

**POHNPEI PORT AUTHORITY**  
**(A COMPONENT UNIT OF THE STATE OF POHNPEI)**

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**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

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**YEARS ENDED SEPTEMBER 30, 2023 AND 2022**

**POHNPEI PORT AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF POHNPEI)**

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# **BURGER · COMER · & ASSOCIATES** **CERTIFIED PUBLIC ACCOUNTANTS**

## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Pohnpei Port Authority:

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of the Pohnpei Port Authority (the Authority), a component unit of the State of Pohnpei, which comprise the statements of net position as of September 30, 2023 and 2022, the statements of revenues, expenses and changes in net position and of cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Authority as of September 30, 2023 and 2022, and the changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

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

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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## ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 10 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 04, 2025 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.

*Bryce Conner & Associates*

March 04, 2025  
Tamuning, Guam

**POHNPEI PORT AUTHORITY**  
**(A Component Unit of State of Pohnpei)**

Management's Discussion and Analysis  
Years Ended September 30, 2023 and 2022

The Pohnpei Port Authority ("The Authority") financial performance is the main subject of this Management's Discussion and Analysis (MD&A), which gives a summary of the Authority's financial performance for the fiscal year ending September 30, 2023. Please read in conjunction with the Authority's financial statements, which follow this section.

**Financial Highlights**

- Net Operating revenues increased by \$ 2,101,356 or 81% higher than FY 2022.
- Operating expenses increased by \$776,539 or 30 % higher compared to FY 2022.
- Current Assets increased by \$1,788,613 or 27 % higher from FY 2022.
- Noncurrent Asset increased by \$1,185,994 or 13% higher from FY 2022.
- Liabilities decreased by \$248,279 or 9 % lower compared to FY 2022.
- Net Position increased by \$ 3,222,886 or 25% higher from FY 2022.

**Overview of the Financial Statements**

The financial statements presented herein include all of the activities of the Authority. Included in this report are the Statements of Net Position and the Statements of Revenue, Expenses, and Changes in Net Position. These financial statements present the complete financial picture of the Authority from the economic resources measurement focus using the accrual basis of accounting. These statements include all the assets and liabilities of the Authority and the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The accounts of the Authority are organized as a proprietary fund. Governmental units that are operated in a manner similar to private business enterprises use proprietary funds. The Authority prepares and submits a detailed statement of its proposed annual budget to the Governor on or before March 15<sup>th</sup> of each year. An annual budget may be amended at any time in the same manner as the adoption of the initial budget for that fiscal year. The Authority depends mainly on its revenue generated to sustain its operations. Seaport charges, departure fees, landing fees, land leases and space rentals are the major sources of revenues.

**The Statement of Net Position and the Statements of Revenues, Expenses and Changes in Net Position**

The Statement of Net Position and Statements of Revenues, Expenses and Changes in Net Position report the financial condition or position and results of operations of the Authority. They present the assets, liabilities and the difference between assets and liabilities. They report the information whether the Authority has sufficient resources to meet its current and long-term obligations as well. They present whether the Authority's financial health is improving, deteriorating, or remaining steady as prior year. They report the revenues earned and expenses incurred and whether the revenues are more or less than the expenses.

**POHNPEI PORT AUTHORITY**  
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Management's Discussion and Analysis  
Years Ended September 30, 2023 and 2022

**A Financial Analysis of the Authority as a Whole**

**1. Statement of Net Position**

A comparative Statement of Net Position at September 30, 2023, 2022 and 2021 is shown below.

<b>Statements of Net Position</b>					
<b>September 30, 2023 and 2022</b>					
<u>ASSETS</u>	<u>2023</u>	<u>2022</u>	<b>FY 23 vs FY 22</b>		<u>2021</u>
			<b>Increase (Decrease)</b>		
Current assets:					
Cash and cash equivalents	\$ 7,888,968	\$ 5,679,720	\$ 2,209,248	39%	\$ 5,698,815
Accounts receivable, net	325,827	584,504	(258,677)	-44%	315,717
Lease receivable, net	203,068	332,482	(129,414)	-39%	-
Advances	28,365	28,112	253	1%	30,678
Prepaid expenses	9,076	41,873	(32,797)	-78%	87,532
Total current assets	<u>8,455,304</u>	<u>6,666,691</u>	<u>1,788,613</u>	27%	<u>6,132,742</u>
Noncurrent assets:					
Investments	265,700	238,500	27,200	11%	291,222
Lease receivable, net of current portion	2,187,055	2,363,281	(176,226)		-
Depreciable property and equipment, net	4,745,273	3,410,253	1,335,020	39%	3,495,007
Non-depreciable property and equipment	2,776,034	2,776,034	-	0%	2,776,034
Total noncurrent assets	<u>9,974,062</u>	<u>8,788,068</u>	<u>1,185,994</u>	13%	<u>6,562,263</u>
	<u>\$ 18,429,366</u>	<u>\$ 15,454,759</u>	<u>\$ 2,974,607</u>	19%	<u>\$ 12,695,005</u>
<b><u>LIABILITIES AND NET POSITION</u></b>					
Current liabilities:					
Accounts payable	\$ 174,505	\$ 80,445	\$ 94,060	117%	\$ 22,339
Accrued liabilities and others	87,695	104,330	(16,635)	-16%	169,074
Accrued annual leave	106,966	95,309	11,657	12%	108,732
Total current liabilities	<u>369,166</u>	<u>280,084</u>	<u>89,082</u>	32%	<u>300,145</u>
Noncurrent liabilities:					
Deferred inflows of resources from leases	<u>2,070,267</u>	<u>2,407,628</u>	<u>(337,361)</u>	-14%	<u>-</u>
Commitments and contingency					
Total Noncurrent liabilities	<u>2,070,267</u>	<u>2,407,628</u>	<u>(337,361)</u>	-14%	<u>300,145</u>
Net position:					
Net investment in capital assets	7,521,307	6,186,287	1,335,020	22%	6,271,041
Unrestricted	<u>8,468,626</u>	<u>6,580,760</u>	<u>1,887,866</u>	29%	<u>6,123,819</u>
Total net position	<u>15,989,933</u>	<u>12,767,047</u>	<u>3,222,886</u>	25%	<u>12,394,860</u>
	<u>\$ 18,429,366</u>	<u>\$ 15,454,759</u>	<u>\$ 2,974,607</u>	19%	<u>\$ 12,695,005</u>

The above table comparison of the net position shows an increase of 25%, or \$3,222,886.

**POHNPEI PORT AUTHORITY**  
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Management's Discussion and Analysis  
Years Ended September 30, 2023 and 2022

Current assets increased by \$1,788,613, or 27%, due to an increase in cash and cash equivalents. In noncurrent assets, depreciable property and equipment increased by \$1,335,020 or 39%. Total assets increased by \$2,974,607.

**Current Assets:** The total increase in current assets is \$ 1,788,613 or 27%. The amount for FY 2022 was \$6,666,691, and this FY 2023 it is \$8,455,304. FY 2023. Current assets are classified as follows:

- Cash and cash equivalents increased by \$2,209,248 or 38.90% from \$5,679,720 in FY 2022 to \$7,888,968 in FY 2023.
- Net accounts receivable decreased by \$258,677 or 44%, from FY 2022 \$584,504 to FY 2023 \$325,827.
- Advances increased by \$253 or 1% from \$28,112 in FY 2022 to \$28,365 in FY 2023.
- Prepaid expenses decreased by \$32,797, or 78%, from \$41,873 in FY 2022 to \$9,076 in FY 2023.
- Net lease receivables decreased by \$129,414 or 39%, from \$332,482 in FY 2022 to \$203,068 in FY 2023.

Total liabilities decreased from \$2,687,712 in FY 2022 to \$2,439,433 in FY 2023, a decreased by 9% or \$248,279. These liabilities consist of:

- An increase by \$94,060 or 117% accounts payable from FY 2022 \$80,445 to \$174,505 in FY 2023.
- A decreased by \$16,635 or 16% on accrued liabilities and others from FY 2022 \$104,330 to \$87,695 in FY 2023.
- An increase of \$11,657 or 12% accrued annual leave from FY 2022 \$95,309 to \$106,966 in FY 2023.
- A decrease by \$337,361 or 14% deferred inflows of resources from FY 2022 \$2,407,628 to \$2,070,267 in FY 2023.

The Authority's net position from fiscal years 2018 to 2023 are as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Current assets	\$ 8,455,304	\$ 6,666,691	\$ 6,132,742	\$ 6,128,967	\$ 6,172,422	\$ 6,039,594
Capital assets, net	7,521,307	6,186,287	6,271,041	6,500,842	6,816,371	6,542,657
Lease receivable, net of current	2,187,055	2,363,281	-	-	229,868	229,868
Investment	265,700	238,500	291,222	291,222	272,304	242,088
Current liabilities	(369,166)	(280,084)	(300,145)	(318,037)	(715,327)	(401,412)
Noncurrent liabilities	<u>(2,070,267)</u>	<u>(2,407,628)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position	<u>\$ 15,989,933</u>	<u>\$ 12,767,047</u>	<u>\$ 12,394,860</u>	<u>\$ 12,602,994</u>	<u>\$ 12,775,638</u>	<u>\$ 12,652,795</u>



**POHNPEI PORT AUTHORITY**  
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Management's Discussion and Analysis  
Years Ended September 30, 2023 and 2022

**Changes in Net Position**

A comparative changes of Net Position at September 30, 2023, 2022 and 2021 is shown.

**Statements of Revenue, Expenses, and Changes in Net Position**  
**Years Ended September 30, 2023 and 2022**

	2023	2022	Change	%	2021
Operating revenues:					
Seaport charges	\$ 2,995,918	\$ 1,510,968	\$ 1,484,950	98%	\$ 1,496,090
Land leases and space rentals	464,329	424,201	40,128	9%	640,293
Lease interest revenue	227,755	278,292	(50,537)	-18%	-
Departure fees	622,455	199,250	423,205	212%	110,985
Landing fees	94,348	68,327	26,021	38%	48,244
Other	279,745	113,727	166,018	146%	81,566
Total operating revenues	4,684,550	2,594,765	2,089,785	81%	2,377,178
Bad Debt Expense	4,886	(6,685)	11,571	-173%	-
Net operating revenues	4,689,436	2,588,080	2,101,356	81%	2,377,178
Operating expenses:					
Salaries and benefits	1,697,220	1,496,724	200,496	13%	1,577,515
Depreciation	598,155	425,043	173,112	41%	378,257
Contractual services	188,342	105,270	83,072	79%	173,359
Utilities	271,300	198,922	72,378	36%	140,547
Supplies and materials	98,418	78,318	20,100	26%	92,816
Training	120,885	7,601	113,284	7601%	-
Equipment Rental	1,727	3,790	(2,063)	-54%	660
Travel	83,100	1,600	81,500	5094%	20,908
Fuel	121,680	82,311	39,369	48%	75,776
Repairs	111,402	98,233	13,169	13%	90,117
Communication	28,015	30,672	(2,657)	-9%	38,252
Miscellaneous and others	66,535	81,756	(15,221)	-19%	75,904
Total operating expenses	3,386,779	2,610,240	776,539	30%	2,664,111
Earnings from operations	1,302,657	(22,160)	1,324,817	5978%	(286,933)
Nonoperating revenues:					
Grants	1,858,602	213,842	1,644,760	769%	64,472
Interest and investment income	34,427	7,072	27,355	387%	14,327
Gain on sale of Fixed Asset	-	3,501	(3,501)	-100%	-
Unrealized loss on investment	27,200	(52,722)	79,922	152%	-
Other Non operating income	-	-	-	0%	-
Total nonoperating revenues	1,920,229	171,693	1,748,536	1018%	78,799
Earnings before capital contributions	3,222,886	149,533	3,073,353	2055%	(208,134)
Capital contributions	-	-	-		-
Change in net position	3,222,886	149,533	3,073,353	-2055%	(208,134)
Net position at beginning of year	12,767,047	12,394,860	372,187	3%	12,602,994
Prior period Adjustment	-	222,654	(222,654)		-
Total Net position - beginning of year, restated	12,767,047	12,617,514	149,533	1%	12,602,994
Net position at end of year	\$ 15,989,933	\$ 12,767,047	\$ 3,222,886	25%	\$ 12,394,860

Total operating revenues increased from \$2,594,765 in FY 2022 to \$4,689,436 in FY 2023, an increase of \$2,089,785 or 81%.

- Seaport revenue increased by \$1,484,950 or 98% compared to FY 2022.
- Departure fees increased by \$423,205 or 212% compared to FY 2022.
- Landing fees and other revenue increased by \$192,039 or 105% compared to FY 2022.
- Leases and space rentals decreased by \$10,409 or 1% compared to FY 2022.
- Total operating expenses increased \$776,539 or 30% higher compared to FY 2022.
- Total Nonoperating revenues increased by \$1,748,538 or 1018% compared to FY 2022.
- Total Earnings before capital contributions are \$3,073,353 or 2055% higher compared to FY 2022.

**POHNPEI PORT AUTHORITY**  
**(A Component Unit of State of Pohnpei)**

Management's Discussion and Analysis  
Years Ended September 30, 2023 and 2022

**Capital Asset**

Capital assets increased by \$1,335,020 during FY 2023. Net investment in capital assets totaled \$ 7,521,307 as of September 30, 2023.

The addition of capital assets in FY 2023 includes assets acquired through grants, donation from the US embassy and FSM National. Authority also disposed of assets in FY 2023.

	Cost	Accumulated Depreciation	Book Value
Building and Improvements	\$ 18,211,539	\$ 15,730,212	\$ 2,481,327
Machinery and Equipment	6,259,025	3,995,079	2,263,947
Land	2,776,034	-	2,776,034
Construction in Progress	-	-	-
Total	<u>\$ 27,246,598</u>	<u>\$ 19,725,291</u>	<u>\$ 7,521,307</u>

**Long-Term Debt**

The Authority continues to have a non-current liability due to GASB 87 that covers leases. This FY 2023, there is a decline of \$337,361 or 14% compared to FY 2022.

Management's Discussion and Analysis explains the major factors impacting the 2023 Financial statements.

**FY 2024 Economic Outlook**

In Fiscal Year 2023, the Authority successfully achieved a full recovery in its operations, marking a significant milestone in its recovery efforts. Moving into FY 2024, the Authority is focused on continuing this positive momentum and further stabilizing its operations. Airports and seaports, as vital infrastructure, play a central role in connecting states and nations while facilitating the efficient movement of both people and goods across borders. These facilities serve as the backbone of global trade and travel, providing essential services that drive Pohnpei's economic activity.

Seaport operations are expected to maintain steady progress, with a broad range of crucial services such as boat operations, navigational aids, line handling, and more. These functions are instrumental in supporting port trade and ensuring the smooth flow of fishing and cargo. As part of ongoing efforts to strengthen seaport capabilities, the Authority is actively pursuing grants that will fund port expansion projects, allowing for increased vessel traffic and expanded operational capacity. This project will create the infrastructure needed to accommodate a larger number of cargo vessels, thereby enhancing the port's capacity.

**POHNPEI PORT AUTHORITY**  
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Management's Discussion and Analysis  
Years Ended September 30, 2023 and 2022

The expansion of seaport port is not only a response to growing demand but also a proactive step to position the Authority as a key player in global port trade both fishing and cargo. With the expansion of port facilities, the Authority aims to attract more shipping vessels (fishing and cargo) and foster increased economic activity, benefiting both local and international.

In FY 2023, the Authority decreased the airport departure fee of passengers. Recognizing the need to address this decline, Authority is actively exploring alternative sources of revenue to help stabilize its finances. One potential solution being considered is the introduction of wharfage charges on fuel transactions conducted at the airport. By charging a fee on the fuel handled at the airport, the management hopes to generate additional income that can offset the reduction in departure fees.

This approach would not only help recover some of the lost revenue but also ensure that the airport continues to operate efficiently without compromising the quality of its services. The airport's focus is on finding sustainable ways to enhance its financial position while balancing the needs of its stakeholders, including airlines, passengers, and other service providers. If implemented, these wharfage charges would provide a new, steady revenue stream that could contribute to the airport's long-term financial stability and growth.

The Authority is hopeful about generating strong lease revenue in FY 2024. We expect to fill previously vacant land and spaces as businesses from various sectors show interest in leasing. This growing demand suggests a positive outlook for leasing activity.

We are focused on attracting new tenants and making sure our properties are fully utilized. This will help boost our revenue and improve our financial outlook for the year.

Once the Pohnpei State approves, the Authority will begin exploring investment opportunities with reputable financial institutions to make better use of its unrestricted funds. By strategically investing these savings, the Authority aims to generate additional income, improve financial returns, and enhance its overall financial stability. This approach will help optimize the value of available funds, ensuring that resources are working efficiently to support both short-term and long-term goals. The Authority is carefully considering various investment options to ensure that any decision aligns with its financial objectives and risk management practices, ultimately contributing to a stronger financial position.

The Authority will continue to work with financing opportunities from the FAA, OIA, and the FSM National Government. Funding for safety enhancements, equipment, and repairs and maintenance of the Authority's airport facilities and infrastructure. Also, the Authority anticipates that its operational expenses will remain at the same level for the upcoming fiscal year. This includes maintaining current staffing levels, infrastructure maintenance, and ongoing operational costs. While efforts will be made to optimize efficiency and manage resources effectively, the overall expense structure is expected to remain stable in FY 2024. This consistent approach ensures that the Authority can continue to provide essential services and maintain high operational standards without significant fluctuations in its financial commitments.

**POHNPEI PORT AUTHORITY**  
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Management's Discussion and Analysis  
Years Ended September 30, 2023 and 2022

In conclusion, the Authority's outlook for FY 2024 is positive, with a clear focus on financial stability and growth. By expanding seaport infrastructure, exploring new revenue sources, and making smart investments, the Authority is set to strengthen its financial position. Operational expenses will remain steady, while efforts to attract new tenants and optimize resources will help ensure long-term success. Overall, the Authority is well-prepared to meet current challenges and continue its growth in the year ahead.

**Contacting the Authority's Financial Management**

The financial report is designed to provide our customers, creditors, the Board of Directors, and other interested parties with a general overview of the Authority's financial affairs. Questions or additional financial information can be asked or obtained from Finance Division with the permission of the General Manger at P.O. Box 1150, Pohnpei, FM 96941.

**POHNPEI PORT AUTHORITY**  
(A Component Unit of the State of Pohnpei)

Statements of Net Position  
September 30, 2023 and 2022

ASSETS

	<u>2023</u>	<u>2022</u>
Current assets:		
Cash and cash equivalents	\$ 7,888,968	\$ 5,679,720
Accounts receivable, net	325,827	584,504
Lease receivable, net	203,068	332,482
Advances	28,365	28,112
Prepaid expenses	9,076	41,873
Total current assets	<u>8,455,304</u>	<u>6,666,691</u>
Noncurrent assets:		
Investments	265,700	238,500
Lease receivables, net of current portion	2,187,055	2,363,281
Depreciable property and equipment, net	4,745,273	3,410,253
Non-depreciable property and equipment	<u>2,776,034</u>	<u>2,776,034</u>
Total noncurrent assets	<u>9,974,062</u>	<u>8,788,068</u>
Total assets	<u>\$ 18,429,366</u>	<u>\$ 15,454,759</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

Current liabilities:		
Accounts payable	\$ 174,505	\$ 80,445
Accrued liabilities	87,695	104,330
Accrued annual leave	<u>106,966</u>	<u>95,309</u>
Total current liabilities	<u>369,166</u>	<u>280,084</u>
Deferred inflows of resources from leases	<u>2,070,267</u>	<u>2,407,628</u>
Commitments and contingency		
Net position:		
Net investment in capital assets	7,521,307	6,186,287
Unrestricted	<u>8,468,626</u>	<u>6,580,760</u>
Total net position	<u>15,989,933</u>	<u>12,767,047</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 18,429,366</u>	<u>\$ 15,454,759</u>

The accompanying notes are an integral part of these financial statements.

**POHNPEI PORT AUTHORITY**  
(A Component Unit of the State of Pohnpei)

Statements of Revenues, Expenses, and Changes in Net Position  
Years Ended September 30, 2023 and 2022

	2023	2022
Operating revenues:		
Seaport charges	\$ 2,995,918	\$ 1,510,968
Land leases and space rentals	464,329	424,201
Lease interest revenue	227,755	278,292
Departure fees	622,455	199,250
Landing fees	94,348	68,327
Other	279,745	113,727
Total operating revenues	4,684,550	2,594,765
Bad debt recovery (expense)	4,886	(6,685)
Net operating revenues	4,689,436	2,588,080
Operating expenses:		
Salaries and benefits	1,697,220	1,496,724
Depreciation	598,155	425,043
Utilities	271,300	198,922
Contractual services	188,342	105,270
Fuel	121,680	82,311
Training	120,885	7,601
Repairs	111,402	98,233
Supplies and materials	98,418	78,318
Travel	83,100	1,600
Communications	28,015	30,672
Equipment rental	1,727	3,790
Miscellaneous	66,535	81,756
Total operating expenses	3,386,779	2,610,240
Earnings (loss) from operations	1,302,657	(22,160)
Nonoperating revenues (expense), net:		
Grants	1,858,602	213,842
Interest and investment income	34,427	7,072
Gain on sale of fixed asset	-	3,501
Unrealized loss on investment	27,200	(52,722)
Total nonoperating revenues, net	1,920,229	171,693
Change in net position	3,222,886	149,533
Net position at beginning of year	12,767,047	12,394,860
Prior period adjustment	-	222,654
Total net position - beginning of year, restated	12,767,047	12,617,514
Net position at end of year	\$ 15,989,933	\$ 12,767,047

The accompanying notes are an integral part of these financial statements.

**POHNPEI PORT AUTHORITY**  
(A Component Unit of the State of Pohnpei)

Statements of Cash Flows  
Years Ended September 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Cash received from customers	\$ 4,949,178	\$ 2,365,588
Cash paid to suppliers for goods and services	(1,013,979)	(981,317)
Cash paid to employees for services and benefits	(1,685,563)	(1,510,147)
Net cash provided by operating activities	<u>2,249,636</u>	<u>(125,876)</u>
Cash flows from noncapital financing activities:		
Proceeds from grants	<u>-</u>	<u>213,842</u>
Net cash provided by noncapital financing activities	<u>-</u>	<u>213,842</u>
Cash flows from capital and related financing activities:		
Acquisition of property and equipment	<u>(102,015)</u>	<u>(350,908)</u>
Net cash used in capital and related financing activities	<u>(102,015)</u>	<u>(350,908)</u>
Cash flows from investing activities:		
Proceeds from sale of property and equipment	-	3,501
Net change in investments	<u>61,627</u>	<u>240,346</u>
Net cash provided by investing activities	<u>61,627</u>	<u>243,847</u>
Net change in cash and cash equivalents	2,209,248	(19,095)
Cash and cash equivalents at beginning of year	<u>5,679,720</u>	<u>5,698,815</u>
Cash and cash equivalents at end of year	<u>\$ 7,888,968</u>	<u>\$ 5,679,720</u>
Reconciliation of earnings (loss) from operations to net cash provided (used in) by operating activities:		
	\$ 1,302,657	\$ (22,160)
Adjustments to reconcile earnings (loss) from operations to net cash provided by (used in) operating activities:		
Depreciation	598,155	425,043
Bad debt (recovery) expense	(4,886)	6,685
(Increase) decrease in assets:		
Accounts receivable	263,805	(275,473)
Lease receivable	305,640	(2,695,763)
Advances	(253)	2,566
Prepaid expenses	32,797	45,659
Increase (decrease) in liabilities:		
Accounts payable	94,060	58,106
Accrued liabilities and others	(16,635)	(64,744)
Accrued annual leave	11,657	(13,423)
Deferred inflows of resources - lease revenue	<u>(337,361)</u>	<u>2,407,628</u>
Net cash provided by (used in) operating activities	<u>\$ 2,249,636</u>	<u>\$ (125,876)</u>

Supplemental disclosure of noncash operating and noncapital financing activities:

During the year ended September 30, 2023, the Authority received \$1,808,191 in donated assets from the United States Federal Government and the FSM National Government.

The accompanying notes are an integral part of these financial statements.

**POHNPEI PORT AUTHORITY**  
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Notes to Financial Statements  
September 30, 2023 and 2022

**(1) Reporting Entity**

The Pohnpei Port Authority (the Authority), a component unit of the Pohnpei State Government, was established by Pohnpei State Public Law 2L-224-91. The primary purpose of the Authority is to oversee the use and maintenance of Pohnpei State's sea and airports. The Authority began operating as a separate entity in fiscal year 1993, although the accounting for the Authority was not transferred from the Pohnpei State Department of Treasury until January 1994.

The affairs of the Authority are managed by a seven-member board, consisting of representatives of the Pohnpei State Government appointed by the Governor to four-year terms. Daily operation of the Authority is delegated to a General Manager, who is appointed by and serves at the pleasure of the Board.

The Authority's financial statements are incorporated into the financial statements of the Pohnpei State Government as a component unit.

**(2) Summary of Significant Accounting Policies**

**Basis of Accounting**

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of the fund are included in the statement of net position. The Proprietary fund operating statement presents increases and decreases in net position. The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The Authority's revenues are derived primarily from providing various services to major shipping and airline customers under an approved tariff rate schedule and are reported as operating revenues. Capital grants, financing or investing related transactions are reported as non-operating revenues. Revenue is recognized on the accrual basis and is recorded upon billing when services have been completed. All expenses related to operating the Authority are reported as operating expenses. Interest income or federal program revenues are the primary components of nonoperating revenues and expenses.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.



**POHNPEI PORT AUTHORITY**  
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Notes to Financial Statements  
September 30, 2023 and 2022

**(2) Summary of Significant Accounting Policies, Continued**

**Net Position**

Net position represents the residual interest in the Authority's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted and consists of the following three categories:

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets. Deferred outflows of resources that are attributable to related debt are also included in this component.
- Restricted net position results when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law.
- Unrestricted net position consists of net position, which does not meet the definition of the two preceding categories. Net position that is not subject to externally imposed stipulations is considered unrestricted. Unrestricted net position may be designated for specific purposes by action by management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

**Cash and Cash Equivalents**

For purposes of the statement of net position and of cash flows, cash and cash equivalents are defined as cash on hand, cash in banks and cash in time certificates of deposit with initial maturities of ninety days or less.

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

As of September 30, 2023 and 2022, the carrying amount of the Authority's total cash and cash equivalents was \$7,888,968 and \$5,679,720, respectively, with a corresponding bank balance of \$6,709,154 and \$5,723,153, respectively, which is primarily maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2023 and 2022, bank deposits in the amount of \$500,000 was FDIC insured. The Authority does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk. The Authority has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on its deposits.

**POHNPEI PORT AUTHORITY**  
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Notes to Financial Statements  
September 30, 2023 and 2022

**(2) Summary of Significant Accounting Policies, Continued**

**Receivables**

Accounts receivable are due from businesses and individuals based in Pohnpei State that relate to public land leases, space rentals, landing fees, port and handling charges, wharfage, gross receipts fees and other fees. The allowance for doubtful accounts is stated at an amount which management believes will be adequate to absorb possible losses on accounts receivable that may become uncollectible based on evaluations of the collectability of these accounts and prior collection experience. The allowance is established through a provision for bad debts charged to expense. Bad debts are ultimately written-off against the allowance on the specific identification method. At September 30, 2023 and 2022, receivables are net of an allowance for doubtful accounts totaling \$102,875 and \$107,761, respectively.

**Lease receivable**

Lease receivable represents the present value of lease payments expected to be received during the lease term. The Authority has adopted policies to assist in determining lease treatment in accordance with the requirements of GASB Statement No. 87, which include the following: (1) the maximum possible lease term is non-cancelable by both lessee and lessor and is more than 12 months and (2) the terms of the lease will include possible extension periods that are deemed to be reasonably certain given all available information, regarding the likelihood of renewal.

**Investments**

Investments and related investment earnings are recorded at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability (i.e. the exit price) in an orderly transaction between market participants at the date as of which the fair value of an asset or liability is determined.

An equity investment in the common stock of Bank of FSM (investee) is stated at net asset value (NAV). The NAV is used as a practical expedient to estimate fair value. The NAV is determined based on the total shareholder's equity reported by the investee.

**Property and Equipment**

Property and equipment are stated at cost or at estimated appraised values as of the transfer date, less accumulated depreciation. Depreciation is based on the straight-line method over the estimated useful lives of the respective assets. All assets have an estimated useful life of three to seventy years. The Authority utilizes a capitalization threshold of \$1,000. Land is recorded based on an appraisal of the Authority facilities performed during the year ended September 30, 1996.

**POHNPEI PORT AUTHORITY**  
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Notes to Financial Statements  
September 30, 2023 and 2022

**(2) Summary of Significant Accounting Policies, Continued**

Deferred Inflows of Resources

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (additions to net position) until then.

Compensated Absences

Vested or accumulated vacation leave is recorded as an expense and liability as the benefit accrues to employees. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. The related sick pay expense is recorded when the benefit is actually taken.

Taxes

Corporate profits are not subject to income tax in the Federated States of Micronesia. The Government of the Federated States of Micronesia imposes a gross receipts tax of 3% on revenues. The Authority is specifically exempt from this tax.

New Accounting Standards

During the year ended September 30, 2023 and 2022, the Authority implemented the following pronouncements:

- In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This statement also provides guidance for accounting and financial reporting for availability payment arrangements.
- In May 2020, the GASB issued Statement No. 96, *Subscription – Based Information Technology Arrangements*. The primary objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This statement (1) defines a SBITA; (2) establishes that SBITA's result in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA.

**POHNPEI PORT AUTHORITY**  
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Notes to Financial Statements  
September 30, 2023 and 2022

**(2) Summary of Significant Accounting Policies, Continued**

New Accounting Standards, continued

- In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. This Statement contains guidance that clarifies the provisions of various GASB statements previously issued. Certain provisions of Statement No. 99 are applicable to future periods, guidance applicable to the current period relate to:
  - Clarification on provisions in GASB Statement No. 87 related to the determination of lease terms, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
  - Clarification on the provisions in GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
  - Clarification on the provisions in GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.
  - Modifications to the accounting and reporting guidance in GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, relating to the termination of hedges.

The implementation of these statements did not have a material effect on the accompanying financial statements.

As mentioned above certain provisions of GASB Statement No. 99, *Omnibus 2022*, are applicable to future periods. Provisions from the Statement applicable to future periods relate to:

- 1) Modifications to the guidance in GASB Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, to bring all guarantees under the same financial reporting and disclosure requirements. These provisions of Statement No. 99 will be effective for the fiscal year ending September 30, 2024.
- 2) Guidance on the classification and reporting of derivative instruments within the scope of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. These provisions of Statement No. 99 will be effective for the fiscal year ending September 30, 2024.

**POHNPEI PORT AUTHORITY**  
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Notes to Financial Statements  
September 30, 2023 and 2022

**(2) Summary of Significant Accounting Policies, Continued**

New Accounting Standards, continued

In April 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections*, the primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. GASB Statement No. 100 will be effective for fiscal year ending September 30, 2024.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*, to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. GASB Statement No. 101 will be effective for fiscal year ending September 30, 2025.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*, to provide users of government financial statements with essential information about risks related to certain concentrations or constraints. The Statement defines a *concentration* as a lack of diversity related to an aspect of a significant inflow or outflow of resources.

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Notes to Financial Statements  
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**(2) Summary of Significant Accounting Policies, Continued**

New Accounting Standards, continued

A *constraint* is a limitation imposed on a government by an external party or by formal action of the government highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, or have begun to occur, or are more likely than not to occur with 12 months of the date the financial statements are issued. If a government determines that the criteria's have been met for disclosure of a concentration or constraint, it should disclose information in the notes to the financial statements in sufficient detail to enable users of the financial statement to understand the nature of the circumstances disclosed and the governments vulnerability to the risk of a substantial impact. The provisions of Statement No. 102 will be effective for fiscal year ending September 30, 2025.

The Authority is evaluating the effects that the above upcoming pronouncements may have on the financial statements.

**(3) Investments**

At September 30, 2023 and 2022, investments represent 10,000 common shares in the Bank of the FSM (BFSM), which approximated 1% ownership interest. The total shareholders' equity reported by BFSM approximated \$24,823,000 and \$22,286,000 at September 30, 2023 and 2022, respectively.

**(4) Property and Equipment**

Capital asset activities for the years ended September 30, 2023 and 2022 are follows:

	Estimated Useful Lives	Balance at October 1, 2022	Transfers and Additions	Transfers and Deletions	Balance at September 30, 2023
Non-depreciable:					
Land		\$ 2,776,034	\$ -	\$ -	\$ 2,776,034
Construction in progress		-	-	-	-
		<u>2,776,034</u>	<u>-</u>	<u>-</u>	<u>2,776,034</u>
Depreciable:					
Buildings and improvements	7 - 70 years	18,211,539	-	-	18,211,539
Machinery and equipment	3 - 5 years	<u>4,403,051</u>	<u>1,941,264</u>	<u>(85,285)</u>	<u>6,259,030</u>
		22,614,590	1,941,264	(85,285)	24,470,569
Less accumulated depreciation		<u>(19,204,337)</u>	<u>(606,244)</u>	<u>85,285</u>	<u>(19,725,296)</u>
		<u>3,410,253</u>	<u>1,335,020</u>	<u>-</u>	<u>4,745,273</u>
Property and equipment, net		<u>\$ 6,186,287</u>	<u>\$ 1,335,020</u>	<u>\$ -</u>	<u>\$ 7,521,307</u>

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Notes to Financial Statements  
September 30, 2023 and 2022

**(4) Property and Equipment, Continued**

	Estimated Useful Lives	Balance at October 1, 2021	Transfers and Additions	Transfers and Deletions	Balance at September 30, 2022
Non-depreciable:					
Land		\$ 2,776,034	\$ -	\$ -	\$ 2,776,034
Construction in progress		-	-	-	-
		<u>2,776,034</u>	<u>-</u>	<u>-</u>	<u>2,776,034</u>
Depreciable:					
Buildings and improvements	7 - 70 years	18,119,432	92,107	-	18,211,539
Machinery and equipment	3 - 5 years	<u>4,097,617</u>	<u>326,218</u>	<u>(20,784)</u>	<u>4,403,051</u>
		22,217,049	418,325	(20,784)	22,614,590
Less accumulated depreciation		<u>(18,722,042)</u>	<u>(503,079)</u>	<u>20,784</u>	<u>(19,204,337)</u>
		<u>3,495,007</u>	<u>(84,754)</u>	<u>-</u>	<u>3,410,253</u>
Property and equipment, net		<u>\$ 6,271,041</u>	<u>\$ (84,754)</u>	<u>\$ -</u>	<u>\$ 6,186,287</u>

**Donated Capital Assets**

During the fiscal year ended September 30, 2023, the Authority received donated capital assets from the United States Embassy (USE) and the Federated States of Micronesia National Government (FSMNG). These donations were valued at approximately \$1,774,866 in total and consisted of machinery, equipment, and vehicles provided to support the Authority's air and maritime operations under U.S. Code Title 10, Section 333 (capacity-building assistance). In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the Authority recognized the fair value of these donated assets as revenue in the form of capital contributions during FY2023. The donated assets have been capitalized at their acquisition value, which is the estimated fair market value at the date of donation. Because all eligibility requirements and donor stipulations were met at the time of receipt, the full \$1,774,866 was recognized in the current year with no amounts deferred.

The donated equipment and vehicles are subject only to general use restrictions (i.e. they must be utilized for the Authority's operational purposes). There are no formal legislative or contractual restrictions that impose ongoing compliance or future reporting requirements on these assets. Accordingly, no deferred inflows of resources or liabilities have been recorded in connection with these donations.

In addition, the FSMNG financed the purchase of replacement airport seating (chairs) valued at \$33,325 on behalf of the Authority during the year. This contribution, funded through an FSMNG general fund appropriation (Public Law No. 22-180), is also accounted for as a donated capital asset. The chairs have been capitalized at cost (the amount provided), and the \$33,325 funding is recognized as capital contribution revenue in FY2023, consistent with GASB 33 guidance for capital grants and contributions. Similar to the other donated assets, the airport chair donation carries no continuing restrictions or future reporting obligations for the Authority.

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Notes to Financial Statements  
September 30, 2023 and 2022

**(5) Related Party Transactions**

During the fiscal years ended September 30, 2023 and 2022, the Authority recognized expense amounts of \$178,688 and \$66,940, respectively, representing 30% of anchorage fee collections due to the Pohnpei State Government (PSG). These payments are required pursuant to Public Law No. 8L-83-15, which became effective on October 1, 2015, and mandates the remittance of 30% of anchorage fees collected by the Authority to PSG.

As of September 30, 2023 and 2022, unpaid amounts due to PSG totaling \$7,924 and \$33,588, respectively, are included in accrued liabilities in the accompanying financial statements. These amounts represent unremitted balances from the applicable fiscal year-end anchorage fee share.

**(6) Leases**

The Authority is a lessor under various lease agreements involving land and concession space entered into with agencies of the FSMNG and private entities. These agreements qualify as leases under the provisions of GASB Statement No. 87, *Leases*, and have noncancellable terms with expirations ranging through the year 2047. Certain leases include options to renew; however, renewal periods are included in the lease term only when it is reasonably certain that the lessee will exercise such options.

Total lease revenues recognized from land and concession space leases were \$692,084 and \$702,493 for the fiscal years ended September 30, 2023 and 2022, respectively. These revenues include both the amortization of deferred inflows and interest income on lease receivables.

A summary of changes in the Authority's lease receivable balances as of and for the years ended September 30, 2023 and 2022, is as follows:

Balance October 1, 2022	<u>Increases</u>	<u>Decreases</u>	Balance September 30, 2023	<u>Current</u>	<u>Noncurrent</u>
\$ 2,695,763	\$ 61,996	\$ 367,636	\$ 2,390,123	\$ 203,068	\$ 2,187,055
Balance October 1, 2021	<u>Increases</u>	<u>Decreases</u>	Balance September 30, 2022	<u>Current</u>	<u>Noncurrent</u>
\$ -	\$ 3,280,938	\$ 585,175	\$ 2,695,763	\$ 332,482	\$ 2,363,281



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Notes to Financial Statements  
September 30, 2023 and 2022

**(6) Leases, Continued**

Lease receivables are due in the upcoming years as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 203,068	\$ 214,984	\$ 418,052
2025	102,876	196,314	299,190
2026	52,293	189,050	241,343
2027	24,248	186,055	210,303
2028	25,194	183,759	208,953
2029 - 2033	245,243	863,610	1,108,853
2034 - 2038	502,956	696,513	1,199,469
2039 - 2043	921,447	376,687	1,298,134
2044 - 2047	312,798	35,893	348,691
	<u>\$ 2,390,123</u>	<u>\$ 2,942,865</u>	<u>\$ 5,332,988</u>

**(7) Retirement Plan**

The Authority maintains a self-administered, defined contribution retirement plan (the Plan) to provide supplemental retirement, disability, and survivor benefits to participating employees and their beneficiaries. The Plan is intended to supplement benefits provided through the FSMNG Social Security System and was established by the Authority under its administrative authority. The Plan is administered internally through the Authority's Human Resources Manager.

Participation in the Plan is voluntary. Under the terms of the Plan, the Authority contributes up to 7.5% of each participant's annual salary, subject to eligibility and participation requirements. Employee contributions, if any, are voluntary and not required as a condition of participation. Employer contributions vest over a six-year period of credited service.

For the fiscal years ended September 30, 2023 and 2022, the Authority made total contributions to the Plan of \$45,294 and \$46,059, respectively. These contributions represent the Authority's total pension expense for the period.

As of September 30, 2023 and 2022, the Plan held net assets totaling \$913,445 and \$804,279, respectively. These funds are held in trust exclusively for the benefit of Plan participants and their beneficiaries. In accordance with GASB guidance for defined contribution pension plans, management has determined that the Plan does not represent an asset or liability of the Authority, as the Authority has no further obligation beyond its annual required contributions.

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Notes to Financial Statements  
September 30, 2023 and 2022

**(8) Contingency**

The Authority is subject to certain legal complaints that have arisen in the normal course of business. Management is of the opinion that resolution of these matters will not have a material effect on the Authority's results of operations, and as such, no adjustments have been recorded in the accompanying financial statements.

**(9) Restatement**

The Authority implemented GASB Statement No. 87, *Leases* effective October 1, 2021 which impacted the opening balance of its net position for land lease and space rental revenues in the amount of \$ 297,526. As a result, the opening balance of net position was restated to reflect the effects of the implementation. In addition, the Authority's depreciation expense was understated as of September 30, 2021 and was restated to correct the understatements. Furthermore, capital project improvements expenses and accordingly building improvements were understated due to non-recognition in periods prior to September 30, 2021 and was restated to correct the understatement. As a result of these determinations, the 2021 financial statements have been restated from the amounts previously reported as follows:

	As Previously Reported	Adjustments	As Restated
For the year ended September 30, 2021:			
Land leases and space rentals	\$ 640,293	\$ 297,526	\$ 937,819
Change in operating revenues	\$ 2,377,178	\$ 297,526	\$ 2,674,704
Depreciation expense	\$ 378,257	\$ 75,079	\$ 453,336
Capital improvement project expense	\$ -	\$ (207)	\$ (207)
Change in operating expenses	\$ 2,664,111	\$ 74,872	\$ 2,738,983
Change in operating income (loss)	\$ (286,933)	\$ 222,654	\$ (64,279)
Change in net position	\$ (208,134)	\$ 222,654	\$ 14,520
Net position, end of the year	\$ 12,394,860	\$ 222,654	\$ 12,617,514
For the year ended September 30, 2021:			
Accumulated depreciation	\$ (18,722,042)	\$ (75,079)	\$ (18,797,121)
Change in depreciable property and equipment, net	\$ 3,471,777	\$ (74,872)	\$ 3,396,905
Change in total assets	\$ 12,695,005	\$ (74,872)	\$ 12,620,133

**POHNPEI PORT AUTHORITY**  
(A Component Unit of the State of Pohnpei)

Notes to Financial Statements  
September 30, 2023 and 2022

**(10) Risks and Uncertainties**

The Authority is exposed to various risks of loss related to torts; theft, or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The Authority purchases insurance to cover workmen's compensation and life insurance risks and is substantially self-insured for all other risks. Management is of the opinion that no material losses have been sustained as a result of this practice during the past four years.

**(11) Date of Management's Review**

Management has considered subsequent events through March 04, 2025, the date upon which the financial statements were available to be issued. There were no other material subsequent events that would require recognition or disclosure in the financial statements for the years ended September 30, 2023 and 2022.

**POHNPEI PORT AUTHORITY**  
**(A Component Unit of the State of Pohnpei)**

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS***

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**Years Ended September 30, 2023 and 2022**



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Pohnpei Port Authority:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Pohnpei Port Authority (the "Authority"), which comprise the statements of net position as of September 30, 2023 and 2022, and the related statements of revenues, expenses and changes in net position and of cash flows for the years then ended and the related notes to the financial statements, and have issued our report thereon dated March 04, 2025.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency* in *internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Bryce Conner & Associates*

March 04, 2025

Tamuning, Guam

**POHNPEI PORT AUTHORITY**  
(A Component Unit of the State of Pohnpei)

Summary Schedule of Prior Year Audit Findings  
Years Ended September 30, 2023 and 2022

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
2022-001	Implementation of GASB L20	Corrected and Resolved