,891	269,235	-	-	-
Receivables, net:													
General	630,631	526,119	1,516	3,443,380	27,577	2,010,177	139,856	12,886	230,986	232,695	312,479	285,245	17,597
Loans	-	5,667,000	-	-	-	-	-	-	-	-	-	-	-
Interest	185,244	247,935	-	-	-	-	-	-	-	-	-	-	-
Other	12,779	-	-	1,960,250	5,629	-	-	-	-	-	-	-	-
Due from primary government	-	-	-	182,993	-	-	-	-	-	-	-	967	-
Advances	-	-	-	-	-	-	-	-	-	-	-	-	-
Inventories	680,442	-	-	1,388,192	83,144	4,731,901	-	33,820	-	-	316,094	-	-
Other assets	399,237	4,647	-	419,568	743	3,454,791	25,577	-	225,616	-	-	-	3,150
Restricted assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Total current assets	4,630,933	13,688,117	461,612	13,779,950	254,643	18,433,629	166,433	60,777	1,988,334	1,235,088	676,199	382,344	27,556
Noncurrent assets:													
Capital assets, net of accumulated depreciation	51,460,647	1,409,335	9,909	10,127,709	103,999	12,117,382	61,691	3,740	22,343	27,708	4,247,512	84,747	16,944,452
Investments	-	13,103,764	-	3,438,961	-	-	-	-	-	-	-	-	-
Loans receivable	-	14,118,559	-	-	-	-	-	-	-	-	-	-	-
Other noncurrent assets	-	-	-	-	-	-	-	-	-	-	536,262	-	-
Total noncurrent assets	51,460,647	28,631,658	9,909	13,566,670	103,999	12,117,382	61,691	3,740	22,343	27,708	4,783,774	84,747	16,944,452
Total assets	\$ 56,091,580	\$ 42,319,775	\$ 471,521	\$ 27,346,620	\$ 358,642	\$ 30,551,011	\$ 228,124	\$ 64,517	\$ 2,010,677	\$ 1,262,796	\$ 5,459,973	\$ 467,091	\$ 16,972,008
<b>LIABILITIES</b>													
Current liabilities:													
Current portion of long-term debt	\$ 1,510,566	\$ 416,685	\$ 3,600,000	\$ -	\$ -	\$ 587,629	\$ -	\$ -	\$ -	\$ -	\$ 50,059	\$ -	\$ -
Short term notes	-	-	-	-	-	-	-	-	-	-	732,898	-	-
Accounts payable	731,281	94,354	57,090	375,893	2,944	1,023,335	19,158	8,832	1,653,077	38,265	444,528	8,873	7,248
Other liabilities and accruals	746,789	129,498	10,927	1,660,495	11,381	3,240,377	22,525	5,092	-	11,776	2,255,047	-	88,863
Due to primary government	-	-	-	-	-	500,000	-	-	-	-	-	-	-
Deferred revenue	170,055	-	28,328	2,556,902	-	-	-	-	-	-	68,020	-	-
Total current liabilities	3,158,691	640,537	3,696,345	4,593,290	14,325	5,351,341	41,683	13,924	1,653,077	50,041	3,550,552	8,873	96,111
Noncurrent liabilities:													
Noncurrent portion of long-term debt	28,987,140	294,070	-	-	-	1,219,154	-	-	-	-	2,185,077	-	-
Total noncurrent liabilities	28,987,140	294,070	-	-	-	1,219,154	-	-	-	-	2,185,077	-	-
Total liabilities	32,145,831	934,607	3,696,345	4,593,290	14,325	6,570,495	41,683	13,924	1,653,077	50,041	5,735,629	8,873	96,111
<b>NET ASSETS (DEFICIENCY)</b>													
Invested in capital assets, net of related debt	20,962,941	1,409,335	9,909	10,127,709	103,999	10,310,599	61,691	3,740	22,343	27,708	1,279,478	-	16,944,452
Restricted for:													
Nonexpendable	-	-	-	3,438,961	-	-	-	-	-	-	582,401	-	-
Expendable	85,866	-	-	-	-	-	-	-	-	-	-	-	-
Unrestricted	2,896,942	39,975,833	(3,234,733)	9,186,660	240,318	13,669,917	124,750	46,853	335,257	1,185,047	(2,137,535)	458,218	(68,555)
Total net assets (deficiency)	23,945,749	41,385,168	(3,224,824)	22,753,330	344,317	23,980,516	186,441	50,593	357,600	1,212,755	(275,656)	458,218	16,875,897
Total liabilities and net assets	\$ 56,091,580	\$ 42,319,775	\$ 471,521	\$ 27,346,620	\$ 358,642	\$ 30,551,011	\$ 228,124	\$ 64,517	\$ 2,010,677	\$ 1,262,796	\$ 5,459,973	\$ 467,091	\$ 16,972,008

**FEDERATED STATES OF MICRONESIA**

Combined Statement of Net Assets (Deficiency), Continued

Component Units

September 30, 2012

(See Accompanying Independent Accountants' Compilation Report)

	Kosrae Utilities Authority	Pohnpei Utilities Corporation	Pohnpei Port Authority	Pohnpei Transportation Authority	Small Business Guarantee and Finance Corporation	Pohnpei State Housing Authority	Public Transportation System	Yap Visitor's Bureau	Yap State Public Service Corporation	The Diving Seagull, Inc.	Total
<b>ASSETS</b>											
Current assets:											
Cash and cash equivalents	\$ 123,682	\$ 452,169	\$ 3,405,937	\$ -	\$ 300	\$ 282,229	\$ 11,814	\$ 73,480	\$ 1,446,558	\$ 5,255,523	\$ 31,987,491
Time certificates of deposit	164,052	41,951	-	-	-	-	-	-	-	1,566,000	5,515,377
Investments	546,800	174,257	-	-	-	-	-	-	-	498,401	4,425,037
Receivables, net:											
General	114,090	1,331,304	207,706	2,924	49,923	2,227,707	2,616	120,601	1,196,653	1,496,575	14,621,243
Loans	-	-	-	-	-	-	-	-	-	-	5,667,000
Interest	-	-	-	-	-	-	-	-	-	-	433,179
Other	-	-	-	-	-	-	-	-	299,321	42,850	2,320,829
Due from primary government	-	-	-	-	-	-	-	-	-	-	183,960
Advances	-	-	38,214	-	937	-	-	-	-	-	39,151
Inventories	305,005	1,253,631	-	18,356	-	-	115,660	-	777,846	350,000	10,054,091
Other assets	1,684	80,121	4,211	-	-	1,428	12,802	-	31,562	103,263	4,768,400
Restricted assets	-	-	-	-	840,224	-	-	-	-	-	840,224
Total current assets	1,255,313	3,333,433	3,656,068	21,280	891,384	2,511,364	142,892	194,081	3,751,940	9,312,612	80,855,982
Noncurrent assets:											
Capital assets, net of accumulated depreciation	3,436,824	25,515,984	6,224,253	-	79,955	106,883	641,332	713	8,012,297	4,768,210	145,407,625
Investments	-	-	-	-	-	-	-	-	-	-	16,542,725
Loans receivable	-	-	-	-	-	-	-	-	-	-	14,118,559
Other noncurrent assets	252,800	1,072,028	239,622	-	803,126	-	-	-	-	2,230,191	5,134,029
Total noncurrent assets	3,689,624	26,588,012	6,463,875	-	883,081	106,883	641,332	713	8,012,297	6,998,401	181,202,938
Total assets	\$ 4,944,937	\$ 29,921,445	\$ 10,119,943	\$ 21,280	\$ 1,774,465	\$ 2,618,247	\$ 784,224	\$ 194,794	\$ 11,764,237	\$ 16,311,013	\$ 262,058,920
<b>LIABILITIES</b>											
Current liabilities:											
Current portion of long-term debt	\$ -	\$ 850,835	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 320,526	\$ 655,562	\$ 7,991,862
Short term notes	216,611	190,000	-	-	-	-	-	-	-	-	1,139,509
Accounts payable	315,020	1,126,070	71,001	57,104	-	17,933	11,909	-	414,486	1,601,296	8,079,697
Other liabilities and accruals	33,827	213,176	199,721	13,967	5,714	449,016	7,025	9,349	417,749	533,324	10,065,638
Due to primary government	175,000	200,000	-	1,653,486	-	-	-	-	-	-	2,528,486
Deferred revenue	10,268	148,398	-	3,174	-	-	1,548	-	55,340	-	3,042,033
Total current liabilities	750,726	2,728,479	270,722	1,727,731	5,714	466,949	20,482	9,349	1,208,101	2,790,182	32,847,225
Noncurrent liabilities:											
Noncurrent portion of long-term debt	-	8,601,488	-	-	-	-	-	-	4,017,176	2,688,302	47,992,407
Total noncurrent liabilities	-	8,601,488	-	-	-	-	-	-	4,017,176	2,688,302	47,992,407
Total liabilities	750,726	11,329,967	270,722	1,727,731	5,714	466,949	20,482	9,349	5,225,277	5,478,484	80,839,632
<b>NET ASSETS (DEFICIENCY)</b>											
Invested in capital assets, net of related debt	3,436,824	16,643,452	6,224,253	-	79,955	106,883	641,332	713	5,013,820	1,424,346	94,835,482
Restricted for:											
Nonexpendable	90,000	576,213	-	-	1,643,350	2,044,415	-	-	-	-	8,375,340
Expendable	-	-	-	-	-	-	-	-	1,931,051	2,230,191	4,247,108
Unrestricted	667,387	1,371,813	3,624,968	(1,706,451)	45,446	-	122,410	184,732	(405,911)	7,177,992	73,761,358
Total net assets (deficiency)	4,194,211	18,591,478	9,849,221	(1,706,451)	1,768,751	2,151,298	763,742	185,445	6,538,960	10,832,529	181,219,288
Total liabilities and net assets	\$ 4,944,937	\$ 29,921,445	\$ 10,119,943	\$ 21,280	\$ 1,774,465	\$ 2,618,247	\$ 784,224	\$ 194,794	\$ 11,764,237	\$ 16,311,013	\$ 262,058,920

**FEDERATED STATES OF MICRONESIA**

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

Component Units

Year Ended September 30, 2012

(See Accompanying Independent Accountants' Compilation Report)

	FSM Tele- Communications Corporation	FSM Development Bank	National Fisheries Corporation	College of Micronesia- FSM	FSM Coconut Development Authority	FSM Petroleum Corporation	Vital Energy Inc. (FSMPC CU)	Caroline Islands Air, Inc.	MiCare Plan, Inc.	Chuuk State Health Care Plan	Chuuk Public Utility Corporation	Chuuk State Housing Authority	Kosrae Port Authority
Operating revenues:													
Charges for services	\$ 13,790,822	\$ 2,475,957	\$ 248,333	\$ 21,617,739	\$ 255,727	\$ 61,564,075	\$ 393,910	\$ 380,050	\$ 5,470,437	\$ 1,095,027	\$ 5,246,951	\$ 84,056	\$ 176,425
Other	195,787	148,098	17,976	411,542	-	11,424	-	-	-	6,733	110,362	-	-
Total operating revenues	13,986,609	2,624,055	266,309	22,029,281	255,727	61,575,499	393,910	380,050	5,470,437	1,101,760	5,357,313	84,056	176,425
Operating expenses:													
Cost of services	419,076	953,806	-	-	207,209	49,649,654	-	394,861	5,430,561	806,379	4,180,611	-	-
Depreciation	4,752,297	113,557	4,438	988,117	37,310	867,004	7,202	880	11,256	11,282	376,801	-	861,995
Administrative costs	9,622,724	731,732	257,676	21,592,044	210,799	6,513,234	506,052	55,823	493,689	234,809	1,118,594	153,307	191,432
Total operating expenses	14,794,097	1,799,095	262,114	22,580,161	455,318	57,029,892	513,254	451,564	5,935,506	1,052,470	5,676,006	153,307	1,053,427
Operating income (loss)	(807,488)	824,960	4,195	(550,880)	(199,591)	4,545,607	(119,344)	(71,514)	(465,069)	49,290	(318,693)	(69,251)	(877,002)
Nonoperating revenues (expenses):													
Net change in the fair value of investments	282,748	844,318	314,363	409,099	-	(2,386)	-	-	18,326	-	-	-	-
Interest income	-	-	-	-	-	-	-	-	-	24,073	-	-	-
Interest expense	(1,513,134)	(47,320)	-	-	-	-	-	-	-	-	(126,251)	-	-
Contributions from primary government	-	250,000	-	-	201,608	-	-	-	100,000	-	190,000	-	-
Grants	-	-	-	-	-	-	-	-	-	-	-	-	-
Other income (expense)	-	(17,195)	216,567	-	-	(305,785)	305,785	22,242	1,118	24,286	-	-	-
Total nonoperating revenues (expenses), net	(1,230,386)	1,029,803	530,930	409,099	201,608	(308,171)	305,785	22,242	119,444	48,359	63,749	-	-
Capital contributions	360,000	-	-	-	-	-	-	-	-	8,272	661,509	-	-
Net income (loss)	(1,677,874)	1,854,763	535,125	(141,781)	2,017	4,237,436	186,441	(49,272)	(345,625)	105,921	406,565	(69,251)	(877,002)
Net assets (deficiency) at the beginning of the year, as previously reported	-	25,623,623	39,530,405	(3,759,949)	22,895,111	342,300	19,743,080	-	99,865	703,225	1,106,834	(682,221)	527,469
Prior period adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-
Net assets (deficiency) at the beginning of the year, as restated	25,623,623	39,530,405	(3,759,949)	22,895,111	342,300	19,743,080	-	99,865	703,225	1,106,834	(682,221)	527,469	17,752,899
Net assets (deficiency) at the end of the year	\$ 23,945,749	\$ 41,385,168	\$ (3,224,824)	\$ 22,753,330	\$ 344,317	\$ 23,980,516	\$ 186,441	\$ 50,593	\$ 357,600	\$ 1,212,755	\$ (275,656)	\$ 458,218	\$ 16,875,897

**FEDERATED STATES OF MICRONESIA**

Combined Statement of Revenues, Expenses, and Changes in Net Assets (Deficiency), Continued  
 Component Units  
 Year Ended September 30, 2012  
 (See Accompanying Independent Accountants' Compilation Report)

	Kosrae Utilities Authority	Pohnpei Utilities Corporation	Pohnpei Port Authority	Pohnpei Transportation Authority	Small Business Guarantee and Finance Corporation	Pohnpei State Housing Authority	Public Transportation System	Yap Visitor's Bureau	Yap State Public Service Corporation	The Diving Seagull, Inc.	Total
Operating revenues:											
Charges for services	\$ 2,516,176	\$ 14,210,389	\$ 2,462,889	\$ 355,945	\$ 104,292	\$ 219,506	\$ 234,237	\$ -	\$ 5,567,442	\$ 73,198	\$ 138,543,583
Other	-	570,915	-	-	-	-	87,699	-	496,224	16,454,364	18,511,124
Total operating revenues	2,516,176	14,781,304	2,462,889	355,945	104,292	219,506	321,936	-	6,063,666	16,527,562	157,054,707
Operating expenses:											
Cost of services	2,094,155	11,631,683	-	-	-	-	342,488	71,492	4,997,315	10,378,634	91,557,924
Depreciation	424,113	2,052,791	428,183	5,561	22,673	17,406	16,402	8,933	747,591	528	11,756,320
Administrative costs	618,906	2,988,251	1,805,858	571,426	154,618	112,134	203,568	224,112	1,044,127	209,487	49,614,402
Total operating expenses	3,137,174	16,672,725	2,234,041	576,987	177,291	129,540	562,458	304,537	6,789,033	10,588,649	152,928,646
Operating income (loss)	(620,998)	(1,891,421)	228,848	(221,042)	(72,999)	89,966	(240,522)	(304,537)	(725,367)	5,938,913	4,126,061
Nonoperating revenues (expenses):											
Net change in the fair value of investments	61,509	-	-	-	-	-	-	-	-	-	1,927,977
Interest income	716	-	5,591	-	3,151	-	-	6,775	7,037	-	47,343
Interest expense	(11,349)	(171,354)	-	-	-	-	-	-	(17,724)	(284,977)	(2,172,109)
Contributions from primary government	-	880,143	-	-	110,000	89,948	-	299,877	846,777	-	2,968,353
Grants	36,934	-	-	-	-	-	-	-	-	-	36,934
Other income (expense)	252,798	31,943	-	(7,322)	(31,533)	11,421	28,726	-	(522,057)	137,199	148,193
Total nonoperating revenues (expenses), net	340,608	740,732	5,591	(7,322)	81,618	101,369	28,726	306,652	314,033	(147,778)	2,956,691
Capital contributions	82,615	-	-	-	-	-	241,048	-	762,219	-	2,115,663
Net income (loss)	(197,775)	(1,150,689)	234,439	(228,364)	8,619	191,335	29,252	2,115	350,885	5,791,135	9,198,415
Net assets (deficiency) at the beginning of the year, as previously reported	4,391,986	19,742,167	9,614,782	(1,478,087)	1,760,132	1,959,963	734,490	183,330	5,019,243	5,041,394	170,852,041
Prior period adjustment	-	-	-	-	-	-	-	-	1,168,832	-	1,168,832
Net assets (deficiency) at the beginning of the year, as restated	4,391,986	19,742,167	9,614,782	(1,478,087)	1,760,132	1,959,963	734,490	183,330	6,188,075	5,041,394	172,020,873
Net assets (deficiency) at the end of the year	\$ 4,194,211	\$ 18,591,478	\$ 9,849,221	\$ (1,706,451)	\$ 1,768,751	\$ 2,151,298	\$ 763,742	\$ 185,445	\$ 6,538,960	\$ 10,832,529	\$ 181,219,288

**FEDERATED STATES OF MICRONESIA**

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**OTHER SUPPLEMENTARY INFORMATION**

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**SEPTEMBER 30, 2012**

**FEDERATED STATES OF MICRONESIA**

Governmental Funds Balance Sheet

Combining General Funds

September 30, 2012

(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	\$ 8,202,522	\$ 1,083,616	\$ 1,077,865	\$ 22,738	\$ 709,104	\$ 11,095,845
Time certificates of deposit	2,226,076	-	-	-	-	2,226,076
Equity in internal investment pool	16,646,292	109,388	-	-	-	16,755,680
Investments	13,351,257	1,550,000	292,000	8,236,095	19,762,734	43,192,086
Receivables, net:						
General	171,347	761,517	244,750	-	-	1,177,614
Taxes	4,490,812	-	-	1,865,426	-	6,356,238
Loans	42,170,953	-	30,000	-	-	42,200,953
Other governments and agencies	486,043	-	-	-	617,528	1,103,571
Other	3,612	-	-	566,549	73,535	643,696
Due from component units	500,000	-	-	200,000	6,466	706,466
Due from other funds	3,484,693	961,611	200,635	1,299,972	3,632,458	9,579,369
Advances	240,671	-	70,136	84,693	134,762	530,262
Other assets	8,077,292	348,413	21,870	-	-	8,447,575
Restricted assets:						
Cash and cash equivalents	7,715,310	2,289,110	285,813	216,499	823,109	11,329,841
Time certificates of deposit	-	-	200,000	-	-	200,000
Investments	-	3,777,411	1,357,784	3,615,050	1,731,838	10,482,083
Total assets	\$ 107,766,880	\$ 10,881,066	\$ 3,780,853	\$ 16,107,022	\$ 27,491,534	\$ 166,027,355
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 2,848,447	\$ 768,333	\$ 18,199	\$ 1,109,366	\$ 912,620	\$ 5,656,965
Retention payable	218,701	-	-	-	-	218,701
Other liabilities and accruals	1,726,033	196,942	216,041	840,821	153,605	3,133,442
Tax refunds payable	506,727	-	-	-	-	506,727
Land acquisition payable	-	8,618,545	-	-	-	8,618,545
Note payable	-	561,987	-	-	-	561,987
Due to component units	176,993	967	-	-	-	177,960
Due to private purpose fund	-	-	-	-	-	-
Due to FSM State Governments	4,854,411	-	-	-	-	4,854,411
Due to other funds	5,998,181	6,120,084	1,633,441	5,932,946	6,504,068	26,188,720
Deferred revenue	-	-	-	-	140,020	140,020
Total liabilities	16,329,493	16,266,858	1,867,681	7,883,133	7,710,313	50,057,478
Fund balances (deficits):						
Non-spendable	53,240,400	1,898,413	414,005	1,784,693	2,000,000	59,337,511
Restricted	826,703	3,777,411	1,645,253	3,800,942	1,731,838	11,782,147
Committed	26,670,026	-	-	357,189	754,074	27,781,289
Assigned	3,517,834	-	-	291,174	3,751,558	7,560,566
Unassigned:						
General fund	7,182,424	(11,061,616)	(146,086)	1,989,891	11,543,751	9,508,364
Total fund balances (deficit)	91,437,387	(5,385,792)	1,913,172	8,223,889	19,781,221	115,969,877
Total liabilities and fund balances	\$ 107,766,880	\$ 10,881,066	\$ 3,780,853	\$ 16,107,022	\$ 27,491,534	\$ 166,027,355

## FEDERATED STATES OF MICRONESIA

### Governmental Funds Balance Sheet Combining Grants Assistance Funds September 30, 2012

(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>						
Investments	\$ 1,789,605	\$ -	\$ 900,000	\$ -	\$ 3,380,592	\$ 6,070,197
Receivables, net:						
Federal agencies	21,267,683	64,413	445,870	-	258,548	22,036,514
FSM National Government	-	-	-	1,037,489	-	1,037,489
Other	-	-	5,966	3,928	18,600	28,494
Due from other funds	3,230,116	6,097,134	1,002,259	1,692,886	6,198,481	18,220,876
Advances	20,477	-	43,337	104,720	404,555	573,089
Other assets	-	179,461	238,288	-	-	417,749
Restricted assets:						
Cash and cash equivalents	-	-	-	7,700	-	7,700
<b>Total assets</b>	<b>\$ 26,307,881</b>	<b>\$ 6,341,008</b>	<b>\$ 2,635,720</b>	<b>\$ 2,846,723</b>	<b>\$ 10,260,776</b>	<b>\$ 48,392,108</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 7,028,802	\$ 864,759	\$ 72,451	\$ 678,690	\$ 521,441	\$ 9,166,143
Retention payable	7,455,170	-	-	-	-	7,455,170
Other liabilities and accruals	-	-	223,086	230,620	141,302	595,008
Due to component units	6,000	-	-	-	-	6,000
Due to federal agencies	1,126,478	-	-	-	-	1,126,478
Due to FSM State Governments	2,060,473	-	-	-	-	2,060,473
Due to other funds	3,484,693	961,611	197,658	898,204	3,118,158	8,660,324
Deferred revenue	3,149,218	-	263,431	1,056,133	3,473,268	7,942,050
<b>Total liabilities</b>	<b>24,310,834</b>	<b>1,826,370</b>	<b>756,626</b>	<b>2,863,647</b>	<b>7,254,169</b>	<b>37,011,646</b>
<b>Fund balances:</b>						
Non-spendable	-	179,461	1,181,625	104,720	-	1,465,806
Restricted	2,022,379	5,449,932	760,866	106,445	4,767,024	13,106,646
Committed	-	-	-	-	150,000	150,000
Assigned	-	-	-	-	-	-
Unassigned:						
Special revenue funds	(25,332)	(1,114,755)	(63,397)	(228,089)	(1,910,417)	(3,341,990)
<b>Total fund balances</b>	<b>1,997,047</b>	<b>4,514,638</b>	<b>1,879,094</b>	<b>(16,924)</b>	<b>3,006,607</b>	<b>11,380,462</b>
<b>Total liabilities and fund balances</b>	<b>\$ 26,307,881</b>	<b>\$ 6,341,008</b>	<b>\$ 2,635,720</b>	<b>\$ 2,846,723</b>	<b>\$ 10,260,776</b>	<b>\$ 48,392,108</b>

# FEDERATED STATES OF MICRONESIA

## Governmental Funds Balance Sheet

### Combining Compact Trust Funds

September 30, 2012

(See Accompanying Independent Accountants' Compilation Report)

	<u>FSM National Government</u>	<u>State of Chuuk</u>	<u>State of Kosrae</u>	<u>State of Pohnpei</u>	<u>State of Yap</u>	<u>Total</u>
<u>ASSETS</u>						
Restricted assets:						
Investments	<u>\$ 12,331,258</u>	<u>\$ 9,493,531</u>	<u>\$ 3,330,816</u>	<u>\$ 10,838,268</u>	<u>\$ 7,825,732</u>	<u>\$ 43,819,605</u>
Total assets	<u>\$ 12,331,258</u>	<u>\$ 9,493,531</u>	<u>\$ 3,330,816</u>	<u>\$ 10,838,268</u>	<u>\$ 7,825,732</u>	<u>\$ 43,819,605</u>
<u>FUND BALANCES</u>						
Fund balances:						
Non-spendable	<u>\$ 12,331,258</u>	<u>\$ 9,493,531</u>	<u>\$ 3,330,816</u>	<u>\$ 10,838,268</u>	<u>\$ 7,825,732</u>	<u>\$ 43,819,605</u>
Total fund balances	<u>\$ 12,331,258</u>	<u>\$ 9,493,531</u>	<u>\$ 3,330,816</u>	<u>\$ 10,838,268</u>	<u>\$ 7,825,732</u>	<u>\$ 43,819,605</u>

**FEDERATED STATES OF MICRONESIA**

Governmental Funds Balance Sheet  
Combining Other Governmental Funds  
September 30, 2012

(See Accompanying Independent Accountants' Compilation Report)

	FSM National Government	State of Chuuk	State of Kosrae	State of Pohnpei	State of Yap	Total
<b><u>ASSETS</u></b>						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 252,239	\$ 252,239
Investment	-	-	38,000	-	-	38,000
Receivables, net:						
General	-	-	300	-	-	300
Loans	-	-	443,603	-	-	443,603
Other governments and agencies	-	-	-	389,421	28,968	418,389
Other	-	-	-	5,742	-	5,742
Due from other funds	2,768,065	22,950	631,182	4,240,060	305,587	7,967,844
Advances	-	-	780	5,080	-	5,860
Inventories	-	-	-	29,947	-	29,947
Other assets	-	2,898	-	-	-	2,898
Restricted assets:						
Cash and cash equivalents	-	-	25,295	-	-	25,295
Time certificates of deposit	-	-	354,383	-	-	354,383
Investments	-	-	-	-	-	-
Total assets	\$ 2,768,065	\$ 25,848	\$ 1,493,543	\$ 4,670,250	\$ 586,794	\$ 9,544,500
<b><u>LIABILITIES AND FUND BALANCES</u></b>						
Liabilities:						
Accounts payable	\$ 7,482	\$ 289	\$ 22,791	\$ 11,270	\$ 55,481	\$ 97,313
Other liabilities and accruals	-	-	2,681	5,827	4,739	13,247
Due to other funds	-	-	2,977	401,768	514,300	919,045
Deferred revenue	-	-	33	-	92,655	92,688
Total liabilities	7,482	289	28,482	418,865	667,175	1,122,293
Fund balances:						
Non-spendable	-	-	481,603	34,028	-	515,631
Restricted	-	-	487,303	-	98,878	586,181
Committed	2,269,893	25,559	496,155	4,104,868	369,855	7,266,330
Assigned	490,690	-	-	129,573	1,180	621,443
Unassigned:						
Special revenue funds	-	-	-	(17,084)	(550,294)	(567,378)
Capital projects funds	-	-	-	-	-	-
Total fund balances	2,760,583	25,559	1,465,061	4,251,385	(80,381)	8,422,207
Total liabilities and fund balances	\$ 2,768,065	\$ 25,848	\$ 1,493,543	\$ 4,670,250	\$ 586,794	\$ 9,544,500

## FEDERATED STATES OF MICRONESIA

### Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits) Combining General Funds Year Ended September 30, 2012 (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	\$ 15,707,414	\$ 5,882,505	\$ 1,879,482	\$ 9,133,942	\$ 3,258,473	\$ 35,861,816
Federal and other grants	-	-	-	-	-	-
Fishing rights	26,384,403	-	-	-	-	26,384,403
Interest and dividends	543,271	-	43,626	-	-	586,897
Fees and charges	651,895	1,594,182	181,566	144,198	945,917	3,517,758
Net change in the fair value of investments	3,082,144	740,417	274,325	1,692,662	2,396,278	8,185,826
MiCare reimbursible	243,131	-	-	-	-	243,131
Other	938,953	736,683	74,348	95,154	724,382	2,569,520
<b>Total revenues</b>	<b>47,551,211</b>	<b>8,953,787</b>	<b>2,453,347</b>	<b>11,065,956</b>	<b>7,325,050</b>	<b>77,349,351</b>
<b>Expenditures:</b>						
<b>Current:</b>						
<b>General government:</b>						
President's office	3,503,155	-	-	-	-	3,503,155
External affairs and LNOs	3,931,460	-	-	-	-	3,931,460
Health and social affairs	319,338	-	-	-	278,179	597,517
Education	1,686,522	-	-	2,318	-	1,688,840
Economic development (Resources & Development)	1,326,272	86,162	-	485,825	138,920	2,037,179
Transportation, communication and infrastructure	4,923,517	883,145	-	513,954	1,582,040	7,902,656
Finance and general governmental administration	2,705,816	3,761,913	1,142,817	4,214,944	1,423,547	13,249,037
Justice	3,392,106	953,401	331,207	1,498,147	565,707	6,740,568
Office of the Public Defender	653,439	-	-	-	-	653,439
SBOC Office	1,125,319	-	-	-	-	1,125,319
Environment and emergency management	320,725	-	-	-	-	320,725
National archives, cultural and historic preservation	100,342	-	-	-	-	100,342
Judiciary	1,268,396	451,622	-	-	205,068	1,925,086
Legislature	3,528,507	-	-	-	-	3,528,507
Office of the National Public Auditor	984,132	-	-	-	-	984,132
National government programs	9,476	-	-	-	-	9,476
Land and natural resources	-	-	-	-	-	-
Other appropriations	3,499,625	-	-	-	2,509,437	6,009,062
Payments to component units and fiduciary fund	1,809,219	54,273	-	-	301,949	2,165,441
Municipal affairs	-	685,790	-	2,394,925	-	3,080,715
Boards, commissions, councils and other	2,048,970	536,347	613,165	1,452,373	600,771	5,251,626
Debt service	1,988,787	457,913	315,097	220,367	357,178	3,339,342
<b>Total expenditures</b>	<b>39,125,123</b>	<b>7,870,566</b>	<b>2,402,286</b>	<b>10,782,853</b>	<b>7,962,796</b>	<b>68,143,624</b>
Excess (deficiency) of revenues over (under) expenditures	8,426,088	1,083,221	51,061	283,103	(637,746)	9,205,727
<b>Other financing sources (uses):</b>						
Proceeds from issuance of long-term debt	3,210,271	-	79,970	-	-	3,290,241
Operating transfers in	1,962,741	2,258,772	-	1,954,828	-	6,176,341
Operating transfers out	(1,391,006)	(460,233)	-	(322,932)	(323,484)	(2,497,655)
<b>Total other financing sources (uses), net</b>	<b>3,782,006</b>	<b>1,798,539</b>	<b>79,970</b>	<b>1,631,896</b>	<b>(323,484)</b>	<b>6,968,927</b>
<b>Special items:</b>						
Revaluation of ADB shares	-	-	-	-	-	-
Write-off of receivables	(1,158,594)	-	-	-	(2,826,281)	(3,984,875)
<b>Total special items</b>	<b>(1,158,594)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,826,281)</b>	<b>(3,984,875)</b>
<b>Net change in fund balances (deficits)</b>	<b>11,049,500</b>	<b>2,881,760</b>	<b>131,031</b>	<b>1,914,999</b>	<b>(3,787,511)</b>	<b>12,189,779</b>
Fund balances (deficit) at the beginning of the year, as previously reported	80,387,887	(8,267,552)	1,782,141	6,308,890	22,134,293	102,345,659
Prior-period adjustment	-	-	-	-	1,434,439	1,434,439
<b>Fund balances (deficit) at the beginning of the year, as restated</b>	<b>80,387,887</b>	<b>(8,267,552)</b>	<b>1,782,141</b>	<b>6,308,890</b>	<b>23,568,732</b>	<b>103,780,098</b>
<b>Fund balances (deficit) at the end of the year</b>	<b>\$ 91,437,387</b>	<b>\$ (5,385,792)</b>	<b>\$ 1,913,172</b>	<b>\$ 8,223,889</b>	<b>\$ 19,781,221</b>	<b>\$ 115,969,877</b>

## FEDERATED STATES OF MICRONESIA

### Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances Combining Grants Assistance Funds Year Ended September 30, 2012 (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	\$ 30,187,328	\$ 25,887,730	\$ 7,870,252	\$ 18,528,079	\$ 11,188,414	\$ 93,661,803
CFSM grants	-	-	-	96,921	100,627	197,548
Federal and other grants	41,288,069	99,263	406,254	2,396,357	2,359,984	46,549,927
Fees and charges	-	-	-	-	17,192	17,192
Other	-	-	2,748	66,408	543	69,699
<b>Total revenues</b>	<u>71,475,397</u>	<u>25,986,993</u>	<u>8,279,254</u>	<u>21,087,765</u>	<u>13,666,760</u>	<u>140,496,169</u>
<b>Expenditures:</b>						
<b>Current:</b>						
<b>General government:</b>						
Health and social affairs	6,459,822	9,400,764	2,198,484	7,856,324	3,771,887	29,687,281
Education	2,867,317	12,895,628	3,742,366	11,567,043	5,408,842	36,481,196
Economic development (Resources and development)	202,806	2,683,387	915,955	142,488	680,338	4,624,974
Transportation, communication and infrastructure	1,200,155	-	-	-	779,302	1,979,457
Finance and general governmental administration	893,269	2,357,216	700,061	1,671,246	2,960,326	8,582,118
Justice	-	45,692	-	-	-	45,692
SBOC Office	120,635	-	-	-	-	120,635
Environment and emergency management	376,248	-	490,349	-	-	866,597
National archives, cultural and historic preservation	148,840	-	-	-	-	148,840
Judiciary	-	-	-	-	-	-
Office of the National Public Auditor	548,931	-	-	-	-	548,931
National government programs	1,409,681	-	-	-	-	1,409,681
Land and natural resources	-	-	-	-	-	-
Other appropriations	27,992	-	-	-	-	27,992
Payments to component units and fiduciary fund	89,955	-	-	-	-	89,955
Boards, commissions, councils and other	1,143	-	-	-	343,380	344,523
Capital projects	56,493,276	-	-	-	-	56,493,276
Debt service	-	-	-	-	-	-
<b>Total expenditures</b>	<u>70,840,070</u>	<u>27,382,687</u>	<u>8,047,215</u>	<u>21,237,101</u>	<u>13,944,075</u>	<u>141,451,148</u>
Excess (deficiency) of revenues over (under) expenditures	635,327	(1,395,694)	232,039	(149,336)	(277,315)	(954,979)
<b>Other financing sources:</b>						
Operating transfers in	200,000	460,233	-	-	323,484	983,717
Operating transfers out	-	(2,258,772)	-	(1,954,828)	-	(4,213,600)
<b>Total other financing sources</b>	<u>200,000</u>	<u>(1,798,539)</u>	<u>-</u>	<u>(1,954,828)</u>	<u>323,484</u>	<u>(3,229,883)</u>
<b>Net change in fund balances</b>	<u>835,327</u>	<u>(3,194,233)</u>	<u>232,039</u>	<u>(2,104,164)</u>	<u>46,169</u>	<u>(4,184,862)</u>
Fund balances at the beginning of the year, as previously reported	1,161,720	7,708,871	1,647,055	2,087,240	5,456,002	18,060,888
Prior-period adjustment	-	-	-	-	(2,495,564)	(2,495,564)
Fund balances at the beginning of the year, as restated	<u>1,161,720</u>	<u>7,708,871</u>	<u>1,647,055</u>	<u>2,087,240</u>	<u>2,960,438</u>	<u>15,565,324</u>
<b>Fund balances at the end of the year</b>	<u>\$ 1,997,047</u>	<u>\$ 4,514,638</u>	<u>\$ 1,879,094</u>	<u>\$ (16,924)</u>	<u>\$ 3,006,607</u>	<u>\$ 11,380,462</u>

# FEDERATED STATES OF MICRONESIA

## Governmental Funds Statement of Revenues and Changes in Fund Balances Combining Compact Trust Funds Year Ended September 30, 2012

(See Accompanying Independent Accountants' Compilation Report)

	<u>FSM National Government</u>	<u>State of Chuuk</u>	<u>State of Kosrae</u>	<u>State of Pohnpei</u>	<u>State of Yap</u>	<u>Total</u>
Revenues:						
Net change in the fair value of investments	\$ 1,953,868	\$ 1,405,096	\$ 527,763	\$ 1,717,306	\$ 1,239,975	\$ 6,844,008
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>212,620</u>	<u>212,620</u>
Total revenues	<u>1,953,868</u>	<u>1,405,096</u>	<u>527,763</u>	<u>1,717,306</u>	<u>1,452,595</u>	<u>7,056,628</u>
Net change in fund balances	1,953,868	1,405,096	527,763	1,717,306	1,452,595	7,056,628
Fund balances at the beginning of the year	<u>10,377,390</u>	<u>8,088,435</u>	<u>2,803,053</u>	<u>9,120,962</u>	<u>6,373,137</u>	<u>36,762,977</u>
Fund balances at the end of the year	<u>\$ 12,331,258</u>	<u>\$ 9,493,531</u>	<u>\$ 3,330,816</u>	<u>\$ 10,838,268</u>	<u>\$ 7,825,732</u>	<u>\$ 43,819,605</u>

## FEDERATED STATES OF MICRONESIA

### Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances Combining Other Governmental Funds Year Ended September 30, 2012 (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	\$ 171,333	\$ -	\$ -	\$ 583,725	\$ 117,427	\$ 872,485
CFSM grants	-	-	37,000	-	615,885	652,885
Federal and other grants	-	-	-	389,421	-	389,421
Fees and charges	3,066,895	102,683	260,331	945,279	238,627	4,613,815
Other	201,355	-	70,905	-	33,674	305,934
<b>Total revenues</b>	<u>3,439,583</u>	<u>102,683</u>	<u>368,236</u>	<u>1,918,425</u>	<u>1,005,613</u>	<u>6,834,540</u>
<b>Expenditures:</b>						
<b>Current:</b>						
<b>General government:</b>						
Health and social affairs	6,816	118,524	118,930	446,139	-	690,409
Education	180,989	-	-	-	-	180,989
Economic development (Resources and development)	3,343	-	-	-	204,595	207,938
Transportation, communication and infrastructure	1,407,301	-	-	-	-	1,407,301
Finance and general governmental administration	-	-	-	1,862,421	755,029	2,617,450
Justice	524,993	-	25,000	-	-	549,993
Environment and emergency management	-	-	70,175	-	-	70,175
Other appropriations	-	-	-	-	-	-
Boards, commissions, councils and other	410,522	-	122,221	-	-	532,743
Debt service	-	-	-	-	82,569	82,569
<b>Total expenditures</b>	<u>2,533,964</u>	<u>118,524</u>	<u>336,326</u>	<u>2,308,560</u>	<u>1,042,193</u>	<u>6,339,567</u>
Excess (deficiency) of revenues over (under) expenditures	<u>905,619</u>	<u>(15,841)</u>	<u>31,910</u>	<u>(390,135)</u>	<u>(36,580)</u>	<u>494,973</u>
<b>Other financing sources (uses):</b>						
Operating transfers in	1,191,006	-	-	322,932	-	1,513,938
Operating transfers out	(1,962,741)	-	-	-	-	(1,962,741)
<b>Total other financing sources (uses), net</b>	<u>(771,735)</u>	<u>-</u>	<u>-</u>	<u>322,932</u>	<u>-</u>	<u>(448,803)</u>
<b>Net change in fund balances</b>	<u>133,884</u>	<u>(15,841)</u>	<u>31,910</u>	<u>(67,203)</u>	<u>(36,580)</u>	<u>46,170</u>
Fund balances at the beginning of the year	<u>2,626,699</u>	<u>41,400</u>	<u>1,433,151</u>	<u>4,318,588</u>	<u>(43,801)</u>	<u>8,376,037</u>
Fund balances at the end of the year	<u>\$ 2,760,583</u>	<u>\$ 25,559</u>	<u>\$ 1,465,061</u>	<u>\$ 4,251,385</u>	<u>\$ (80,381)</u>	<u>\$ 8,422,207</u>