

**STATE OF YAP  
FEDERATED STATES OF MICRONESIA**

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**REPORT ON THE AUDIT OF THE  
FINANCIAL STATEMENTS IN ACCORDANCE  
WITH THE UNIFORM GUIDANCE**

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**YEAR ENDED SEPTEMBER 30, 2023**

**STATE OF YAP  
FEDERATED STATES OF MICRONESIA**

**FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2023**

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**STATE OF YAP  
FEDERATED STATES OF MICRONESIA**

FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2023

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**STATE OF YAP  
FEDERATED STATES OF MICRONESIA**

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**INDEPENDENT AUDITOR'S REPORT,  
FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION**

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**YEAR ENDED SEPTEMBER 30, 2023**



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

INDEPENDENT AUDITOR’S REPORT

Honorable Francis Itimai  
 Governor, State of Yap  
 Federated States of Micronesia

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

*Unmodified and Adverse Opinions*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units (except as described below), each major fund, and the aggregate remaining fund information of the State of Yap (the State) as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the State’s basic financial statements as listed in the table of contents.

*Summary of Opinions*

<b>Opinion Unit</b>	<b>Type of Opinion</b>
Governmental Activities	Unmodified
Business-Type Activities	Unmodified
Aggregate Discretely Presented Component Units	Adverse
General Fund	Unmodified
Foreign Assistance Grants Fund	Unmodified
Yap State Investment Trust Fund	Unmodified
Compact Trust Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

**Adverse Opinion**

In our opinion, because of the significance of the matter discussed in the Matter Giving Rise to Adverse Opinion on Aggregate Discretely Presented Component Units section of our report, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the State of Yap as of September 30, 2023, or the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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## **Unmodified Opinion**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Yap, as of September 30, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Basis for Adverse and Unmodified Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 State of Yap, 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 adverse and unmodified audit opinions.

## **Matter Giving Rise to Adverse Opinion on Aggregate Discretely Presented Component Units**

The State's component units column does not include the financial statements of the Yap Fishing Authority. Accounting principles generally accepted in the United States of America require financial information about the Yap Fishing Authority to be part of the State's aggregate discretely presented component units. Because of the departure from accounting principles generally accepted in the United States of America, the amount by which this departure would affect the assets, liabilities, net position, revenues, and expenses of the aggregate discretely presented component units could not be determined.

## **Emphasis-of-Matters**

### *Receivables from the FSM National Government*

As discussed in Note 3 to the financial statements, the State is in discussion with the FSM National Government to determine the ultimate collectability of certain receivables due from the FSM National Government in consultation with the grantor agency arising from Compact sector grant transactions.

Our opinion is not modified with respect to this matter.

## **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 from 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 State's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Public Transportation System, which represents 100% of the assets, net position, and operating revenues of the State's business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Public Transportation System, is based solely on the report of the other auditors. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 opinions.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted 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 generally accepted 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 State'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 State'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 and budgetary comparison information from page 5 to page 13 and page 68 to page 70, respectively, 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.

## Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The (a) Combining Schedule of Expenditures by account-Governmental Funds, (b) Statement of Revenues, Expenditures by function and changes in Deficit – General Fund, (c) Combining Balance Sheet – Foreign Assistance Grants Fund, (d) Combining Statement of Revenues, Expenditures by Function, and Changes in Fund balances – Foreign Assistance Grants Fund, and (e) Combining Statement of Revenues, Expenditures by account, and Changes in fund balance – Foreign Assistance Grants Fund are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the (a) Combining Schedule of Expenditures by account-Governmental Funds, (b) Statement of Revenues, Expenditures by Function and Changes in Deficit - General Fund, (c) Combining Balance Sheet – Foreign Assistance Grants Fund, (d) Combining Statement of Revenues, Expenditures by Function, and Changes in Fund balances – Foreign Assistance Grants Fund, and (e) Combining Statement of Revenues, Expenditures by Account, and Changes in Fund balance – Foreign Assistance Grants Fund are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2025, on our consideration of the State'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 State'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 State's internal control over financial reporting and compliance.

*Burger Comer & Associates*

Saipan, MP

February 19, 2026

# YAP STATE GOVERNMENT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ending September 30, 2023

This analysis, prepared by the Office of Administrative Services, offers readers of the Yap State Government's (Yap State) financial statements a narrative overview of the activities of the government for the fiscal year ended September 30, 2023. We encourage readers to consider this information in conjunction with Yap State's financial statements, which follow. Fiscal year 2022 comparative information has been included, where appropriate. This analysis is required by the Governmental Accounting Standards Board, (GASB) which provides guidelines on what must be included and excluded from this analysis.

### FINANCIAL HIGHLIGHTS

- Yap State's total net position increased by \$10.1 million from \$114.8 million in fiscal year 2022 to \$124.9 million at the end of fiscal year 2023. The 9% rate of increase is primarily attributable to unrealized gains in the permanent funds as the worldwide stock market rebounded after the disastrous 2022 season.
- Total revenue for the State's governmental funds was a mere \$3.6 million in 2022, but due to the upsurge in the stock market, total revenue increased by 119% to \$37.5 million for the year ended September 30, 2023. The dramatic changes in recorded revenues between the two years were indicative of the volatility of the stock markets post pandemic and its effects on the Permanent Funds.
- General Fund revenue for 2023 of approximately \$9.7 million surpassed even the \$8.8 million recorded in 2021 and represented a 65% increase from the \$3.7 million earned in 2022. Taxes of \$5.3 million, fishing rights fees of \$1.3 million and net earnings from its investments also of \$1.3 million were the primary sources of the \$9.7 million earned in fiscal year 2023.
- Fiscal year 2023 actual revenue for the General Fund was \$9.7 million, but the year's appropriations was only \$8.1 million indicating cautious revenue projections for the year 2023 possibly due to the volatility of the prior years. Actual expenditures totaled \$8.1 million ending the year with an operating surplus of \$1.6 million.
- The Yap State Trust Fund reported a balance of \$71.2 million at the end of fiscal year 2023, which was a 14% increase of \$8.6 million in the fair value of the investment from the prior fiscal year.
- The "Unassigned" General Fund balance generally considered to be the balance available for appropriation was \$9.0 million at the end of fiscal year 2023 an increase of \$1.9 million from the previous year.
- The Long-Term Debt Fund increased by \$8.08 million, the outstanding principal balances for the ADB Loans #1459, 3004 and 3005 which the State had to reflect on its books after YSPSC defaulted on the loans.

# YAP STATE GOVERNMENT

## MANAGEMENT'S DISCUSSION AND ANALYSIS Year Ending September 30, 2023

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Yap State's basic financial statements. Yap State's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional required supplementary information in the form of budgetary schedules, which are prepared on the budgetary basis of accounting, and other optional supplementary information, in addition to the basic financial statements themselves, which includes combining statements for governmental funds component units.

#### Government-Wide Financial Statements

The government-wide statements report information about Yap State as a whole, using accounting methods similar to those used by private-sector companies. It provides both long-term and short-term information about the State's financial status.

The statement of net assets includes all the government's assets and liabilities. The difference in the two is called net assets. Over time, increases or decreases in the State's net assets serve as indicator to measure the State's financial position.

The statement of activities on the other hand, account for the State's current year's revenues and expenses regardless of when cash is received or paid.

The government-wide financial statements of Yap State are divided into three categories:

- Governmental activities -- Most of Yap State's basic services are included here, such as education, health, special appropriations, finance, judiciary, and general administration. Federal grants finance most of these activities.
- Business-type activities -- Yap State reports the operations of its Public Transportation System, which charges tariffs to help cover the costs of the transportation services it provides.
- Component Units -- Yap State includes the operating results of the Yap Visitor's Bureau, the Yap State Public Service Corporation, the Yap Fishing Authority, and The Diving Seagull, Inc. in its report. Although legally separate, these "component units" are important because Yap State is financially accountable for them.

#### Fund Financial Statements

The fund financial statements provide more detailed information about Yap State's significant funds. Funds are accounting devices that Yap State uses to keep track of specific sources of funding and spending for particular services. The State uses fund accounting to comply with financial and related legal requirements

# YAP STATE GOVERNMENT

## MANAGEMENT’S DISCUSSION AND ANALYSIS

Year Ending September 30, 2023

Yap State has two types of funds:

- **Governmental funds.** Most of Yap State’s basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance Yap State programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains and reconciles the relationship (or differences) between them.
- **Proprietary funds.** Services for which Yap State charge customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.

### FINANCIAL ANALYSIS OF YAP STATE AS A WHOLE

Net position may serve over time as a useful indicator of a government’s financial position. At the end of fiscal year 2023, Yap State’s assets exceeded liabilities by \$124.9 million. Of its total net assets of \$124.9 million, \$20.09 million is restricted for specific uses. Also included in net assets are \$18.1 million invested in capital assets (buildings, roads, etc.). Yap State uses these capital assets to provide services to its citizens; consequently, these assets are reported net of related debt. It should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The following schedule summarizes Yap State’s net assets as of September 30, 2023, with comparative figures for the prior year

	Governmental Activities		Business Type Activities		Total		Change	%
	2023	2022	2023	2022	2023	2022		
<b>Assets</b>								
Current assets	\$ 98,424,321	\$ 83,280,927	\$ 234,896	\$ 220,672	\$ 98,659,217	\$ 83,501,599	\$ 15,157,618	18%
Other assets	28,718,608	23,066,025	-	-	28,718,608	23,066,025	5,652,583	25%
Capital assets, net	17,992,670	18,895,659	59,292	141,584	18,051,962	19,037,243	(985,281)	-5%
<b>Total assets</b>	<b>145,135,599</b>	<b>125,242,611</b>	<b>294,188</b>	<b>362,256</b>	<b>145,429,787</b>	<b>125,604,867</b>	<b>19,824,920</b>	<b>16%</b>
<b>Liabilities</b>								
Current Liabilities	8,469,476	6,491,142	46,390	47,459	8,515,866	6,538,601	1,977,265	30%
Noncurrent liabilities	12,038,349	4,224,611	-	-	12,038,349	4,224,611	7,813,738	185%
<b>Total liabilities</b>	<b>20,507,825</b>	<b>10,715,753</b>	<b>46,390</b>	<b>47,459</b>	<b>20,554,215</b>	<b>10,763,212</b>	<b>9,791,003</b>	<b>91%</b>
<b>Net position</b>								
Invested in capital assets, net	17,992,670	18,895,659	59,292	141,584	18,051,962	19,037,243	- 985,281	-5%
Restricted	20,094,222	19,070,116	-	-	20,094,222	19,070,116	1,024,106	5%
Unrestricted	86,540,882	76,561,083	188,506	173,213	86,729,388	76,734,296	9,995,092	13%
<b>Total net position</b>	<b>\$ 124,627,774</b>	<b>\$ 114,526,858</b>	<b>\$ 247,798</b>	<b>\$ 314,797</b>	<b>\$ 124,875,572</b>	<b>\$ 114,841,655</b>	<b>\$ 10,033,917</b>	<b>9%</b>

# YAP STATE GOVERNMENT

## MANAGEMENT'S DISCUSSION AND ANALYSIS Year Ending September 30, 2023

Yap State's unrestricted net assets, at the end of fiscal year 2023, show a surplus of \$86.7 million (60% of total net assets). Included in this amount is the Yap State Investment Trust with a fiscal year end value of \$71.2 million. This unrestricted surplus is available for discretionary purposes subject to appropriation by the Yap State Legislature. In comparison to fiscal year 2022, Yap State's assets increased by 9% or \$10.1 million. Key elements of the growth and the differences from the prior year are shown in the following schedule:

Revenues:	Government Activities		Business-Type Activities		Total		Change	%
Program Revenues	2023	2022	2023	2022	2023	2022	2023	2022
Charges for services	\$ 1,229,819	\$ 994,645	358,310	579,478	\$ 1,588,129	\$ 1,574,123	\$ 14,006	0.01
Operating grants & contributions	17,334,564	18,060,531	78,000	30,000	17,412,564	18,090,531	(677,967)	(0.04)
Capital grants & contributions	-	-	-	-	-	-	-	-
<b>General Revenue</b>								
Taxes	5,445,268	5,631,872			5,445,268	5,631,872	(186,604)	(0.03)
Fishing Fees	1,323,251	-			1,323,251		1,323,251	-
Unrestricted investment (losses) ear	1,365,484	(2,803,291)			1,365,484	(2,803,291)	4,168,775	(1.49)
Other	710,742	69,471			710,742	69,471	641,271	9.23
<b>Total revenue</b>	<b>27,409,128</b>	<b>21,953,228</b>	<b>436,310</b>	<b>609,478</b>	<b>27,845,438.00</b>	<b>22,562,706.00</b>	<b>5,282,732.00</b>	<b>0.23</b>
<b>Expenses</b>								
General Government	4,149,869	4,577,897	503,309	648,888	4,653,178	5,226,785	(573,607)	(0.11)
Health Services	6,295,302	7,533,647			6,295,302	7,533,647	(1,238,345)	(0.16)
Education	7,142,348	6,979,287			7,142,348	6,979,287	163,061	0.02
Economic Development	638,427	560,995			638,427	560,995	77,432	0.14
Public Safety	732,730	592,796			732,730	592,796	139,934	0.24
Public Works and Transportation	3,104,796	3,282,448			3,104,796	3,282,448	(177,652)	(0.05)
Community affairs	303,952	223,836			303,952	223,836	80,116	0.36
Boards and commissions	344,645	333,504			344,645	333,504	11,141	0.03
Payments to component units	1,566,235	111,342			1,566,235	111,342	1,454,893	13.07
Judiciary	188,538	180,223			188,538	180,223	8,315	0.05
Others	1,807,463	1,311,581			1,807,463	1,311,581	495,882	0.38
<b>Total expenses</b>	<b>26,274,305</b>	<b>25,687,556</b>	<b>503,309</b>	<b>648,888</b>	<b>26,777,614</b>	<b>26,336,444</b>	<b>441,170</b>	<b>0.02</b>
Contributions to permanent funds	10,049,707	(18,312,980)			10,049,707	(18,312,980)	28,362,687	(1.55)
Gain from foreign exchange rate	(122,449)	422,269			- 122,449	422,269	(544,718)	-
Loss of impairment of an asset	(811,940)	(148,958)			(811,940)	(148,958)	(662,982)	
Change in net position	10,250,141	(21,773,997)	(66,999)	(39,410)	10,183,142	(21,813,407)	31,996,549	(1.47)
<b>Net position at the beginning of the year</b>	<b>114,526,858</b>	<b>136,249,496</b>	<b>314,797</b>	<b>354,207</b>	<b>114,841,655</b>	<b>136,603,703</b>	<b>(21,762,048)</b>	<b>(0.16)</b>
Adj to beg bal - lease/ADB Loans	(149,225)	51,359			(149,225)	51,359	(200,584)	(3.91)
<b>Net position at the end of the year</b>	<b>\$ 124,627,774</b>	<b>\$ 114,526,858</b>	<b>247,798</b>	<b>314,797</b>	<b>\$ 124,875,572</b>	<b>\$ 114,841,655</b>	<b>\$ 10,033,917</b>	<b>0.09</b>

# YAP STATE GOVERNMENT

## MANAGEMENT’S DISCUSSION AND ANALYSIS Year Ending September 30, 2023

To mitigate the impacts of the pandemic on the FSM States, Congress took action to increase the States’ share of national taxes to make up for decreased local revenue in fiscal year 2021. The additional 20% of revenue share taxes authorized by Congress lapsed after January 2023. But in fiscal year 2023, Yap, along with its sister states became eligible to share in the fishing rights fees collected by the FSM National Government. Yap’s share of the fishing fees for 2023 was \$1.32 million. Another \$1.36 million in net increase in the market value of its investments contributed to the 9% increase in net position for fiscal year 2023. Although program revenue and revenue from taxes remained stable between 2022 and 2023, the unrealized investment gains in 2023 increased the net position of the State by 9% to \$124.6 million from the \$114.8 million in 2022. The investment gains allowed revenues to increase by 17% in fiscal year 2023 as compared to the prior year. Expenditures, on the other hand, rose slightly by another 4% as pandemic-related restrictions continued to ease, resulting in the same rate of increase in expenditures seen from 2021 to 2022.

There were no material changes in the Business-Type Activities assets or liabilities.

### FINANCIAL ANALYSIS OF YAP STATE GOVERNMENTAL FUNDS

	General Fund		Foreign Asst Grant Fund		Yap State Investment Trust		Compact Trust		Other Funds		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	<b>Assets</b>											
Unrestricted assets	31,188,528	20,793,282	11,911,499	9,605,295	-	-	-	-	1,632,584	1,924,686	44,732,611	32,323,263
Restricted assets	3,745,980	3,880,690	-	-	71,164,357	62,559,768	16,665,260	15,220,142	-	-	91,575,597	81,660,600
<b>Total Assets:</b>	<b>34,934,508</b>	<b>24,673,972</b>	<b>11,911,499</b>	<b>9,605,295</b>	<b>71,164,357</b>	<b>62,559,768</b>	<b>16,665,260</b>	<b>15,220,142</b>	<b>1,632,584</b>	<b>1,924,686</b>	<b>136,308,208</b>	<b>113,983,863</b>
<b>Liabilities</b>												
	8,073,948	6,814,292	8,624,832	6,070,332	-	-	51,221	51,221	467,246	788,576	17,217,247	13,724,421
<b>Fund Balances</b>	<b>26,860,560</b>	<b>17,859,680</b>	<b>3,286,667</b>	<b>3,534,963</b>	<b>71,164,357</b>	<b>62,559,768</b>	<b>16,614,039</b>	<b>15,168,921</b>	<b>1,165,338</b>	<b>1,136,110</b>	<b>119,090,961</b>	<b>100,259,442</b>
<b>Total Liab &amp; Fund Bal</b>	<b>34,934,508</b>	<b>24,673,972</b>	<b>11,911,499</b>	<b>9,605,295</b>	<b>71,164,357</b>	<b>62,559,768</b>	<b>16,665,260</b>	<b>15,220,142</b>	<b>1,632,584</b>	<b>1,924,686</b>	<b>136,308,208</b>	<b>113,983,863</b>

As noted earlier, Yap State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. As of the end of fiscal year 2023, Yap State’s governmental funds reported a combined fund balance of \$119 million, which represents a growth of \$19 million in comparison with fiscal year 2022. Of the total fund balance, \$110.1 million is non-spendable, restricted, committed, or assigned. These classifications indicate that the funds are not available for new spending because it is: 1) non-spendable because it is already committed to assets or is restricted by law or other stipulation (\$101.9 million); 2) restricted to liquidate contracts and purchase orders of the prior period (\$3.8 million); 3) restricted because the funds are already committed (\$1.4 million); and, 4) restricted and intended for a specific purpose (\$3.0 million). The unassigned combined fund balance is \$9.0 million.

The State’s governmental fund changes in fund balances for the years ended September 30, 2023, and 2022 are shown below:

# YAP STATE GOVERNMENT

## MANAGEMENT’S DISCUSSION AND ANALYSIS Year Ending September 30, 2023

	General Fund		Grant Fund		Investment Trust		Compact Trust		Other Funds		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
<b>Revenues:</b>												
Taxes & fishing fees	\$ 6,670,762	\$ 5,538,628	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 97,757	\$ 93,244	6,768,519	5,631,872
Compact			15,272,778	11,878,224							15,272,778	11,878,224
Others/Transfers In	3,023,398	(1,846,396)	219,232	3,548,967	8,604,589	(16,132,232)	1,445,118	(2,180,748)	2,344,433	2,740,561	15,636,770	(13,869,848)
<b>Total Revenue</b>	<b>9,694,160</b>	<b>3,692,232</b>	<b>15,492,010</b>	<b>15,427,191</b>	<b>8,604,589</b>	<b>(16,132,232)</b>	<b>1,445,118</b>	<b>(2,180,748)</b>	<b>2,442,190</b>	<b>2,833,805</b>	<b>37,678,067</b>	<b>3,640,248</b>
Expenditures/Transfers Out	8,308,510	7,129,086	15,740,306	14,039,217					2,412,962	2,962,013	26,461,778	24,130,316
Special items	(811,940)	(148,958)	-	-							(811,940)	(148,958)
<b>Net Change in Fund Balance</b>	<b>\$ 573,710</b>	<b>\$ (3,585,812)</b>	<b>\$ (248,296)</b>	<b>\$ 1,387,974</b>	<b>\$ 8,604,589</b>	<b>\$ (16,132,232)</b>	<b>\$ 1,445,118</b>	<b>\$ (2,180,748)</b>	<b>\$ 29,228</b>	<b>\$ (128,208)</b>	<b>10,404,349</b>	<b>(20,639,026)</b>

### GENERAL FUND BUDGETARY HIGHLIGHTS

Yap State budgetary report is impacted by the financial market’s performance. The market’s gains during the fiscal year resulted in a \$1.36 million net increase in market value which reversed the state’s economic downturn caused by the Pandemic. In fact, due to the positive changes in the stock market, the General Fund ended fiscal year 2023 with a net change in fund balance of \$573,710.

#### Foreign Assistance Grants Fund

The Compact Sector funds are the dominant source of operating grants during fiscal 2023. Activities in this fund was relatively stable during the year.

#### Yap State Investment Trust and Compact Trust Fund

Revenues for these funds are determined by the results of the State’s investments. Those results are primarily based on ups and downs in the U.S. Stock market, which is what transpired during fiscal year 2023 and 2022.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

Yap State’s investment in capital assets for the primary government as of September 30, 2023, amounted to \$120.3 million, net of accumulated depreciation of \$106.7 million, leaving a net book value of depreciable assets of \$13.6 million. Combine that with \$4.3 million in non-depreciable assets such as land and construction work in progress equal total net assets of \$17.9 million at September 30, 2023. This represents a net decrease of \$0.9M from fiscal year 2022. The table below summarizes Yap State’s capital assets:

## YAP STATE GOVERNMENT

### MANAGEMENT'S DISCUSSION AND ANALYSIS Year Ending September 30, 2023

	<b>2023</b>	<b>2022</b>	<b>Change</b>	<b>%</b>
Land	\$ 3,539,402	\$ 3,539,402	\$ -	0%
Buildings	6,656,744	6,870,504	(213,760)	-3%
Equipment	760,052	841,015	(80,963)	-10%
Heavy Equipment	204,625	276,071	(71,446)	-26%
Vehicles	508,504	322,484	186,020	58%
Vessels	821,231	1,027,611	(206,380)	-20%
Infrastructures	4,705,597	5,506,709	(801,112)	-15%
Construction work in progress	796,515	511,861	284,654	56%
	<b>\$ 17,992,670</b>	<b>\$ 18,895,657</b>	<b>\$ (902,987)</b>	<b>-0.05</b>

Additional information on Yap State's capital assets can be found in Note 5 to the financial statements.

#### Long-Term Debt

In fiscal year 2022, the Yap State Public Services Corporation (YSPSC), a discretely-presented component unit of the State of Yap, failed to remit to Yap State its August 2022 payment on its ADB Water Loan. In addition to the Water Loan, YSPSC also failed to make its scheduled payments on its two renewable energy loans from ADB in fiscal year 2023. Pursuant to the terms of the loan agreements, the FSM National Government deducted the YSPSC debt service payments from Yap's share of National taxes for fiscal year 2023. The course of events prompted a review of the accounting for the YSPSC loans with the resultant conclusion that the three YSPSC loans from ADB aggregating \$8.08M should be added to Yap State's Long-Term Debt Fund. This brings total long-term debts for the State of Yap to \$11.7 million for the year ended September 30, 2023.

Other long-term debt obligations of the Yap State primary government totaled \$4.37 million as of September 30, 2023. This debt is comprised of the current and non-current portions of the following ADB Loans: Early Retirement Program Loan, Private Sector Development Loan, Basic Social Services Loan and Omnibus Infrastructure Development Loan with all four adding to \$3.61 million, liability for compensated absences of \$512,782, and long-term payments due under land purchase agreements of \$249,608.

Additional information on Yap States long-term debt obligations can be found in note 7 to the financial statements.

# YAP STATE GOVERNMENT

## MANAGEMENT'S DISCUSSION AND ANALYSIS Year Ending September 30, 2023

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Fiscal year 2023 represents the last year of the 2<sup>nd</sup> Amended Compact Fiscal Procedures Agreement between the FSM and the United States. As with the rest of the FSM, Yap State had to address the financial constraints from the Amended Compact annual decrements, increased costs of providing basic public services, and lack of new revenue source. As other economic factors in the local economy remain relatively stagnant, Yap State's recourse was to identify budget items that could be reduced or eliminated through a long-term fiscal framework process.

Even with the 3<sup>rd</sup> Compact Fiscal Procedures Agreement signed and well underway, the Yap State management continues to maintain a cautious approach with respect to funding from Compact sector grants, currently comprising 48% of Yap State's revenues. The centralization of the implementation of the public infrastructure grants and maintenance grants, and other uncertainties concerning decisions made by the U.S. Department of Interior in its interpretation of the *Fiscal Procedures Agreement* --- continues to inform Yap State's prudent choices and conservative projections with respect to Compact sector funding in fiscal year 2023 and beyond.

Yap State Government continued its commitment to sound financial discipline by establishing a trust fund in the years prior. However, the consistent rise in inflationary costs combined with no expected new growth in the local economy mandates the state to begin considering revisions in financial policy and procedures so that its efforts to provide efficient and effective essential public services are not compromised in the near future.

### **COLLECTION OF YSPSC NOTES RECEIVABLE**

The lack of action taken by the State of Yap to define the nature of its General Fund monies to service the three ADB loans for the Yap State Public Services Corporation unduly complicated the accounting of the three loans and maximized the negative impact of the delinquency on the State's Net Position. Not only did the State spend \$724,340 on principal and interest payment on the three loans, but it also had to record \$870,817 allowance for bad debts for the related principal and interest receivable it had to record from YSPSC. YSPSC's default on its ADB loan payments continued for fiscal years 2024, 2025 and 2026.

The Office of Administrative Services will formally recommend to the State Leadership to develop a plan of action for the State and the YSPSC for the repayment of the principal and interest that the State has assumed on behalf of the YSPSC to mitigate its negative impact on the local economy, while at the same time, ensuring that the State gets some of its money back.

## **YAP STATE GOVERNMENT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS Year Ending September 30, 2023**

#### **CONTACTING YAP STATE'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors, a general overview of Yap State's finances to demonstrate its accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director, Office of Administrative Services, P.O. Box 610, Yap, FM 96943.

**STATE OF YAP**  
**FEDERATED STATES OF MICRONESIA**

Statement of Net Position  
September 30, 2023

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS:</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 2,094,173	\$ 26,001	\$ 2,120,174	\$ 733,120
Investments	84,160,709	-	84,160,709	1,378,766
Receivables, net of allowance for uncollectibles	8,482,324	21,270	8,503,594	942,189
Advances	134,651	-	134,651	-
Inventories	-	174,830	174,830	1,211,582
Other current assets	-	12,795	12,795	980,670
<b>Restricted assets:</b>				
Cash and cash equivalents	3,552,464	-	3,552,464	-
<b>Total current assets</b>	<b>98,424,321</b>	<b>234,896</b>	<b>98,659,217</b>	<b>5,246,327</b>
<b>Noncurrent assets:</b>				
<b>Restricted assets:</b>				
Investments	16,858,776	-	16,858,776	-
<b>Capital assets:</b>				
Construction work-in-progress	796,515	-	796,515	-
Nondepreciable capital assets	3,539,402	-	3,539,402	1,810,632
Capital assets, net of accumulated depreciation	13,656,753	59,292	13,716,045	15,520,943
Lease receivable	238,979	-	238,979	-
Right of use assets	-	-	-	285,323
YSPSC loan receivable	7,655,661	-	7,655,661	-
Other assets	3,965,192	-	3,965,192	2,379,736
<b>Total noncurrent assets</b>	<b>46,711,278</b>	<b>59,292</b>	<b>46,770,570</b>	<b>19,996,634</b>
<b>Total assets</b>	<b>\$ 145,135,599</b>	<b>\$ 294,188</b>	<b>\$ 145,429,787</b>	<b>\$ 25,242,961</b>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Current portion of long-term obligations	\$ 264,328	\$ -	\$ 264,328	\$ 1,635,592
Accounts payable	3,265,650	3,890	3,269,540	1,269,966
Current portion of compensated absences	344,625	-	344,625	-
Other liabilities and accruals	723,058	42,500	765,558	2,516,193
Unearned revenues	3,871,815	-	3,871,815	91,892
<b>Total current liabilities</b>	<b>8,469,476</b>	<b>46,390</b>	<b>8,515,866</b>	<b>5,513,643</b>
<b>Noncurrent liabilities:</b>				
Noncurrent portion of long-term obligations	11,429,139	-	11,429,139	8,594,280
Noncurrent portion of compensated absences	168,157	-	168,157	-
Lease liabilities	-	-	-	377,377
Deferred inflow of resources	191,445	-	191,445	-
Land acquisition claims payable	249,608	-	249,608	-
<b>Total noncurrent liabilities</b>	<b>12,038,349</b>	<b>-</b>	<b>12,038,349</b>	<b>8,971,657</b>
<b>Total liabilities</b>	<b>20,507,825</b>	<b>46,390</b>	<b>20,554,215</b>	<b>14,485,300</b>
<b>NET POSITION</b>				
Net investment in capital assets	17,992,670	59,292	18,051,962	8,467,683
<b>Restricted for:</b>				
<b>Nonexpendable:</b>				
Future operations	16,614,039	-	16,614,039	-
<b>Expendable:</b>				
Compact related	3,286,667	-	3,286,667	-
Debt service	193,516	-	193,516	-
Unrestricted	86,540,882	188,506	86,729,388	2,289,978
<b>Total net position</b>	<b>124,627,774</b>	<b>247,798</b>	<b>124,875,572</b>	<b>10,757,661</b>
<b>Total liabilities and net position</b>	<b>\$ 145,135,599</b>	<b>\$ 294,188</b>	<b>\$ 145,429,787</b>	<b>\$ 25,242,961</b>

See accompanying notes to financial statements.

**STATE OF YAP**  
**FEDERATED STATES OF MICRONESIA**  
Statement of Activities  
Year Ended September 30, 2023

	Program Revenues				Net (Expenses) Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component units
					Governmental Activities	Business-Type Activities	Total	
Functions/Programs								
Primary Government:								
Governmental activities:								
Judiciary	\$ 188,538	\$ -	\$ -	\$ -	\$ (188,538)	\$ -	\$ (188,538)	\$ -
General government	4,149,869	572,635	3,485,536	-	(91,698)	-	(91,698)	-
Economic development	638,427	-	82,209	-	(556,218)	-	(556,218)	-
Public safety	732,730	-	-	-	(732,730)	-	(732,730)	-
Community affairs	303,952	-	-	-	(303,952)	-	(303,952)	-
Education	7,142,348	-	6,497,643	-	(644,705)	-	(644,705)	-
Public works and transportation	3,104,796	657,184	869,643	-	(1,577,969)	-	(1,577,969)	-
Health services	6,295,302	-	6,254,050	-	(41,252)	-	(41,252)	-
Boards and commissions	344,645	-	43,596	-	(301,049)	-	(301,049)	-
Payments to components	1,566,235	-	-	-	(1,566,235)	-	(1,566,235)	-
Other appropriations	1,453,299	-	101,887	-	(1,351,412)	-	(1,351,412)	-
Interest expense	354,164	-	-	-	(354,164)	-	(354,164)	-
Total governmental activities	26,274,305	1,229,819	17,334,564	-	(7,709,922)	-	(7,709,922)	-
Business-type activities:								
Public Transportation System	503,309	358,310	-	-	-	(144,999)	(144,999)	-
Total primary government	\$ 26,777,614	\$ 1,588,129	\$ 17,334,564	\$ -	(7,709,922)	(144,999)	(7,854,921)	-
Component Units:								
Yap Visitor's Bureau	192,634	-	164,678	-	-	-	-	(27,956)
Yap State Public Service Corporation	6,362,710	5,956,231	-	1,995,820	-	-	-	1,589,341
The Diving Seagull, Inc.	3,580,937	966,604	-	-	-	-	-	(2,614,333)
Total component units	\$ 10,136,281	\$ 6,922,835	\$ 164,678	\$ 1,995,820	-	-	-	(1,052,948)
General revenues:								
Taxes:								
FSM revenue sharing:								
Gross revenue taxes					948,363	-	948,363	-
Import taxes					1,134,229	-	1,134,229	-
Income taxes					881,917	-	881,917	-
Other taxes					66,495	-	66,495	-
Fishing fee					1,323,251	-	1,323,251	-
State taxes					2,414,264	-	2,414,264	-
Unrestricted investment earning (loss)					1,365,484	-	1,365,484	(784,665)
Grant funds expended					-	-	-	145,214
Other					710,742	78,000	788,742	3,686,384
					8,844,745	78,000	8,922,745	3,046,933
Special items:								
Write-off of receivables and allowance for loan receivables					(811,940)	-	(811,940)	-
SDR adjustment of loan					(122,449)	-	(122,449)	-
Investment earnings - permanent funds					10,049,707	-	10,049,707	-
Total general revenues, special items and contributions					17,960,063	78,000	18,038,063	3,046,933
Change in net position					10,250,141	(66,999)	10,183,142	1,993,985
Net position at the beginning of the year					114,526,858	314,797	114,841,655	8,763,676
Adjustment of beginning balance - lease accounting					(9,072)	-	(9,072)	-
Adjustment of beginning balance - ADB loan recognition liability					(8,423,811)	-	(8,423,811)	-
Adjustment of beginning balance - ADB loan recognition YSPSC receivable					8,472,567	-	8,472,567	-
Adjustment of beginning balance - reclassify principal payment					(188,909)	-	(188,909)	-
Net position at the end of the year					\$ 124,627,774	\$ 247,798	\$ 124,875,572	\$ 10,757,661

See accompanying notes to financial statements.

**STATE OF YAP  
FEDERATED STATES OF MICRONESIA**

Balance Sheet  
Governmental Funds  
September 30, 2023

		<u>General</u>	<u>Special Revenue</u>	<u>Yap State Investment</u>	<u>Permanent Compact</u>	<u>Other Governmental</u>	<u>Total</u>
			<u>Foreign Assistance Grants</u>	<u>Trust</u>	<u>Trust</u>	<u>Funds</u>	
<b>ASSETS</b>							
Cash and cash equivalents	\$	1,611,415	\$ -	\$ -	\$ -	\$ 482,758	\$ 2,094,173
Investments		12,996,352	-	71,164,357	-	-	84,160,709
Receivables, net							
Federal agencies		-	244,807	-	-	-	244,807
FSM National Government		1,829,075	5,840,560	-	-	316,525	7,986,160
Other		490,336	-	-	-	-	490,336
Due from other funds		2,594,515	5,737,462	-	-	833,301	9,165,278
Advances		45,981	88,670	-	-	-	134,651
YSPSC loan receivable		7,655,661	-	-	-	-	7,655,661
Other assets		3,965,193	-	-	-	-	3,965,193
Restricted assets:							
Cash and cash equivalents		3,552,464	-	-	-	-	3,552,464
Investments		193,516	-	-	16,665,260	-	16,858,776
<b>Total assets</b>	<b>\$</b>	<b>34,934,508</b>	<b>\$ 11,911,499</b>	<b>\$ 71,164,357</b>	<b>\$ 16,665,260</b>	<b>\$ 1,632,584</b>	<b>\$ 136,308,208</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Accounts payable	\$	852,590	\$ 2,024,979	\$ -	\$ -	\$ 388,081	\$ 3,265,650
Other liabilities and accruals		364,146	358,913	-	-	-	723,059
Deferred inflow of resources		191,445	-	-	-	-	191,445
Unearned revenues		456	3,792,194	-	-	79,165	3,871,815
Due to other funds		6,665,311	2,448,746	-	51,221	-	9,165,278
<b>Total liabilities</b>		<b>8,073,948</b>	<b>8,624,832</b>	<b>-</b>	<b>51,221</b>	<b>467,246</b>	<b>17,217,247</b>
<b>Fund balances:</b>							
Non-spendable		14,120,457	-	71,164,357	16,614,039	-	101,898,853
Restricted		193,516	3,286,667	-	-	349,934	3,830,117
Committed		590,194	-	-	-	815,404	1,405,598
Assigned		2,959,454	-	-	-	-	2,959,454
Unassigned:							
General fund		8,996,939	-	-	-	-	8,996,939
<b>Total fund balances</b>		<b>26,860,560</b>	<b>3,286,667</b>	<b>71,164,357</b>	<b>16,614,039</b>	<b>1,165,338</b>	<b>119,090,961</b>
<b>Total liabilities and fund balances</b>	<b>\$</b>	<b>34,934,508</b>	<b>\$ 11,911,499</b>	<b>\$ 71,164,357</b>	<b>\$ 16,665,260</b>	<b>\$ 1,632,584</b>	<b>\$ 136,308,208</b>

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds

17,992,670

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:

Long-term debt payable	(11,693,467)
Compensated absences payable	(512,782)
Land acquisition claims payable	(249,608)

(12,455,857)

Net position of governmental activities

\$ 124,627,774

**STATE OF YAP**  
**FEDERATED STATES OF MICRONESIA**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
Year Ended September 30, 2023

	<u>General</u>	<u>Special Revenue Foreign Assistance Grants</u>	<u>Yap State Investment Trust</u>	<u>Permanent Compact Trust</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Revenues:</b>						
Compact funding	\$ -	\$ 11,951,837	\$ -	\$ -	\$ -	\$ 11,951,837
Net change in the fair value of investments	1,300,021	-	8,604,589	1,445,118	65,463	11,415,191
Federal contributions and other grants	-	3,150,765	-	-	-	3,150,765
FSM revenue sharing	4,354,255	-	-	-	-	4,354,255
State taxes	2,316,507	-	-	-	97,757	2,414,264
CFSM grants	-	170,176	-	-	2,061,786	2,231,962
Fees and charges	355,451	-	-	-	217,184	572,635
Department charges	657,184	-	-	-	-	657,184
Other	710,742	-	-	-	-	710,742
<b>Total revenues</b>	<b>9,694,160</b>	<b>15,272,778</b>	<b>8,604,589</b>	<b>1,445,118</b>	<b>2,442,190</b>	<b>37,458,835</b>
<b>Expenditures:</b>						
<b>Current:</b>						
Judiciary	188,538	-	-	-	-	188,538
Councils of traditional leaders	223,944	-	-	-	-	223,944
General government	1,499,448	324,800	-	-	2,315,205	4,139,453
Resources and development	537,356	82,209	-	-	-	619,565
Public safety	562,554	170,176	-	-	-	732,730
Community affairs	278,824	-	-	-	-	278,824
Education	293,776	6,497,643	-	-	-	6,791,419
Public works and transportation	1,551,917	869,643	-	-	-	2,421,560
Health services	224,047	6,254,050	-	-	-	6,478,097
Boards and commissions	287,244	43,596	-	-	-	330,840
Payments to component units	169,933	1,396,302	-	-	-	1,566,235
Other appropriations	1,086,118	101,887	-	-	97,757	1,285,762
Debt service	1,185,579	-	-	-	-	1,185,579
<b>Total expenditures</b>	<b>8,089,278</b>	<b>15,740,306</b>	<b>-</b>	<b>-</b>	<b>2,412,962</b>	<b>26,242,546</b>
Excess (deficiency) of revenues over (under ) expenditures	1,604,882	(467,528)	8,604,589	1,445,118	29,228	11,216,289
<b>Other financing uses:</b>						
Operating transfer in	-	219,232	-	-	-	219,232
Operating transfer out (IMF local match)	(219,232)	-	-	-	-	(219,232)
<b>Total other financing uses</b>	<b>(219,232)</b>	<b>219,232</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Special item:</b>						
Write-off of receivables and allowance for loan receivables	(811,940)	-	-	-	-	(811,940)
<b>Net change in fund balances</b>	<b>573,710</b>	<b>(248,296)</b>	<b>8,604,589</b>	<b>1,445,118</b>	<b>29,228</b>	<b>10,404,349</b>
Fund balances at the beginning of the year	17,859,680	3,534,963	62,559,768	15,168,921	1,136,110	100,259,442
Adjustment of beginning balance - lease accounting	(45,397)	-	-	-	-	(45,397)
Adjustment of beginning balance - ADB loan recognition YSPSC receiv	8,472,567	-	-	-	-	8,472,567
<b>Fund balances at the end of the year</b>	<b>\$ 26,860,560</b>	<b>\$ 3,286,667</b>	<b>\$ 71,164,357</b>	<b>\$ 16,614,039</b>	<b>\$ 1,165,338</b>	<b>\$ 119,090,961</b>

See accompanying notes to financial statements.

**STATE OF YAP  
FEDERATED STATES OF MICRONESIA**

Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
Year Ended September 30, 2023

Amounts reported for governmental activities in the statement of activities are different from changes in fund balances because:

Net change in fund balances - total governmental funds	\$	10,404,349
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$2,080,293) exceeded net capital outlays of \$1,178,942 in the current period.		(901,351)
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Financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. For the current year, these amounts consist of:

Repayment of ADB loans and SDR adjustment		708,966
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. For the current year, these activities consist of:

Net change in compensated absences payable		38,177
--	--	--------

Change in net position of governmental activities.		<u>10,250,141</u>
--	--	-------------------

\$ 10,250,141

**STATE OF YAP**  
**FEDERATED STATES OF MICRONESIA**

Statement of Net Position

Proprietary Fund

September 30, 2023

	<u>Public Transportation System</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 26,001
Receivables, net of allowance for uncollectibles	21,270
Inventories	174,830
Other current assets	<u>12,795</u>
Total current assets	234,896
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>59,292</u>
Total assets	<u><u>\$ 294,188</u></u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 3,890
Other liabilities and accruals	<u>42,500</u>
Total liabilities	<u>46,390</u>
<b>NET POSITION</b>	
Net investments in capital assets	59,292
Unrestricted	<u>188,506</u>
Total net position	<u>247,798</u>
Total liabilities and net position	<u><u>\$ 294,188</u></u>

See accompanying notes to financial statements.

**STATE OF YAP**  
**FEDERATED STATES OF MICRONESIA**  
Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Fund  
Year Ended September 30, 2023

	<u>Public Transportation System</u>
Operating revenues:	
Charges for services	\$ 132,413
Sales	218,536
Other	<u>7,361</u>
Total operating revenues	<u>358,310</u>
Operating expenses:	
Cost of services	100,555
Administration costs	318,743
Depreciation and amortization	<u>84,011</u>
Total operating expenses	<u>503,309</u>
Loss from operations	(144,999)
Nonoperating revenues:	
Operating subsidy from primary government	<u>78,000</u>
Total nonoperating revenues	<u>78,000</u>
Change in net position	(66,999)
Net position at the beginning of the year	<u>314,797</u>
Net position at the end of the year	<u><u>\$ 247,798</u></u>

See accompanying notes to financial statements.

**STATE OF YAP**  
**FEDERATED STATES OF MICRONESIA**

Statement of Cash Flows  
Proprietary Fund  
Year Ended September 30, 2023

	<u>Public Transportation System</u>
Cash flows from operating activities:	
Cash received from customers	\$ 354,185
Cash payments to employees	(258,406)
Cash payments to suppliers	<u>(174,433)</u>
Net cash used in operating activities	<u>(78,654)</u>
Cash flows from noncapital financing activities:	
Contributions from the primary government	<u>78,000</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	<u>(1,719)</u>
Net cash used in capital and related financing activities	<u>(1,719)</u>
Net change in cash and cash equivalents	(2,373)
Cash and cash equivalents at the beginning of the year	<u>28,374</u>
Cash and cash equivalents at the end of the year	<u>\$ 26,001</u>
Reconciliation of loss from operations to net cash used in operating activities:	
Loss from operations	\$ (144,999)
Adjustments to reconcile loss from operations to net cash used in operating activities:	
Depreciation expense	84,011
Changes in assets and liabilities:	
Other current assets	(21,226)
Receivables	120
Inventories	4,509
Accounts payable	(6,607)
Other liabilities and accruals	<u>5,538</u>
Net cash used in operating activities	<u>\$ (78,654)</u>

See accompanying notes to financial statements.

**STATE OF YAP  
FEDERATED STATES OF MICRONESIA**

Combining Statement of Net Position

Component Units

September 30, 2023

	Yap Visitor's <u>Bureau</u>	Yap State Public Service <u>Corporation</u>	The Diving Seagull, Inc.	<u>Total</u>
<b><u>ASSETS</u></b>				
Current assets:				
Cash and cash equivalents	\$ 152,232	\$ 463,563	\$ 117,325	\$ 733,120
Investments	-	365,021	1,013,745	1,378,766
Receivables, net:				
General	-	931,273	10,916	942,189
Inventories	-	1,197,447	14,135	1,211,582
Other current assets	-	453,486	527,184	980,670
Total current assets	<u>152,232</u>	<u>3,410,790</u>	<u>1,683,305</u>	<u>5,246,327</u>
Noncurrent assets:				
Capital assets:				
Nondepreciable capital assets	-	1,810,632	-	1,810,632
Capital assets, net of accumulated depreciation	2,957	15,490,460	27,526	15,520,943
Right of use asset	-	285,323	-	285,323
Other assets	-	499,829	1,879,907	2,379,736
Total noncurrent assets	<u>2,957</u>	<u>18,086,244</u>	<u>1,907,433</u>	<u>19,996,634</u>
Total assets	<u>\$ 155,189</u>	<u>\$ 21,497,034</u>	<u>\$ 3,590,738</u>	<u>\$ 25,242,961</u>
<b><u>LIABILITIES</u></b>				
Current liabilities:				
Current portion of long-term debt	\$ -	\$ 1,275,899	\$ 359,693	\$ 1,635,592
Accounts payable	-	434,427	835,539	1,269,966
Unearned revenues	-	91,892	-	91,892
Other liabilities and accruals	7,803	770,939	1,737,451	2,516,193
Total current liabilities	7,803	2,573,157	2,932,683	5,513,643
Noncurrent liabilities:				
Lease liability, noncurrent	-	377,377	-	377,377
Noncurrent portion of long-term debt	-	7,587,993	1,006,287	8,594,280
Total noncurrent liabilities	<u>-</u>	<u>7,965,370</u>	<u>1,006,287</u>	<u>8,971,657</u>
Total liabilities	<u>7,803</u>	<u>10,538,527</u>	<u>3,938,970</u>	<u>14,485,300</u>
<b><u>NET POSITION</u></b>				
Net investment in capital assets	2,957	8,437,200	27,526	8,467,683
Unrestricted	144,429	2,521,307	(375,758)	2,289,978
Total net position	<u>147,386</u>	<u>10,958,507</u>	<u>(348,232)</u>	<u>10,757,661</u>
Total liabilities and net position	<u>\$ 155,189</u>	<u>\$ 21,497,034</u>	<u>\$ 3,590,738</u>	<u>\$ 25,242,961</u>

See accompanying notes to financial statements.

**STATE OF YAP**  
**FEDERATED STATES OF MICRONESIA**  
Combining Statement of Revenues, Expenses, and Changes in Net Position  
Component Units  
Year Ended September 30, 2023

	Yap Visitor's Bureau	Yap State Public Service Corporation	The Diving Seagull, Inc.	Total
Operating revenues:				
Charges for services	\$ -	\$ 5,956,231	\$ -	\$ 5,956,231
Sales	-	-	966,604	966,604
<b>Total operating revenues</b>	<b>-</b>	<b>5,956,231</b>	<b>966,604</b>	<b>6,922,835</b>
Operating expenses:				
Cost of service	-	3,790,326	3,379,276	7,169,602
Administration costs	187,804	1,332,317	190,782	1,710,903
Depreciation and amortization	4,830	1,240,067	10,879	1,255,776
<b>Total operating expenses</b>	<b>192,634</b>	<b>6,362,710</b>	<b>3,580,937</b>	<b>10,136,281</b>
<b>Operating loss</b>	<b>(192,634)</b>	<b>(406,479)</b>	<b>(2,614,333)</b>	<b>(3,213,446)</b>
Nonoperating revenues (expenses):				
Contributions from the primary government	120,775	-	-	120,775
Contributions from FSM National Government	43,903	-	-	43,903
Insurance recovery proceeds	-	-	5,629,200	5,629,200
Gain (loss) on disposal of assets	-	-	(1,876,815)	(1,876,815)
Inventory loss	-	-	(68,130)	(68,130)
Interest income	-	1,748	-	1,748
Interest expense	-	(508,801)	(262,521)	(771,322)
Grant and subsidies	-	406,169	-	406,169
Grant expense	-	(260,955)	-	(260,955)
Gain (loss) on investment	-	-	120,734	120,734
Foreign exchange loss, net	-	(135,825)	-	(135,825)
Other	2,129	-	-	2,129
<b>Total nonoperating revenues (expenses), net</b>	<b>166,807</b>	<b>(497,664)</b>	<b>3,542,468</b>	<b>3,211,611</b>
Capital contributions	-	1,995,820	-	1,995,820
<b>Change in net position</b>	<b>(25,827)</b>	<b>1,091,677</b>	<b>928,135</b>	<b>1,993,985</b>
Net position at the beginning of the year	173,213	9,866,830	(1,276,367)	8,763,676
<b>Net position at the end of the year</b>	<b>\$ 147,386</b>	<b>\$ 10,958,507</b>	<b>\$ (348,232)</b>	<b>\$ 10,757,661</b>

See accompanying notes to financial statements.

**STATE OF YAP**  
**FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements  
September 30, 2023

(1) Summary of Significant Accounting Policies

The State of Yap (the State) was constituted on December 24, 1982, under the provisions of the Yap State Constitution (the Constitution) as approved by the people of Yap. The Constitution provides for the separation of powers of the executive, legislative, and judicial branches of the government.

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

A. Reporting Entity

The State is one of the four states that make up the Federated States of Micronesia (FSM), along with the states of Chuuk, Kosrae and Pohnpei. The State is a constitutional government comprising three branches: the Legislative Branch, consisting of 10 members elected for a term of four years by qualified voters of their respective election districts; the Executive Branch, headed by the Governor and Lt. Governor who are primarily responsible for executing the laws and administering state government services; and the Judiciary Branch made up of the State Supreme Court, which consists of a Chief Justice and two Associate Justices, and other courts that may be created by law. The State also has traditional leaders that serve in the Council of Pilung and the Council of Tamol that advise the State on matters concerning customary law and traditional practice.

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

**STATE OF YAP  
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements  
September 30, 2023

(1) Summary of Significant Accounting Policies, continued

A. Reporting Entity, continued

Each blended and discretely presented component unit of the State has a September 30 year end.

Once financial accountability has been determined for a potential component unit, that component unit is either blended into the primary government or discretely presented from the primary government. Potential component units that do not meet the financial accountability criteria, but where a voting majority of the governing board is appointed by the State, are deemed to be related organizations. The nature and relationship of the State's component units and related organizations are disclosed in the following section.

Blended component units are entities that are legally separate from the State, but are so related to the State that they are, in substance, the same as the State or entities providing services entirely or almost entirely to the State. The net position and results of operations of the following legally separate entities are presented as part of the State's operations:

**Proprietary Fund:**

**Public Transportation System (PTS):** PTS was created by Yap State Law (YSL) No. 1-170 and is responsible for the provision of reliable and inexpensive transportation for those people living outside of the Colonia area. PTS is governed by a five-member Board of Directors appointed by the Governor subject to the advice and consent of the Legislature. The State provides financial support to PTS through legislative appropriations.

**Discretely Presented Component Units:**

Discretely presented component units are entities which are legally separate from the State, but are financially accountable to the State, or whose relationships with the State are such that exclusion would cause the State's basic financial statements to be misleading or incomplete. The component units' column of the basic financial statements includes the financial data of the following major component units:

**Yap Visitor's Bureau (YVB):** YVB was created by YSL No. 4-25 and is responsible for the promotion of Yap as a tourist destination. YVB is governed by a seven-member Board of Directors, of which five members are appointed by the Governor subject to the advice and consent of the Legislature, one member is appointed by the Speaker of the Legislature, and one member is elected by the six appointed members. The State provides financial support to YVB through legislative appropriations.

**STATE OF YAP  
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements  
September 30, 2023

(1) Summary of Significant Accounting Policies, continued

A. Reporting Entity, continued

Yap State Public Service Corporation (YSPSC): YSPSC was created by YSL No. 4-4 and is responsible for the delivery of electricity, water and sewer in the State. YSPSC is governed by a seven-member Board of Directors appointed by the Governor subject to the advice and consent of the Legislature. The State provides financial support to YSPSC through legislative appropriations.

The Diving Seagull, Inc. (DSI): DSI was incorporated in the State on March 17, 1997 and was organized primarily to pursue fishing and other fishing related activities by operating fishing vessels, marketing and selling fish, and developing cold storage and/or transshipment facilities. DSI is governed by a five-member Board of Directors. The State has the ability to impose its will on DSI.

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

P.O. Box 927  
Colonia, Yap, FSM 96943

Omitted Component Units:

The following component units have been omitted from the financial statements due to the lack of available financial information:

Gagil-Tomil Water Authority (GTWA): GTWA was created by YSL No. 1-183 and is responsible for the provision of services in the operation and maintenance of the Gagil-Tomil Water System. GTWA is governed by a nine-member Board of Directors, four of which are appointed by the Gagil member of the Council of Pilung, four appointed by the Tomil member of the Council of Pilung, and one appointed by the Governor. The financial activities of this omitted component unit are not considered material to the component units' column reporting unit.

**STATE OF YAP  
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements  
September 30, 2023

(1) Summary of Significant Accounting Policies, continued

A. Reporting Entity, continued

Southern Yap Water Authority (SYWA): SYWA was created by YSL No. 1-221 and is responsible for the operation and maintenance of the Southern Yap Water System. SYWA is governed by a six-member Board of Directors, of which one is appointed by the Governor, two members who are appointed by the Municipal Chief of Rull on the Council of Pilung, one of whom shall be from either Lamer or Luwech Villages, and three members who are appointed by the municipal chiefs of Gilman, Kanifay, and Dalipebinaw on the Council of Pilung. The financial activities of this omitted component unit are not considered material to the component units' column reporting unit.

Yap Fishing Authority (YFA): YFA was created by Yap District Law (YDL) No. 6-13 and is responsible for the promotion, development, and supporting of commercial utilization of living marine resources within the State. YFA is governed by a five-member Board of Directors appointed by the Governor subject to the advice and consent of the Legislature. The financial activities of this omitted component unit are considered material to the component units' column reporting unit.

Yap Sports Council (YSC): YSC was created by YSL No. 4-65 and is responsible for promoting and encouraging sports participation at all levels of society. YSC is governed by an eleven-member Board of Directors, of which three members are appointed by the Governor subject to the advice and consent of the Legislature, two members are appointed by the Speaker of the Legislature, two members are appointed by the Council of Pilung, two members are appointed by the Council of Tamol, and two members are appointed by the Congress of the FSM National Government. The financial activities of this omitted component unit are not considered material to the component units' column reporting unit.

B. Government-Wide Financial Statements

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

**STATE OF YAP  
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements  
September 30, 2023

(1) Summary of Significant Accounting Policies, continued

B. Government-Wide Financial Statements, continued

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

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

- *Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets.
- *Restricted net position - nonexpendable* consists of permanent funds in which donors or other outside sources have stipulated that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income, which may either be expended or added to the principal.
- *Restricted net position - expendable* consists of resources in which the State is legally or contractually obligated to spend resources in accordance with restrictions either externally imposed by creditors, grantors, contributors, and the like, or imposed by law.
- *Unrestricted net position* consists of net position which does not meet the definition of the three preceding categories. Unrestricted net position often is designated (for example, internally restricted), to indicate that management does not consider such to be available for general operations.

The government-wide Statement of Net Position reports \$16,614,039 of restricted net position.

**STATE OF YAP  
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements  
September 30, 2023

(1) Summary of Significant Accounting Policies, continued

B. Government-Wide Financial Statements, continued

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

C. Fund Financial Statements

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

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

D. Measurement Focus and Basis of Accounting

Government-wide Financial Statements:

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

Amounts reported as program revenue include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions.

**STATE OF YAP  
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements  
September 30, 2023

(1) Summary of Significant Accounting Policies, continued

D. Measurement Focus and Basis of Accounting, continued

Internally dedicated resources are reported as general revenues rather than as program revenues. General revenue is derived from taxation, investment income and other fees that are not allocated to specific programs.

Governmental Fund Financial Statements:

Governmental fund financial statements account for the general governmental activities of the State and are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual; generally, when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

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

Component Unit Financial Statements:

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

**STATE OF YAP**  
**FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements  
September 30, 2023

(1) Summary of Significant Accounting Policies, continued

D. Measurement Focus and Basis of Accounting, continued

Fund Accounting:

GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*, as amended by GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments: Omnibus*, sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses for either fund category or the governmental and enterprise combined) for the determination of major funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The nonmajor funds are combined in a column in the fund financial statements and detailed in the combining statements. The State reports the following major funds:

General Fund - this fund is the primary operating fund of the State. It is used to account for all governmental transactions, except those required to be accounted for in another fund.

Foreign Assistance Fund - a Special Revenue Fund that accounts for funds received under sector grants pursuant to the amended Compact of Free Association; all financial transactions of federally assisted funds, which are subgranted to the State, as well as other direct federal grants that the State received from the United States government, and foreign assistance grants.

Yap State Investment Trust Fund - a Permanent Fund that accounts for certain invested funds established by YSL 7-17 to provide for future State needs. All earnings of the Fund accrue to the fund.

Compact Trust Fund - a Permanent Fund that accounts for the State's contributions to the Trust Fund established in accordance with Section 215 of the Compact of Free Association, as amended, to provide for an additional source of revenue for the government budget that will be needed to substitute for the absence of Compact of Free Association funding.

**STATE OF YAP**  
**FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements  
September 30, 2023

(1) Summary of Significant Accounting Policies, continued

E. Cash and Cash Equivalents and Time Certificates of Deposit

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

F. Investments

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

The State also participates in two external investment pools – the Trust Fund for the People of the Federated States of Micronesia and the Federated States of Micronesia Early Retirement Program. Investments in external investment pools are recorded at fair value. The State cannot directly access individual investments in external investment pools.

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

**STATE OF YAP  
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Notes to Financial Statements  
September 30, 2023

(1) Summary of Significant Accounting Policies, continued

G. Receivables

In general, tax revenue is recognized on the government-wide statements when assessed or levied and on the governmental fund financial statements to the extent that it is both measurable and available. Receivables are stated net of estimated allowances for uncollectible accounts.

Federal receivables include those funds which are earned, primarily from FSM National Government administered federal grants, which have yet to be reimbursed by the applicable grantor.

Receivables of the primary government and the discretely presented component units are primarily due from businesses and individuals residing in the State. The State establishes an allowance for doubtful accounts receivable based on the credit risk of specific customers, historical trends and other information.

H. Prepaid Items

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

I. Interfund Receivables/Payables

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

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

J. Inventories

Inventories of the discretely presented component units are determined by physical count and are valued at the lower of cost (first-in first-out (FIFO) method) or net realizable value.

**STATE OF YAP  
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Notes to Financial Statements  
September 30, 2023

(1) Summary of Significant Accounting Policies, continued

**K. Restricted Assets**

Certain assets of the primary government are classified as restricted assets because their use is completely restricted through loan agreements or enabling legislation. Specifically, the State has collateralized Asian Development Bank loan proceeds and earnings for the Yap State Early Retirement Scheme with investments recorded in the General Fund of \$193,516. Furthermore, investments recorded in the Yap State Investment Trust Fund of \$71,164,357 are restricted pursuant to YSL 7-17, and investments recorded in the Compact Trust Fund of \$16,665,260 are restricted in that they are not available to be used for current operations.

As of September 30, 2023, cash and cash equivalents of the primary government and component units were restricted for the following uses:

Savings accounts established in accordance with section 211(d)(2) of the Compact of Free Association, as amended for the purpose of funding the State's infrastructure maintenance plan	\$ 2,216,449
Deposit accounts established for the purpose of receiving payments pursuant to the Compact of Free Association, as amended	<u>1,336,015</u>
	<u>\$ 3,552,464</u>

**L. Other Assets**

The State holds approximately 14.4% of the outstanding shares of Pacific Islands Development Bank (PIDB) with a carrying amount of \$3,965,193. This equity interest does not meet the definition of an investment as the asset is held primarily for economic development and is presented as other assets in the accompanying financial statements. Additionally, PIDB holds \$3,000,000 for the Yap State's loan program.

**M. Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, docks, water and sewer lines, water catchments, and other similar items), are reported in the governmental activity column of the government-wide financial statements. Capital assets, whether purchased or constructed, are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

**STATE OF YAP  
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Notes to Financial Statements  
September 30, 2023

(1) Summary of Significant Accounting Policies, continued

M. Capital Assets, continued

Machinery and equipment, other than vehicles and boats, are capitalized when the cost of individual items exceed \$50,000. Vehicles and boats, along with significant repair and maintenance qualifying as a betterment of such, are capitalized regardless of cost and are depreciated. Buildings and infrastructure projects, along with significant improvements or reconstruction qualifying as a betterment of such, are capitalized when the cost of individual items or projects exceed \$100,000. The costs of normal maintenance and repairs that do not add to the value of the capital asset or materially extend capital asset lives are not capitalized.

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

Building	40-50 years
Infrastructure	25-50 years
Facilities	3-40 years
Machinery and Equipment	3-25 years
Furniture and Fixtures	3-10 years

N. Right-to-Use Assets

Right-to-use (RTU) assets are recognized at the lease commencement date and represent the State's right to use an underlying asset for the lease term. RTU assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement and initial direct costs. Options to renew or terminate the lease are recognized as part of RTU assets and lease liabilities when it is reasonably certain the options will be exercised.

O. Deferred Outflows of Resources

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

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Notes to Financial Statements  
September 30, 2023

(1) Summary of Significant Accounting Policies, continued

P. Unearned Revenues

In the government-wide financial statements, unearned revenues are recognized when cash, receivables or other assets are recorded prior to being earned. In the governmental fund financial statements, unearned revenues represent monies received or revenues accrued which have not been earned or do not meet the “available” criterion for revenue recognition under the modified accrual basis of accounting. There is unearned revenue in the governmental fund types, since federal funds are usually received in advance of eligible expenditures.

Q. Compensated Absences

It is the government’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Annual leave accumulates at the rate of one working day per bi-weekly pay period.

R. Deferred Inflows of Resources

As part of the implementation of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, Yap State Government, as the lessor, recognizes a deferred inflow of resources related to lease agreements. The standard requires the recognition of deferred inflows of resources when leases are entered into, which reflects the future benefits that the government will receive from the use of its resources by lessees over the lease terms. The significant lease agreements for which deferred inflow of resources have been recognized include, MLSC Lease, PMA Lease, WTC Lease, Other leases.

As of the end of the fiscal year, the total amount of deferred inflow of resources related to these lease agreements is \$191,445. This deferred inflow represents the present value of lease payments to be received by Yap State Government over the remaining terms of these lease agreements. In subsequent periods, the deferred inflow of resources will be recognized as revenue in a systematic and rational manner over the term of the respective leases.

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September 30, 2023

(1) Summary of Significant Accounting Policies, continued

S. Fund Balance

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

- Non-spendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority which is the Yap State Legislature and Governor of Yap. Formal action required to establish a committed fund balance typically includes the passage of a resolution or ordinance by the Legislature and approved by the Governor. Once committed, these funds cannot be used for any other purpose unless the same formal action is taken to modify or rescind the commitment.
- Assigned - Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. The authority to assign amounts to specific purposes lies with a designated body or official, such as the Governor or a designated finance officer, under policies established by the Legislature. This policy grants the authority to assign funds for intended purposes and provides guidance on how amounts are to be assigned.
- Unassigned - includes amounts that are available for any purpose in the General Fund. This classification is only used for the General Fund or for negative fund balances in other governmental funds when expenditures incurred for specific purposes exceed the amounts that are available within those funds.

The State has a general policy to first use restricted resources for expenditures incurred for which both restricted and unrestricted (committed, assigned, and unassigned) resources are available. When expenditures are incurred for which only unrestricted resources are available, the general policy of the State is to use committed resources first, followed by assigned, and then unassigned. The use of restricted/committed resources may be deferred based on a review of the specific transaction. A formal minimum fund balance policy has not been adopted.

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Notes to Financial Statements  
September 30, 2023

(1) Summary of Significant Accounting Policies, continued

T. Risk Financing

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

U. Recently Adopted Accounting Pronouncements

In 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postpones the effective dates of GASB Statement Nos. 84, 89, 90, 91, 92 and 93 by one year and GASB Statement No. 87 by 18 months; however, earlier application of the provisions addressed in GASB Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued. In accordance with GASB Statement No. 95, management has elected to postpone implementation of most of these statements.

**During the year ended September 30, 2023, Yap State Government implemented the following pronouncements:**

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. This guidance was effective upon issuance and implementation did not have a material effect on the accompanying financial statements.

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(1) Summary of Significant Accounting Policies, continued

U. Recently Adopted Accounting Pronouncements

In March 2020, 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.

This guidance was effective upon issuance and management believes that implementation did not have a material effect on the accompanying financial statements.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides 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 a SBITA results 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. Management does not believe that this Statement, upon implementation, will have a material effect on the financial statements. This guidance was effective upon issuance and implementation did not have a material effect on the accompanying financial statements.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. This Statement contains certain guidance whose effective dates are in future periods, and certain guidance that was effective for the year ended September 30, 2023. The following provisions of Statement No. 99 were implemented during the year ended September 30, 2023:

- 3) Provides clarification of provisions in GASB Statement No. 87 related to the determination of the lease term, 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 effective for the fiscal year ending September 30, 2023.
- 4) Provides clarification of 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. This guidance was effective upon issuance and implementation did not have a material effect on the accompanying financial statements.

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Notes to Financial Statements  
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(1) Summary of Significant Accounting Policies, continued

U. Recently Adopted Accounting Pronouncements

- (5) Provides clarification of 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. This guidance was effective upon issuance and implementation did not have a material effect on the accompanying financial statements.
- (6) Modifies accounting and reporting guidance in GASB Statement No. 53 related to termination of hedges. This guidance was effective upon issuance and implementation did not have a material effect on the accompanying financial statements.

Management does not believe that the implementation of the above sections of GASB Statement No. 99 had a material impact on the financial statements.

V. New Accounting Standards

The following sections of GASB Statement No. 99 will be effective in future fiscal years:

- (1) Modifies guidance in GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, to bring all guarantees under the same financial reporting requirements and disclosures effective for the fiscal year ending September 30, 2024.
- (2) Provides guidance on classification and reporting of derivative instruments within the scope of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective for the fiscal year ending September 30, 2024.

Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements

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Notes to Financial Statements  
September 30, 2023

(1) Summary of Significant Accounting Policies, continued

V. New Accounting Standards, continued

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62*. This Statement enhances accounting and financial reporting requirements for accounting changes and error corrections and requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. Requirements applicable to changes in accounting principles apply to the implementation of a new pronouncement if there is no specific transition guidance in the new pronouncement. The Statement also requires that aggregate amounts of adjustments to, and restatements of, beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. This Statement will be effective for the fiscal year ending September 30, 2024.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The primary objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences.

This Statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid, provided the services have occurred, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. Leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 101 will be effective for the fiscal year ending September 30, 2025.

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Notes to Financial Statements  
September 30, 2023

(1) Summary of Significant Accounting Policies, continued

V. New Accounting Standards, continued

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints.

This Statement defines a *concentration* as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A *constraint* is a limitation imposed on a government by an external party or by formal action of the government's 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, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged. Management is evaluating whether the implementation of this statement will have a material effect on the financial statements.

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Notes to Financial Statements  
September 30, 2023

(1) Summary of Significant Accounting Policies, continued

V. New Accounting Standards, continued

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

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

Management is currently evaluating the effects the above upcoming accounting pronouncements might have on its financial statements.

**STATE OF YAP**  
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Notes to Financial Statements  
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(1) Summary of Significant Accounting Policies, continued

V. Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and deferred outflows of resources, liabilities and deferred inflows of resources, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

W. Total Columns

Total columns are presented primarily to facilitate financial analysis. The Management's Discussion and Analysis includes certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a full comparative presentation. Accordingly, such information should be read in conjunction with the State's financial statements for the year ended September 30, 2023, from which summarized information was derived.

(2) Deposits and Investments

The deposit and investment policies of the State are governed by Title 13 of the Yap State Code. The Treasurer is responsible for ensuring that deposits of the General Fund are maintained in commercial checking or savings accounts of any financial institution whose assets are at least \$1 billion and whose deposits are subject to Federal Deposit Insurance Corporation (FDIC) coverage. The Governor is responsible for the investment of any monies of the State that are deemed not necessary for immediate use.

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Notes to Financial Statements  
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(2) Deposits and Investments, continued

The Federated Development Authority, an entity comprising the FSM National Government and its four component states, has selected investment managers who are given authority to buy and sell securities. These investment managers may invest in stocks, bonds and cash equivalents, for which minimum standards of quality of such investments at the time of purchase shall be as follows:

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

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

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

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the State'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 State does not have a deposit policy for custodial credit risk.

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Notes to Financial Statements  
September 30, 2023

(2) Deposits and Investments, continued

As of September 30, 2023, the carrying amount of the primary government's governmental activities total cash and cash equivalents was \$5,646,636 and the corresponding bank balance was \$5,923,106 which is maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2023, bank deposits in the amount of \$277,076 were FDIC insured. The State 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.

As of September 30, 2023, the carrying amount of the primary government's business-type activities total cash and cash equivalents was \$26,001. There were no significant differences between cash balances and bank balances. As of September 30, 2023, all cash is maintained in one financial institution subject to FDIC coverage and is fully FDIC insured.

As of September 30, 2023, the carrying amount of the discretely presented component units' total cash and cash equivalents and time certificates of deposit was \$733,120 and the corresponding bank balances were \$729,971, which were maintained in financial institutions subject to FDIC coverage. As of September 30, 2023, bank deposits in the amount of \$517,684 were FDIC insured. The component units do not require collateralization of their cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Therefore, these deposits are exposed to custodial credit risk.

**B. Investments**

The State has invested its excess Compact Funds in a pooled investment fund which is managed under the control of the Federated Development Authority. The State has also invested its excess Compact Funds in the Yap State Investment Trust Fund, which was established to more appropriately account for its investments. The Legislature believes that the State may become more financially independent by placing its invested funds in a Trust account. Investment income originating from the pool accrues to the General Fund.

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FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements  
September 30, 2023

(2) Deposits and Investments, continued

B. Investments, continued

Primary Government

As of September 30, 2023, the State's investments are as follows:

<u>General fund</u>	
Fixed income	\$ 10,496,749
Domestic equity	2,499,603
Private equity	<u>193,516</u>
	\$ <u>13,189,868</u>

The State's General Fund includes an investment of \$10,496,749 in an external investment pool; Federated States of Micronesia – Early Retirement Program Trust Fund.

The purpose of the Early Retirement Program Trust Fund is to have monies in an investment account whereby withdrawals can be made to repay amounts owed to the Asian Development Bank.

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

Yap State Investment Fund:

Fixed income	\$ 24,312,787
Common equities	45,813,085
Money market funds	<u>1,034,485</u>
	\$ <u>71,164,357</u>

Compact Trust Fund:

Common trust fund:	
Domestic equities	\$ 3,662,087
International equities	1,517,952
Global equities	3,403,747
Private equities	2,161,039
Fixed income	3,340,376
Hedge fund	912,433
Real estate	1,665,922
Money market funds	<u>1,704</u>
	\$ <u>16,665,260</u>

**STATE OF YAP  
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Notes to Financial Statements  
September 30, 2023

(2) Deposits and Investments, continued

B. Investments, continued

Primary Government, continued

The State's Compact Trust Fund includes an investment in an external investment pool; Trust Fund for the People of the Federated States of Micronesia. The purpose of the Fund is to contribute to the economic advancement and long-term self-reliance of the FSM by providing an annual source of revenue after fiscal year 2023.

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

The fair value of the position in external investment pools are the same as the value of the pool shares as provided by the pool sponsors.

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

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, the State will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The State's investments are held and administered by trustees. Based on negotiated trust and custody contracts, all of these investments were held in the State's name by the State's custodial financial institutions at September 30, 2023.

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. GASB Statement No. 40 requires disclosure by issuer and amount of investments in any one issuer that represents five percent (5%) or more of total investments for the State. As of September 30, 2023, the State did not have any investments in a single issuer that represented 5% or more of the investments of the State.

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

The State owns 100,000 shares of the outstanding common stock of the Bank of the Federated States of Micronesia, which engages in commercial banking services in the FSM. This equity investment is stated at the net asset value (NAV).

**STATE OF YAP  
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements  
September 30, 2023

(2) Deposits and Investments, continued

B. Investments, continued

Primary Government, continued

The NAV is used as a practical expedient to estimate fair value. The NAV is determined based on the total shareholders' equity reported by the investee.

The State has the following recurring fair value measurements as of September 30, 2023:

General Fund:		Fair Value Measurement Using		
	Total	Level 1	Level 2	Level 3
Investments in an external investment pool by fair value level	\$ 10,496,749	-	10,496,749	-
Private securities	193,516	-	-	193,516
Total investment at fair value	\$ 10,690,265	\$ -	\$ 10,496,749	\$ 193,516
Investments measured at NAV:				
Equity investment in the Bank of the FSM (14.7% ownership)	2,499,603			
Investments measured at amortized cost:	\$ 13,189,868			

Yap State Government Trust Fund:		Fair Value Measurements Using		
	Total	Level 1	Level 2	Level 3
Investment by fair value level:				
Fixed income	\$ 24,312,787	\$ 24,312,787	\$ -	\$ -
Common equities	45,813,085	45,813,085	-	-
International equities	-	-	-	-
Total investment at fair value	70,125,872	\$ 70,125,872	\$ -	\$ -
Investments measured at NAV:				
Investment measured amortized cost:				
Cash management account	1,038,485			
	\$ 71,164,357			

**STATE OF YAP  
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements  
September 30, 2023

(2) Deposits and Investments, continued

B. Investments, continued

Primary Government, continued

Compact Trust Fund:	<u>Fair Value Measurements Using</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investment by fair value level:				
Domestic equity	\$ 3,662,087	3,662,087	-	-
International equity	1,517,952	1,517,952	-	-
Global equity	3,403,747	3,403,747	-	-
Private equity	2,161,039	-	-	2,161,039
Fixed income	<u>3,340,376</u>	<u>3,340,376</u>	<u>-</u>	<u>-</u>
Total investments at fair value	14,085,201	<u>11,924,163</u>	<u>-</u>	<u>2,161,039</u>
Investments measured at NAV:				
Hedge fund	912,433			
Real estate	1,665,922			
Investments measured at amortized cost:				
Money market funds	<u>1,704</u>			
	<u>\$ 16,665,260</u>			

As of September 30, 2023, the State's fixed income securities, including their Moody's Investors Service credit ratings, had the following maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>				<u>Fair Value</u>
		<u>Less Than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>Over 10</u>	
U.S. Treasury securities	\$12,132,317	1,119,882	2,883,790	6,500,091	1,628,554	12,132,317
Corporate Bonds	6,923,379	543,879	2,972,539	3,406,961	-	6,923,379
Asset Backed Securities/Mortgages	<u>5,257,091</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,257,091</u>	<u>5,257,091</u>
	<u>\$24,312,787</u>	<u>1,663,761</u>	<u>5,856,329</u>	<u>9,907,052</u>	<u>6,885,645</u>	<u>24,312,787</u>

**STATE OF YAP  
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements  
September 30, 2023

(2) Deposits and Investments, continued

B. Investments, continued

Primary Government, continued

Yap State Government Trust Fund:

Credit ratings - Domestic	<u>Rating</u>	<u>Fair Value</u>
	AAA	\$ 11,784,944
	AAA/A+	110,902
	A1/BBB+	348,916
	A1/A	164,439
	A1/A-	738,261
	A1/AA	166,483
	A2/A+	287,812
	A2/A+	544,928
	A2/A-	402,225
	A3	99,230
	AA3/AA-	96,402
	A3/A	393,557
	A3/A-	855,135
	A3/BBB+	320,924
	A2/BBB+	317,521
	BAA1/BBB+	746,594
	BAA2/BBB+	123,373
	BAA2/BBB-	126,717
	BAA2/BBB	914,369
	BAA3/BBB-	165,591
	Not rated	<u>5,604,464</u>
		<u>\$ 24,312,787</u>

Discretely Presented Component Units

The Diving Seagull, Inc. (DSI):

As of September 30, 2023, DSI's investments are as follows:

Fixed income	\$ 381,335
Common equities	587,230
Money market funds	<u>45,180</u>
	<u>\$ 1,013,745</u>

**STATE OF YAP  
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements  
September 30, 2023

(2) Deposits and Investments, continued

B. Investments, continued

Discretely Presented Component Units, continued

As of September 30, 2023, DSI's fixed income securities, including their Moody's credit ratings, have the following maturities:

	<u>Credit ratings</u>	<u>Fair Value</u>	<u>Less than 1 year</u>	<u>1 to 5 Years</u>	<u>6 to 10 Years</u>
U.S. Treasury obligations	AAA	\$ 193,848	\$ -	\$ 133,902	\$ 59,946
Corporate Notes	AAA	9,742	-	-	9,742
Corporate Notes	A1	36,495	-	12,857	23,638
Corporate Notes	A2	24,019	-	24,019	-
Corporate Notes	A3	21,287	-	-	21,287
Corporate Notes	BAA1	36,407	-	12,496	23,911
Corporate Notes	BAA2	47,870	-	23,520	24,350
Corporate Notes	BAA3	11,667	-	-	11,667
		<u>\$ 381,335</u>	<u>\$ -</u>	<u>\$ 206,794</u>	<u>\$ 174,541</u>

The DSI has the following recurring fair value measurements as of September 30, 2023:

	<u>Total</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Fixed income:				
U.S. Treasury obligations	\$ 193,848	\$ -	\$ 193,848	\$ -
Corporate Notes	187,487	-	187,487	-
Total fixed income securities	381,335	-	381,335	-
Common equities	587,230	587,230	-	-
Total investments at fair value	968,565	<u>\$ 587,230</u>	<u>\$ 381,335</u>	<u>\$ -</u>
Investments measured at amortized cost:				
Money market funds	45,180			
	<u>\$ 1,013,745</u>			

**STATE OF YAP  
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements  
September 30, 2023

3) Receivables

Primary Government

Receivables as of September 30, 2023, for the primary government's individual major funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	General	Foreign Assistance Grants	Yap State Investment Trust	Compact Trust	Other Governmental Funds	Total
Receivables:						
Federal agencies	\$ -	\$ 244,807	\$ -	\$ -	\$ -	\$ 244,807
Due from FSM National Government	1,829,075	6,018,190	-	-	316,525	8,163,790
Other	1,386,248	-	-	-	-	1,386,248
Allowance for uncollectable amounts	3,215,323 (895,912)	6,262,997 (177,630)	-	-	316,525 -	9,794,845 (1,073,542)
	<u>\$ 2,319,411</u>	<u>\$ 6,085,367</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 316,525</u>	<u>\$ 8,721,303</u>

The final settlement of receivables due from the FSM National Government arising from Compact sector grant transactions can be determined only by final action of the FSM National Government in consultation with the grantor agency. Management is of the opinion that collection efforts will be favorable and thus no allowance for uncollectible accounts is considered necessary.

Notes receivable from Yap State Public Service Corporation

The FSM National Government borrowed funds from the Asian Development Bank (ADB) in 1998 (loan 1459). These funds were then lent to Yap State Government (YSG). Yap State Government then lent these funds to Yap State Public Service Corporation. The loan has been presented on YSPSC's financial statements as a direct obligation to ADB, ever since the loan was granted. YSPSC actually has a loan payable to YSG. YSG has a loan payable to the FSM National Government and the FSM National Government has a loan payable to ADB.

There is an agreement between YSPSC and YSG that no interest will be imposed on YSPSC for this loan. YSPSC was making the principal payments under this loan until late in the year ended September 30, 2022. YSPSC informed YSG that it would no longer be able to service this debt.

**STATE OF YAP  
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements  
September 30, 2023

3) Receivables, continued

Notes receivable from Yap State Public Service Corporation, continued

YSG has a loan receivable from YSPSC for loan 1459. The unpaid principal amount of this loan was \$1,375,474 at the end of September 2022. During the year ended September 30, 2023 YSG effectively made payments on this loan of \$153,678 for principal and \$11,185 for interest. While the loan payable balance owed by YSG was reduced during the year ended September 30, 2023 the loan receivable from YSPSC does not change. This loan receivable has a balance of \$1,375,474 at September 30, 2023.

In 2018 YSG borrowed \$4,680,000 from ADB (loan 3004). YSG then lent these funds to YSPSC. The loan has been presented on YSPSC's financial statements as a direct obligation to ADB, ever since the loan was granted. YSPSC actually has a loan payable to YSG. YSG has a loan payable to ADB. YSPSC was making the principal payments under this loan until late in the year ended September 30, 2022. YSPSC informed YSG that it would no longer be able to service this debt.

YSG has a loan receivable from YSPSC for loan 3004. The unpaid principal amount of this loan was \$4,216,199 at the end of September 2022. During the year ended September 30, 2023 YSG effectively made payments on this loan of \$187,387 for principal and \$177,564 for interest. While the loan payable balance owed by YSG to ADB was reduced during the year ended September 30, 2023 the loan receivable from YSPSC does not change. This loan receivable has a balance of \$4,216,199 at September 30, 2023.

In 2018 YSG borrowed \$4,360,000 from ADB (loan 3005). YSG then lent these funds to YSPSC. The loan has been presented on YSPSC's financial statements as a direct obligation to ADB, ever since the loan was granted. YSPSC actually has a loan payable to YSG. YSG has a loan payable to ADB. YSPSC was making the principal payments under this loan until late in the year ended September 30, 2022. YSPSC informed YSG that it would no longer be able to service this debt.

YSG has a loan receivable from YSPSC for loan 3005. The unpaid principal amount of this loan was \$2,880,893 at the end of September 2022. During the year ended September 30, 2023 YSG effectively made payments on this loan of \$189,573 for principal and \$58,038 for interest. While the loan payable balance owed by YSG to ADB was reduced during the year ended September 30, 2023 the loan receivable from YSPSC does not change. This loan receivable has a balance of \$2,880,893 at September 30, 2023.

**STATE OF YAP  
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements  
September 30, 2023

3) Receivables, continued

Discretely Presented Component Units

Receivables as of September 30, 2023 for the State's discretely presented component units in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	<u>Yap State Public Service Corporation</u>	<u>The Diving Seagull, Inc</u>	<u>Total</u>
Receivables - general	\$ 1,014,468	\$ 661,343	\$ 1,675,811
Less: allowance for uncollectible accounts	<u>(83,195)</u>	<u>(650,427)</u>	<u>(733,622)</u>
	<u>\$ 931,273</u>	<u>\$ 10,916</u>	<u>\$ 942,189</u>

4) Interfund Receivables and Payables

Receivables and payables between funds reflected as due to/from other funds in the combined balance sheet at September 30, 2023, are summarized as follows:

Summary of due from other funds:

General	Foreign Assistance Grants	\$ 2,594,515
Nonmajor governmental funds	General	833,301
Foreign Assistance Grants	General	<u>5,737,462</u>
		<u>\$ 9,165,278</u>

Summary of due to other funds:

Foreign Assistance Grants	General	\$ 2,448,746
Compact Trust Fund	General	51,220
General	Foreign Assistance and Other	<u>6,665,312</u>
		<u>\$ 9,165,278</u>

**STATE OF YAP  
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements  
September 30, 2023

5) Capital Assets

Capital asset activities of the primary government for the year ended September 30, 2023, are as follows:

	<u>Balance</u> <u>October 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>September 30, 2023</u>
<b><u>Governmental Activities:</u></b>				
Buildings	\$ 21,227,077	\$ 275,096	\$ -	\$ 21,502,173
Infrastructure	89,150,068	262,663	-	89,412,731
Equipment	1,924,017	45,000	(245,508)	1,723,509
Vehicles	3,372,991	311,531	(2,115,627)	1,568,895
Vessels	4,072,176	-	-	4,072,176
Heavy Equipment	2,093,683	-	-	2,093,683
	<u>121,840,012</u>	<u>894,290</u>	<u>(2,361,135)</u>	<u>120,373,167</u>
<b><u>Less Accumulated Depreciation for:</u></b>				
Buildings	(14,356,573)	(488,855)	-	(14,845,428)
Infrastructure	(83,643,359)	(1,063,775)	-	(84,707,134)
Equipment	(1,083,002)	(125,963)	245,508	(963,457)
Vehicles	(3,050,507)	(123,872)	2,113,987	(1,060,392)
Vessels	(3,044,565)	(206,380)	-	(3,250,945)
Heavy Equipment	(1,817,612)	(71,446)	-	(1,889,058)
	<u>(106,995,618)</u>	<u>(2,080,291)</u>	<u>2,359,495</u>	<u>(106,716,414)</u>
<b>Total Capital Assets, Being Depreciated, Net</b>	<u>14,844,394</u>	<u>(1,186,001)</u>	<u>(1,640)</u>	<u>13,656,753</u>
<b><u>Non-Depreciable Assets:</u></b>				
Construction Work in Progress	511,863	284,651	-	796,514
Land	3,539,402	-	-	3,539,402
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 18,895,659</u>	<u>\$ (901,350)</u>	<u>\$ (1,640)</u>	<u>\$ 17,992,670</u>

	<u>Balance</u> <u>October</u> <u>1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>September</u> <u>30, 2023</u>
<b><u>Business-type activities:</u></b>				
<b><u>Depreciable assets:</u></b>				
Buildings	\$ 134,749	\$ -	\$ -	\$ 134,749
Vehicles	1,572,798	-	-	1,572,798
Shop equipment	103,875	1,719	-	105,593
Office equipment	139,751	-	-	139,751
Land improvement	3,445	-	-	3,445
	<u>1,954,618</u>	<u>1,719</u>	<u>-</u>	<u>1,956,336</u>
Less accumulated depreciation	<u>(1,813,034)</u>	<u>(84,011)</u>	<u>-</u>	<u>(1,897,045)</u>
<b>Total net capital assets</b>	<u>\$ 141,584</u>	<u>\$ (82,292)</u>	<u>\$ -</u>	<u>\$ 59,291</u>

**STATE OF YAP  
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements  
September 30, 2023

5) Capital Assets, continued

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

Traditional Councils	\$	17,949
General Government		32,308
Resources & Development		18,862
Community Affairs		25,128
Education		350,929
PW&T		1,298,674
Health Services		155,100
Boards & Commissions		13,805
Other appropriations		167,536
	\$	<u>2,080,291</u>

Discretely Presented Component Units:

	Balance October <u>1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	Balance September <u>30, 2023</u>
Depreciable assets:				
Utility plants	\$ 37,755,547	\$ 617,022	\$ -	\$ 38,372,569
Machinery, equipment and others	11,851,635	52,087	(4,431,796)	7,471,926
Total capital assets, being depreciated	49,607,182	669,109	(4,431,796)	45,844,495
Less accumulated depreciation	(31,514,564)	(1,363,968)	2,554,981	(30,323,551)
	18,092,618	(694,859)	(1,876,815)	15,520,944
Non-depreciable assets:				
Construction work in progress	145,802	1,664,829	-	1,810,631
	<u>\$ 18,238,420</u>	<u>\$ 969,970</u>	<u>\$ (1,876,815)</u>	<u>\$ 17,331,575</u>

**STATE OF YAP  
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements  
September 30, 2023

6) Long-Term Obligations

Primary Government

The State implemented an Early Retirement Scheme (ERS) in which employees holding certain nonessential positions as identified by the State were retired early with a payout of the equivalent of two-years' wages. This ERS program is funded by a \$3,500,000 loan from the ADB (Loan Number 1520(SF)) through the FSM National Government. The activities of the ERS Program are recorded in the General Fund.

The ADB loan has a grace period of ten years with the first payment due in February 2008 and the last payment in August 2038. However, pursuant to the terms of the Financing Agreement between the State and the FSM National Government, the State is required to deposit into the ERS Trust account held in the name of the State within the FSM National Government investment portfolio, 100% of the outstanding principal balance by September 30, 2002.

Funds for the repayment of the Asian Development Bank (ADB) loan are expected to be derived from the annual appropriations for salaries and wages earmarked for the positions abolished under the Early Retirement Scheme. The Financing Agreement requires the State to continue to appropriate salaries for the abolished positions and deposit the appropriated funds into the ERS Trust Account. These funds had not been deposited to the Trust Account as of September 30, 2023.

As of September 30, 2023, the amount outstanding against this loan was \$1,847,036. Of the required \$3,500,000 identified for future debt service payments, \$193,516 is deposited in an investment account jointly held with the FSM National Government. That investment account is restricted for the repayment of this debt and other ADB related debt set forth below.

The State also entered into an agreement with the FSM National Government to borrow a portion of the proceeds of the FSM National Government Program Loans with the ADB (Loan Number 1873 (SF) and Loan Number 1874 FSM (SF)), for the purpose of promoting private sector development in Yap, with interest at 1% to 1.5% per annum. Principal payments shall be made in equal semi-annual payments with the first payment due on May 15, 2010, and the last payment on November 15, 2025. As of September 30, 2023, the related principal balances payable on these loans amounted to \$55,497 and \$263,977, respectively.

**STATE OF YAP**  
**FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements  
September 30, 2023

6) Long-Term Obligations, continued

Primary Government, continued

The State entered into an agreement with the FSM National Government to borrow a portion of the proceeds of the FSM National Government Program Loan with the ADB (Loan Number 2099 FSM (SF)) for the purpose of funding the Omnibus Infrastructure Development Project, with interest at 1% to 1.5% per annum. Principal payments shall be made semiannually commencing 2013, with a maturity date of 2037. The loan was initially transferred to, and administered by, Gagil-Tomil Water Authority (GTWA), but such was transferred to the Primary Government effective October 1, 2016, on which date the State determined that GTWA could not generate sufficient cash flows to fund the related debt service. As of September 30, 2023, the balance of this loan was \$1,444,873.

The State entered into a loan agreement for an uncollateralized loan of original principal of \$2,270,837 payable to the FSM National Government, which in turn owes the ADB (loan 1459). YSG lent these funds to YSPSC for construction of certain water projects. YSPSC was to be liable to Yap State for interest at 6.82% per annum on the outstanding balance; however, Yap State waived the interest payment requirement. The loan is repayable semiannually in Special Drawing Rights (SDR) commencing August 2007 and maturing in 2034. An SDR adjustment and additional consulting fees increased the loan balance by \$639,957 in fiscal year 2009. In fiscal year 2015, an SDR adjustment of \$348,385 decreased the loan balance. The loan bears interest at 6.82% per annum. The balance of this loan was \$1,269,664 at September 30, 2023.

The State entered into a loan agreement with ADB for a maximum amount of \$4,680,000 for the Yap Renewable Energy Development Project (loan 3004). Interest is due at 0.80% per annum, which includes a 0.20% maturity premium, net of a 0.20% rebate. The loan is repayable semiannually for a period of 20 years commencing December 1, 2018. The balance of this loan was \$4,028,812 at September 30, 2023.

The State entered into a loan agreement with ADB for a maximum amount of \$4,360,000 for renewable energy (loan 3005). Interest is due at 2.0% per annum. The loan is repayable semiannually for a period of 20 years commencing December 1, 2018. An SDR adjustment decreased the loan balance by \$81,055 in fiscal year 2019. In fiscal year 2020, an SDR adjustment of \$109,751 increased the loan balance. The balance of this loan was \$2,783,605 at September 30, 2023.

**STATE OF YAP  
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements  
September 30, 2023

6) Long-Term Obligations, continued

Primary Government, continued

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

<u>Year ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 758,416	150,613	909,029
2025	761,906	141,156	903,062
2026	849,199	131,383	980,582
2027	840,054	120,692	960,746
2028	843,148	110,130	953,278
2029-2033	4,265,170	389,224	4,654,394
2034-2038	<u>3,375,572</u>	<u>121,787</u>	<u>3,497,359</u>
	<u>\$ 11,693,465</u>	<u>1,164,985</u>	<u>12,858,450</u>

The Diving Seagull, Inc. (DSI):

Bank loan in the amount of \$2,608,523, with a maturity date of March 25, 2025, granted by the FSM Development Bank, with interest at 4% per annum, to fund the dry dock of the fishing vessel Yap Seagull. Interest and principal are payable in monthly installments of \$19,294, commencing November 25, 2020. The loan balance of \$2,384,580 was refinanced and paid in full in July 2022. On July 4, 2022 DSI obtained a loan of \$5,984,580 from FSM Development Bank. The loan matures July 4, 2027 and was obtained to consolidate the existing loan and to fund the dry dock of the fishing vessel Yap Seagull. The loan is collateralized by the vessel. Principal and interest payments of \$34,985.26 are payable monthly beginning in August 2022. Interest is at 5% per annum. Insurance proceeds were received in fiscal year 2023 and were used to pay down the loan

\$ 1,365,980

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FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements  
September 30, 2023

6) Long-Term Obligations, continued

Discretely Presented Component Units, continued

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

Year Ending September 30,	Principal	Interest	Total
2024	\$ 359,693	\$ 263,309	\$ 623,002
2025	378,095	60,130	438,225
2026	397,439	41,728	439,167
2027	230,753	26,116	256,869
	<u>\$ 1,365,980</u>	<u>\$ 391,283</u>	<u>\$ 1,757,263</u>

Yap State Government is not obligated in any manner for special assessment debt.

7) Changes in Long-Term Obligations

Primary Government

Long-term liabilities will be liquidated in the future from governmental funds. During the year ended September 30, 2023, the following changes occurred in liabilities reported as part of the primary government's long-term liabilities in the statement of net position:

	Balance October 1, 2022	Additions	Reductions	Balance September 30, 2023	Due Within One year
Loans Payable:					
ADB loans:					
Loan 1520	\$ 1,919,140	\$ 61,010	\$ (133,113)	\$ 1,847,037	\$ 120,379
Loan 1873	75,427	2,612	(22,541)	55,498	21,447
Loan 1874	289,412	13,732	(39,167)	263,977	23,603
Loan 2099	1,543,697	45,094	(143,918)	1,444,873	98,899
Loan 1459	1,326,718	-	(57,054)	1,269,664	121,126
Loan 3004	4,216,199	-	(187,387)	4,028,812	187,387
Loan 3005	2,880,893	-	(97,288)	2,783,605	141,124
	<u>12,251,486</u>	<u>122,448</u>	<u>(680,468)</u>	<u>11,693,466</u>	<u>713,965</u>
Other:					
Compensated absences	550,959	306,448	(344,625)	512,782	344,625
Land acquisitions claims	249,608	-	-	249,608	-
	<u>\$ 13,052,053</u>	<u>\$ 428,896</u>	<u>\$ (1,025,093)</u>	<u>\$ 12,455,856</u>	<u>\$ 1,058,590</u>

**STATE OF YAP  
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements  
September 30, 2023

7) Changes in Long-Term Obligations, continued

Primary Government

The reduction of each loan is from the principal payment of each loan. When the ADB extends credit to a particular country, the loan is booked in Special Drawing Rights (SDRs) but the actual loan is delivered in the currency of the borrower, at the current exchange rate between the currency and the SDR. The value of the SDR is subject to periodic review by the International Monetary Fund, which may result in the recognition of a foreign exchange gain or loss. During the year ended September 30, 2023, the State recognized a foreign exchange loss of \$122,448 associated with the valuation of the SDR, which is presented as a special item, net, in the accompanying financial statements, and which results in an increase in ADB loans payable.

As of September 30, 2023, \$249,608 in land acquisition claims payable due under land purchase agreements was identified by the State. This total comprises indefinite land use payments and other lease payments for which payment dates cannot be determined due to heirship disputes.

Discretely Presented Component Units

During the year ended September 30, 2023, the following changes occurred in liabilities reported as part of the component unit's long-term liabilities in the statement of net position:

Loans Payable:	October <u>1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	September <u>30, 2023</u>	Due Within <u>One year</u>
DSI	\$ 5,108,748	875,832	(4,618,600)	1,365,980	359,693

**STATE OF YAP  
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Notes to Financial Statements  
September 30, 2023

**8) Fund Balances**

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

	General <u>Fund</u>	Grants Assistance <u>Funds</u>	Yap State Investment <u>Funds</u>	Compact Trust <u>Fund</u>	Nonmajor <u>Funds</u>	Total Governmental <u>Funds</u>
Non-Spendable:						
Permanent fund principal	\$ -	\$ -	\$ 71,164,357	\$ 16,614,039	\$ -	\$ 87,778,396
Pacific Islands						
Development Bank	3,965,193	-	-	-	-	3,965,193
Receivable from YSPSC	7,655,661	-	-	-	-	7,655,661
Bank of the FSM	2,499,603	-	-	-	-	2,499,603
Restricted:						
Debt Service	193,516	-	-	-	-	193,516
Infrastructure	-	3,286,667	-	-	-	3,286,667
Public works and transportation	-	-	-	-	349,934	349,934
Committed:						
General Government	13,558	-	-	-	815,404	828,962
Infrastructure	576,636	-	-	-	-	576,636
Assigned:						
Public works and transportation	118,237	-	-	-	-	118,237
Health Services	2,245,428	-	-	-	-	2,245,428
Education	583,755	-	-	-	-	583,755
Community affairs	12,034	-	-	-	-	12,034
Unaassigned	8,996,939	-	-	-	-	8,996,939
	<u>\$ 26,860,560</u>	<u>\$ 3,286,667</u>	<u>\$ 71,164,357</u>	<u>\$ 16,614,039</u>	<u>\$ 1,165,338</u>	<u>\$ 119,090,961</u>

**9) Commitments and Contingencies**

**Encumbrances**

The State utilizes encumbrance accounting to identify fund obligations. Encumbrances represent commitments related to unperformed contracts for goods. As of September 30, 2023, the State's significant encumbrances are summarized as follows:

**STATE OF YAP  
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements  
September 30, 2023

9) Commitments and Contingencies, continued

	General Fund	Foreign Assistance Grants	Other Governmental Funds	Total
Encumbrances	\$ 576,636	\$ 28,257,588	\$ 2,547,751	\$ 31,381,975

Sick Leave

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

Insurance Coverage

The State does not maintain insurance coverage for a significant amount of fixed assets. In the event of a catastrophe, the State is self-insured to a material extent. The State has not recognized material losses in its financial statements as a result of being self-insured.

Federal Grants

The State participates in a number of federally assisted grant programs. These programs are subject to financial and compliance audits to ascertain if Federal laws and guidelines have been followed. Cumulative questioned costs have been set forth in the State's Single Audit Report for the year ended September 30, 2023. In addition, the State is considered to have responsibility for any questioned costs that may result from Single Audits of subgrantees who have not satisfied the audit requirements of the Uniform Guidance. The ultimate disposition of these questioned costs can be determined only by final action of the respective grantor agencies. Therefore, no provision for any liability that may result upon resolution of this matter has been made in the accompanying financial statements.

Litigation

The State was not a party to any pending or threatened litigation at September 30, 2023. If claims are filed, they are filed with the State's Attorney General. Approved claims are usually paid under general appropriations to the affected government agency.

The State's Attorney General is of the opinion that the State Liability Act has established claims limits of \$40,000 for wrongful injuries and \$20,000 for deaths.

**STATE OF YAP**  
**FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements  
September 30, 2023

9) Commitments and Contingencies, continued

The government of Yap State records estimated liabilities for claims and other contingencies when it is probable that a liability has been incurred and the amount can be reasonably estimated. These estimates are based on historical experience, current trends, and other relevant factors. Liabilities that cannot be reasonably estimated are disclosed as a contingency.

As of April 14, 2025, the Attorney General's office has confirmed that there are no outstanding unpaid claims against the government. No liabilities for claims have been accrued, as there are no pending or potential claims requiring estimation or payment. We obtained an update of the legal representation letter from the Attorney General's office, and they reported no liabilities for claims, or potential claims.

Indefinite Land Use Sites

Payment obligations on rental lands termed "Indefinite Land Use Sites" were originally undertaken by the Trust Territory of the Pacific Islands (TTPI), for which obligation on these lands ceased in May, 1984. Subsequent to May 1984, responsibility to rent or purchase the sites was transferred to the State.

The State's Division of Land and Surveys has estimated that the State may be responsible for funding the indefinite land use sites for back rent with interest. The State is actively attempting to negotiate purchase prices for these properties.

Continuing Appropriations

As of September 30, 2023, the State has a continuing appropriation under YSL No. 5-47 for Autopsies of \$13,558. There were no other significant continuing appropriations.

10) Budgetary Compliance

For the year ended September 30, 2023, significant over-expenditures exceeded appropriations within the General Fund for the following:

Debt service	\$ <u>1,185,579</u>
--------------	---------------------

These over-expenditures of the General Fund have not been funded by legislative authorization.

**STATE OF YAP  
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements  
September 30, 2023

11) Leases

**Accounting Standard and Scope**

Yap State Government (the “State”) accounts for leases in accordance with Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. This note includes only lease arrangements in which Yap State Government is the lessor. Lease activities of the State’s component units are not included in this note and will be disclosed separately in the component unit notes.

**Summary of Lease Accounting Policy (Lessor)**

Under GASB Statement No. 87, a lease is defined as a contract that conveys control of the right to use a nonfinancial asset for a period of time in an exchange or exchange-like transaction.

As a lessor, Yap State Government recognizes:

- A lease receivable, measured at the present value of lease payments expected to be received during the lease term, and
- A deferred inflow of resources, representing the State’s net investment in the lease.

The State uses a discount rate of 7% to measure lease receivables for all lease arrangements.

Lease payments included in the measurement of the lease receivable consist of fixed payments and fixed payments that depend on an index or rate, measured using the index or rate in effect at the commencement of the lease. Variable payments based on future performance or usage are excluded from the lease receivable and recognized as lease revenue in the period in which the payments are due.

Lease terms include renewal or extension options only when it is reasonably certain that the option will be exercised.

**STATE OF YAP  
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements  
September 30, 2023

11) Leases, continued

**Summary of Significant Lease Arrangements**

Yap State Government enters into lease agreements primarily for the use of land and buildings with governmental and private entities. As of year-end, the State's significant lease arrangements, for which the State is the lessor, are summarized below:

Lessee	Commencement Date	Expiration Date	Payment Terms	Discount Rate	Notable Provisions
Yap State Delegation of the Congress	10/1/1998	9/30/2028	\$1,500 per month, payable quarterly	7%	Fixed payments
FSM Petroleum Corporation	7/1/2008	6/30/2023	\$31,500 annually, payable semi- annually	7%	Optional 10-year renewal
Micronesian Legal Services Corporation	8/1/2007	7/31/2027	Monthly rent escalates from \$100 to \$130 over lease term	7%	Step rent increases
Pacific Missionary Aviation	10/1/2020	9/30/2040	\$1,000 annually for first 10 years; variable thereafter	7%	Fair market value adjustment
Waab Transportation Company	8/1/2014	7/31/2044	\$15,450 annually	7%	Fixed

**Lease Receivables and Deferred Inflows of Resources**

As of year-end, Yap State Government recognized lease receivables representing the present value of remaining lease payments for applicable leases. Corresponding deferred inflows of resources were recorded and are amortized into lease revenue over the remaining lease terms in a systematic and rational manner.

**STATE OF YAP  
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements  
September 30, 2023

11) Leases, continued

**Variable Lease Payments and Renewal Provisions**

Certain leases include:

- Variable lease payments, such as payments based on future fair market value determinations, which are excluded from the measurement of lease receivables and recognized as revenue when earned.
- Renewal options, which are included in the lease term only when management determines it is reasonably certain the option will be exercised.

**Lease Revenue Recognition**

Lease revenue recognized by Yap State Government consists of:

- Interest income on the lease receivable, and
- Systematic amortization of the deferred inflow of resources over the lease term.

The future lease obligations are as follows:

Years ending September 30:	Payments	Principal	Interest
2024	\$ 28,210	\$ 11,315	\$ 16,895
2025	28,210	12,131	16,079
2026	28,210	13,005	15,205
2027	27,950	13,681	14,269
2028	26,650	13,317	13,333
2029-2033	103,250	46,878	56,372
2034-2038	91,700	53,720	37,980
2039-2043	79,250	60,525	18,725
2044-2048	15,450	14,408	1,042
	<u>\$ 428,880</u>	<u>\$ 238,980</u>	<u>\$ 189,900</u>

Information related to the right to use the leased assets and lease liabilities follows:

**STATE OF YAP**  
**FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements  
September 30, 2023

11) Leases, continued

Lease receivable	<u>\$ 238,980</u>
Deferred inflow of resources	<u>\$ 191,445</u>

Weighted average remaining lease term	17.4 years
Weighted average discount rate	7.00%

The leases from the component unit are as follows:

YSPSC entered into a lease agreement for its Wind Farm on July 1, 2013. The lease is for 20 years with an option to renew for another 20 years. The lease payments are \$25,000 annually, payable at the beginning of every quarter for the initial term, and \$37,500 annually, payable at the beginning of every quarter for the renewed term if no price is negotiated after the end of the initial term. The discount rate used is 6.82%, which is the rate for the ADB loan in Note 5 above.

**STATE OF YAP  
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements  
September 30, 2023

11) Leases, continued

The future lease obligations are as follows:

Years ending September 30:	Payments	Principal	Interest
2024	\$ 25,000	-	25,000
2025	25,000	-	25,000
2026	25,000	-	25,000
2027	25,000	-	25,000
2028	25,000	-	25,000
2029-2033	128,125	-	128,125
2034-2038	187,500	30,316	157,184
2039-2043	187,500	81,587	105,913
2044-2048	187,500	114,410	73,090
2049-2053	178,125	151,064	27,061
	<u>\$ 993,750</u>	<u>377,377</u>	<u>616,373</u>

Information related to the right to use the leased assets and lease liabilities follows:

	2023	2022
Right to use the leased asset	\$ 383,627	383,627
Accumulated amortization	(98,304)	(88,713)
Right to use the leased asset, net	<u>\$ 285,323</u>	<u>294,914</u>
Lease liability, current	\$ -	-
Lease liability, non-current	377,377	377,377
Total lease liability	<u>\$ 377,377</u>	<u>377,377</u>

**STATE OF YAP  
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements  
September 30, 2023

11) Leases, continued

Supplemental information related to YSPSC's leases follows:

	<u>2023</u>	<u>2022</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Interest payments made	\$ 25,000	25,000
Weighted average remaining lease term	29.75 years	30.75 years
Weighted average discount rate	6.82%	6.82%

12) COVID-19

On March 11, 2020, the World Health Organization (WHO) declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide.

The State has determined that the pandemic may negatively impact the State's results of operations and financial position and the State may become dependent upon the financial support of the FSM National Government. However, the effect of the pandemic on FSM National Government is also uncertain and future available funding may be limited. Therefore, while the State expects this matter to potentially have a negative impact on its operations and financial position, the related financial impact cannot be reasonably estimated at this time. On May 5, 2023 the WHO declared that the public health emergency had ended.

13) Adjustment of net position/fund balance

The fund balance at the beginning of the fiscal year (October 1, 2022) has been adjusted to recognize loans receivable from Yap State Public Service Corporation (YSPSC), and to recognize loan obligations for three separate loans.

There are three loans that have been included in YSPSC's financial statements as direct obligations to Asian Development Bank (ADB). One loan was obtained in 1997, and two loans were obtained in 2017. YSG has not previously reflected these obligations in its financial statements.

**STATE OF YAP  
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements  
September 30, 2023

13) Adjustment of net position/fund balance, continued

Loan 1459 was issued by the ADB to the FSM National Government (National), which remains obligated to pay this loan. This loan was lent to YSG by National. YSG remains obligated to pay this loan to National. YSG then lent these funds to YSPSC. YSPSC remains obligated to pay this loan to YSG.

Loans 3004 and 3005 were issued by the ADB to YSG. YSG then lent these funds to YSPSC.

YSPSC informed YSG in December 2022 that it could no longer service these loans. YSG took over making payments on these loans.

At the governmental fund level (General Fund), the initial receipt of the loan proceeds would be recorded as nonoperating revenue. The general fund would recognize debt service expense (principal and interest payments) for the payments made on the loans.

In converting to government-wide financial statements, YSG would recognize long-term debt for the outstanding balance. Principal payments that were made would reduce the note payable balance. Interest payments that were made would be reflected as an expense.

A summary of the adjustment to fund balance is as follows:

	<u>Loan 1459</u>	<u>Loan 3004</u>	<u>Loan 3005</u>	<u>Total</u>
<u>Governmental fund level</u>				
Initial loan proceeds	\$ 2,270,837	4,680,000	3,941,076	10,891,913
Principal paid	(944,119)	(463,801)	(1,060,183)	(2,468,103)
Loan balance at 9/30/22	1,326,718	4,216,199	2,880,893	8,423,810
Principal paid FY 2023	(57,054)	(187,387)	(97,288)	(341,729)
Loan balance at 9/30/23	\$ <u>1,269,664</u>	<u>4,028,812</u>	<u>2,783,605</u>	<u>8,082,081</u>

As of September 30, 2022 YSG should reflect notes receivable from YSPSC of \$8,423,810. This would be an increase in fund balance. YSG should also reflect notes payable to National of \$1,326,718 and to ADB of \$7,097,092. This would be a decrease in fund balance. There is no net impact on fund balance as of September 30, 2022.

**STATE OF YAP**  
**FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements  
September 30, 2023

14) Date of Management's Review

Management has considered subsequent events through February 19, 2026, the date upon which the financial statements were available to be issued. YSPSC has advised that commencing in December 2022, it will not be able to pay its obligations under an ADB loan for which the State is a guarantor.

**STATE OF YAP  
FEDERATED STATES OF MICRONESIA**

**REQUIRED SUPPLEMENTARY INFORMATION –  
OTHER THAN MANAGEMENT’S DISCUSSION and ANALYSIS**

**YEAR ENDED SEPTEMBER 30, 2023**

**STATE OF YAP**  
**FEDERATED STATES OF MICRONESIA**  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual- General Fund  
September 30, 2023

	<u>Budgeted Amounts</u>		Acutal- Budgetary	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	Basis (see Note 1)	
Revenues	\$ 7,281,638	\$ 8,148,761	\$ 9,694,160	(1,545,399)
Total revenues	<u>7,281,638</u>	<u>8,148,761</u>	<u>9,694,160</u>	<u>(1,545,399)</u>
Expenditures:				
Current:				
Judiciary	211,189	234,242	201,413	32,829
Council of traditional leaders	215,523	248,486	238,602	9,884
General government	1,410,411	1,774,234	1,602,062	172,172
Economic development	586,719	660,896	592,230	68,666
Public safety	573,058	790,420	599,457	190,963
Community affairs	321,050	374,398	305,450	68,948
Education	400,368	430,489	361,411	69,078
Public works and transportation	1,533,873	1,752,054	1,673,238	78,816
Health services	300,000	352,000	238,447	113,553
Boards and commissions	334,268	378,132	310,838	67,294
Payments to component units	118,946	187,130	176,372	10,758
Other appropriations	1,057,001	1,215,266	1,180,815	34,451
Debt service	-	-	1,185,579	(1,185,579)
Total expenditures	<u>7,062,406</u>	<u>8,397,747</u>	<u>8,665,914</u>	<u>(268,167)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>219,232</u>	<u>(248,986)</u>	<u>1,028,246</u>	<u>(1,277,232)</u>
Other financing uses:				
Operating transfer out (IMF local match)	(219,232)	(219,232)	(219,232)	-
Total other financing uses	<u>(219,232)</u>	<u>(219,232)</u>	<u>(219,232)</u>	<u>-</u>
Special item:				
Write-off of receivables and allowance for loan receivable	-	-	(811,940)	811,940
Total special item	<u>-</u>	<u>-</u>	<u>(811,940)</u>	<u>811,940</u>
Net change in fund balance	-	(468,218)	(2,926)	(465,292)
Encumbrances	-	-	576,636	(576,636)
Fund balance at the beginning of the year	<u>20,969,920</u>	<u>20,969,920</u>	<u>20,969,920</u>	<u>-</u>
Fund balance at the end of the year	<u>\$ 20,969,920</u>	<u>\$ 20,501,702</u>	<u>\$ 21,543,630</u>	<u>\$ (1,041,928)</u>

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

**STATE OF YAP  
FEDERATED STATES OF MICRONESIA**

Notes to Required Supplementary Information- Budgetary Reporting  
September 30, 2023

(1) Budgetary Information

An annual appropriated budget is adopted by the State’s Legislature for the General Fund and Compact Programs through an Appropriations Act. However, additional appropriations and budget modifications occur throughout the year. The majority of unencumbered appropriations lapse as of year end unless specifically extended by the State’s Legislature. Budgets for special revenue funds, except the Compact Program Fund, are not included in the annual Appropriations Act. Accordingly, a budget to actual presentation for special revenue funds, except the Compact Program Fund, is not required or presented. Project-length financial plans are generally adopted for all capital project funds.

Encumbrance accounting is utilized for budgetary control purposes. Encumbrances outstanding at year-end are reported as reservations of fund balance and will be funded as expenditures in the ensuing year. Encumbrances remain as reservations of fund balance until becoming expended or canceled. If an encumbrance is subsequently canceled, the funds revert to the applicable unreserved fund balance unless otherwise required by law.

Budgetary expenditures, which are on a basis other than GAAP, represent current charges against appropriations; current charges consist of all current year liquidated and unliquidated encumbrances. Budgetary expenditures are therefore determined by subtracting both current year liquidations of prior year encumbrances and unliquidated prior year encumbrances from the combined total of current year. When reviewed in relation to respective budgets, budgetary expenditures provide the principal means of evaluating current year operating performance and management stewardship. Amounts included on the Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - General Fund (which are presented on a non-GAAP budgetary basis) are reconciled to unreserved fund balance of the Combined Balance Sheet within the other charges in unreserved fund balance section of that statement.

(2) Reconciliation to Expenditures on the GAAP basis

Budgetary expenditures on the Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – General Fund are presented on a non-GAAP budgetary basis recognized on a GAAP basis:

Expenditures on a non-GAAP budgetary basis	\$ 8,665,914
Change in encumbrances	<u>(576,636)</u>
Expenditures on a GAAP basis	<u>\$ 8,089,278</u>

**STATE OF YAP  
FEDERATED STATES OF MICRONESIA  
OTHER SUPPLEMENTARY INFORMATION  
YEAR ENDED SEPTEMBER 30, 2023**

**STATE OF YAP**  
**FEDERATED STATES OF MICRONESIA**  
Combining Schedule of Expenditures by Account  
Governmental Funds  
Year Ended September 30, 2023

	General	Special	Permanent		Other Governmental Funds	Total
		Revenue	Yap State	Compact		
		Foreign Assistance Grants	Investment Trust	Trust		
Expenditures:						
Salaries and wages	\$ 3,148,889	\$ 6,486,313	\$ -	\$ -	\$ -	\$ 9,635,202
Contractual services	357,677	752,270	-	-	1,008,349	2,118,296
Medical	574,277	1,556,878	-	-	75,469	2,926,256
Utilities	795,637	786,330	-	-	-	1,630,900
Capital outlay	182,514	700,876	-	-	126,134	1,009,524
Supplies and materials	268,196	1,288,099	-	-	31,741	1,588,036
POL	515,276	225,901	-	-	269,420	1,010,597
Scholarship and training	186,862	222,226	-	-	51,738	460,826
Repairs and maintenance	117,854	351,745	-	-	40,457	510,056
Travel	205,089	646,296	-	-	13,825	865,210
Grants and subsidies	41,231	-	-	-	616,072	657,303
Food stuffs	114,734	244,784	-	-	64,651	424,169
Communications	113,763	123,696	-	-	-	237,459
Principal repayment	831,415	-	-	-	-	831,415
Professional services	7,500	84,077	-	-	-	91,577
Allowances	156,655	3,170	-	-	-	159,825
Interest payments	354,165	-	-	-	-	354,165
Freight	2,196	40,903	-	-	-	43,099
Rentals	17,467	21,127	-	-	2,045	40,639
Printing and reproduction	8,875	9,917	-	-	-	18,792
Leased housing and land	21,386	6,000	-	-	-	27,386
Construction maintenance	-	651,269	-	-	-	651,269
Other	67,620	1,538,429	-	-	113,061	1,719,110
	<u>\$ 8,089,278</u>	<u>\$ 15,740,306</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,412,962</u>	<u>\$ 26,242,546</u>

See Accompanying Independent Auditor's Report.

**STATE OF YAP**  
**FEDERATED STATES OF MICRONESIA**  
Statement of Revenues, Expenditures by Function,  
and Changes in Fund Balance- General Fund  
Year Ended September 30, 2023  
(with comparative totals for the year ended September 30, 2022)

	<u>2023</u>	<u>2022</u>
Revenues:		
Revenue sharing:		
Import tax	\$ 1,134,229	\$ 1,201,200
Fuel tax	66,495	64,890
Income tax	881,917	955,473
Business gross receipts tax	948,363	1,075,790
Fishing fee	1,323,251	-
	<u>4,354,255</u>	<u>3,297,353</u>
Excise taxes:		
Alcoholic beverages	589,717	543,518
Gasoline and diesel	99,804	65,814
Tobacco	951,719	977,349
Other excise taxes	675,267	654,594
	<u>2,316,507</u>	<u>2,241,275</u>
Fees and charges:		
Licenses and permits	93,955	97,480
Fines/sale of confiscated property	43,887	44,773
Leases and other rentals	217,609	238,695
	<u>355,451</u>	<u>380,948</u>
Departmental charges:		
Sea transportation	289,995	152,562
Air transportation	119,381	39,186
Hospital services	236,925	217,170
Other	10,883	1,128
	<u>657,184</u>	<u>410,046</u>
Net change in the fair value of investments	<u>1,300,021</u>	<u>(2,706,861)</u>
Other revenues	<u>710,742</u>	<u>69,471</u>
Total revenues	<u>9,694,160</u>	<u>3,692,232</u>
Expenditures:		
Current:		
Judiciary	<u>188,538</u>	<u>180,223</u>
Councils of Traditional Leaders:		
Council of Pilung	100,096	88,877
Council of Tamol	123,848	129,440
	<u>223,944</u>	<u>218,317</u>
General government:		
Office of the Governor	232,174	167,848
State Legislature	517,295	417,620
Office of Administrative Services	476,775	502,371
Office of Public Auditor	142,079	133,085
Office of Planning, Budget and Statistics	131,125	139,264
	<u>1,499,448</u>	<u>1,360,188</u>
Resources and Development:		
Department of Resources and Development	<u>537,356</u>	<u>524,384</u>

See Independent Auditor's Report.

**STATE OF YAP**  
**FEDERATED STATES OF MICRONESIA**  
Statement of Revenues, Expenditures by Function,  
and Changes in Fund Balance- General Fund, Continued  
Year Ended September 30, 2023  
(with comparative totals for the year ended September 30, 2022)

Expenditures, continued:

Current, continued:

Public Safety:

Department of Public Safety/Attorney General	562,554	518,196
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Community Affairs:

Department of Public Affairs	278,824	211,219
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Public Works and Transportation:

Department of Public Works and Transportation	1,551,917	1,205,670
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Education Services:

Department of Education	293,776	314,637
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Health Services:

Department of Health Services	224,047	297,330
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Boards and Commissions:

Historic Preservation Office	78,679	61,546
EPA Administration Board	53,549	72,352
Election Commissioner	71,436	41,860
Small Business Development Center	69,679	70,162
Yap Investment Trust	13,901	14,953
	287,244	260,873

Payments to component units:

Public Transportation System	48,000	-
Yap Visitor's Bureau	121,933	111,342
	169,933	111,342

Other appropriations:

Micronesian Legal Services Corporation	41,231	41,238
Yap Community Action Program	108,316	109,279
Scholarship	186,862	149,647
Medical Referral Program	584,129	228,578
Airport Operations and Maintenance	117,409	149,036
Other	48,171	42,800
	1,086,118	720,577

Debt service:

Principal repayments	831,415	290,829
Interest payments	354,164	70,737

	1,185,579	361,566
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Total expenditures	8,089,278	6,284,523
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Excess (deficiency) of revenues over (under) expenditures	1,604,882	(2,592,291)
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See Independent Auditor's Report.

**STATE OF YAP**  
**FEDERATED STATES OF MICRONESIA**  
Statement of Revenues, Expenditures by Function,  
and Changes in Fund Balance- General Fund, Continued  
Year Ended September 30, 2023  
(with comparative totals for the year ended September 30, 2022)

Expenditures, continued:		
Current, continued:		
Other financing uses:		
Operating transfer out (IMF local match)	(219,232)	(844,563)
Total other financing uses	<u>(219,232)</u>	<u>(844,563)</u>
Special item:		
Write-off of receivables and allowance for loan receivables	(811,940)	(148,958)
Total special item	<u>(811,940)</u>	<u>(148,958)</u>
Net change in fund balance	573,710	(3,585,812)
Fund balance at the beginning of the year	17,859,680	21,394,134
Adjustment of beginning balance - lease accounting	(45,397)	51,358
Adjustment of beginning balance - ADB loan recognition YSPSC receivable	<u>8,472,567</u>	<u>-</u>
Fund balance at the end of the year	<u>\$ 26,860,560</u>	<u>\$ 17,859,680</u>

See Accompanying Independent Auditors' Report.

**STATE OF YAP**  
**FEDERATED STATES OF MICRONESIA**  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual- General Fund  
September 30, 2023

	Budgeted Amounts		Actual- Amounts	Variance
	Original	Final	Budgetary Basis	
Revenues	\$ 7,281,638	8,148,761	9,694,160	(1,545,399)
Total revenues	<u>7,281,638</u>	<u>8,148,761</u>	<u>9,694,160</u>	<u>(1,545,399)</u>
Expenditures:				
Current:				
Judiciary	211,189	234,242	201,413	32,829
Councils of Traditional Leaders:				
Council of Pilung	85,097	108,915	102,005	6,910
Council of Tamol	130,426	139,571	136,597	2,974
	<u>215,523</u>	<u>248,486</u>	<u>238,602</u>	<u>9,884</u>
General government:				
Office of the Governor	180,519	273,558	249,990	23,568
State Legislature	458,345	622,696	520,706	101,990
Office of Administrative Services	487,412	556,043	544,541	11,502
Office of Public Auditor	156,442	161,704	146,401	15,303
Office of Planning, Budget and Statistics	127,693	160,233	140,424	19,809
	<u>1,410,411</u>	<u>1,774,234</u>	<u>1,602,062</u>	<u>172,172</u>
Economic Development:				
Department of Resources and Development	586,719	660,896	592,230	68,666
Public Safety:				
Department of Public Safety/Attorney General	573,058	790,420	599,457	190,963
Community Affairs:				
Department of Public Affairs	321,050	374,398	305,450	68,948
Education:				
Department of Education	400,368	430,489	361,411	69,078
Public Works and Transportation:				
Department of Public Works and Transportation	1,533,873	1,752,054	1,673,238	78,816
Health services:				
Department of Health Services	300,000	352,000	238,447	113,553
Boards and Commissions:				
Historic Preservation Office	75,792	107,010	98,708	8,302
Environment Protection Agency	88,770	96,214	54,267	41,947
Yap State Election Commission	75,386	80,551	74,249	6,302
Small Business Development Center	78,398	78,435	69,713	8,722
Yap Investment Trust	15,922	15,922	13,901	2,021
	<u>334,268</u>	<u>378,132</u>	<u>310,838</u>	<u>67,294</u>

See Independent Auditors' Report.

**STATE OF YAP**  
**FEDERATED STATES OF MICRONESIA**  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual- General Fund, Continued  
September 30, 2022

	Budgeted Amounts		Actual- Amounts	Variance
	Original	Final	Budgetary Basis	
Expenditures, continued:				
Payments to component units:				
Yap Visitor's Bureau	118,946	139,130	176,372	(37,242)
Public Transportation System	-	48,000	-	48,000
	<u>118,946</u>	<u>187,130</u>	<u>176,372</u>	<u>10,758</u>
Other appropriations:				
Micronesian Legal Services Corporation	41,280	41,280	41,231	49
Japan Overseas Cooperation Volunteers	-	1,800	1,800	-
Yap CAP	110,821	113,189	110,684	2,505
Micro Games/Yap Sports Awards Program	-	5,021	5,021	(0)
Scholarship	200,000	200,000	186,862	13,138
Medical Referral Program	575,000	605,586	613,719	(8,133)
Airport Operations and Maintenance	129,900	213,090	186,721	26,369
Sports Complex	-	1,600	1,600	-
Others	-	33,700	33,177	523
	<u>1,057,001</u>	<u>1,215,266</u>	<u>1,180,815</u>	<u>34,451</u>
Debt service:				
Principal repayments	-	-	831,415	(831,415)
Interest payments	-	-	354,164	(354,164)
	<u>-</u>	<u>-</u>	<u>1,185,579</u>	<u>(1,185,579)</u>
Total expenditures	<u>7,062,406</u>	<u>8,397,747</u>	<u>8,665,914</u>	<u>(268,167)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>219,232</u>	<u>(248,986)</u>	<u>1,028,246</u>	<u>(1,277,232)</u>
Other financing uses:				
Operating transfer out (IMF local match)	-	-	(219,232)	219,232
Total other financing uses	<u>-</u>	<u>-</u>	<u>(219,232)</u>	<u>219,232</u>
Special item:				
Write-off of receivables	-	-	(811,940)	811,940
Total special item	<u>-</u>	<u>-</u>	<u>(811,940)</u>	<u>811,940</u>
Net change in fund balance	219,232	(248,986)	(2,926)	(684,524)
Encumbrances	-	-	576,636	(576,636)
Fund balance at the beginning of the year	20,969,920	20,969,920	20,969,920	-
Fund balance at the end of the year	<u>\$ 21,189,152</u>	<u>\$ 20,720,934</u>	<u>\$ 21,543,630</u>	<u>\$ (1,261,160)</u>

See Independent Auditor's Report.

**STATE OF YAP**  
**FEDERATED STATES OF MICRONESIA**

Combined Balance Sheet  
Nonmajor Governmental Funds  
September 30, 2023

	<u>Other Special Revenue</u>	<u>Other Capital Projects</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 482,758	\$ -	\$ 482,758
Receivables, net	-	316,525	316,525
Due from other funds	366,697	466,604	833,301
Total assets	<u>\$ 849,455</u>	<u>\$ 783,129</u>	<u>\$ 1,632,584</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 34,051	\$ 354,030	\$ 388,081
Deferred revenues	-	79,165	79,165
Total liabilities	<u>34,051</u>	<u>433,195</u>	<u>467,246</u>
 Fund balances:			
Restricted	-	349,934	349,934
Committed	815,404	-	815,404
Total fund balances	<u>815,404</u>	<u>349,934</u>	<u>1,165,338</u>
Total liabilities and fund balances	<u>\$ 849,455</u>	<u>\$ 783,129</u>	<u>\$ 1,632,584</u>

See Independent Auditor's Report.

**STATE OF YAP**  
**FEDERATED STATES OF MICRONESIA**  
Combined Statement Revenues, Expenditures by Function,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended September 30, 2023

	<u>Other Special Revenue</u>	<u>Other Capital Projects</u>	<u>Total</u>
Revenues:			
CFSM grants	\$ -	\$ 2,061,786	\$ 2,061,786
Excise taxes	97,757	-	97,757
Fees and charges	217,184	-	217,184
Net change in the fair value of investments	65,463	-	65,463
Total revenues	<u>380,404</u>	<u>2,061,786</u>	<u>2,442,190</u>
Expenditures by function:			
Current:			
General government	253,419	2,061,786	2,315,205
Other appropriations	97,757	-	97,757
Total expenditures	<u>351,176</u>	<u>2,061,786</u>	<u>2,412,962</u>
Net change in fund balances	29,228	-	29,228
Fund balances at the beginning of the year	786,176	349,934	1,136,110
Fund balances at the end of the year	<u>\$ 815,404</u>	<u>\$ 349,934</u>	<u>\$ 1,165,338</u>

See Independent Auditor's Report.

**STATE OF YAP**  
**FEDERATED STATES OF MICRONESIA**  
Combined Statement Revenues, Expenditures by Account,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended September 30, 2023

	<u>Other Special Revenue</u>	<u>Other Capital Projects</u>	<u>Total</u>
<b>Revenues:</b>			
CFSM grants	\$ -	\$ 2,061,786	\$ 2,061,786
Excise taxes	97,757	-	97,757
Fees and charges	217,184	-	217,184
Net change in the fair value of investments	65,463	-	65,463
Total revenues	<u>380,404</u>	<u>2,061,786</u>	<u>2,442,190</u>
<b>Expenditures by Account:</b>			
Contractual services	-	1,008,349	1,008,349
Grants and subsidies	336,072	280,000	616,072
Scholarships	-	51,738	51,738
Communication	-	-	-
Capital outlay	14,223	111,912	126,135
POL	-	269,420	269,420
Supplies and materials	-	31,741	31,741
Food stuffs	-	64,651	64,651
Freight	-	-	-
Rentals	-	2,045	2,045
Printing and reproduction	-	-	-
Travel	-	13,824	13,824
Medical	-	75,469	75,469
Repairs and maintenance	-	39,676	39,676
Other	881	112,961	113,842
Total expenditures	<u>351,176</u>	<u>2,061,786</u>	<u>2,412,962</u>
Net change in fund balances	29,228	-	29,228
Fund balances at the beginning of the year	<u>786,176</u>	<u>349,934</u>	<u>1,136,110</u>
Fund balances at the end of the year	<u>\$ 815,404</u>	<u>\$ 349,934</u>	<u>\$ 1,165,338</u>

See Independent Auditor's Report.

**STATE OF YAP**  
**FEDERATED STATES OF MICRONESIA**  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS  
Combining Balance Sheet  
September 30, 2023

	F39	F76	F85	F86	
	Sports Development	Housing Maintenance	Enterprise	Expendable Trust	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ -	\$ -	482,758	\$ 482,758
Due from other funds	29,546	29,780	297,973	9,398	366,697
Total assets	<u>\$ 29,546</u>	<u>\$ 29,780</u>	<u>\$ 297,973</u>	<u>\$ 492,156</u>	<u>\$ 849,455</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 29,546	\$ -	\$ 4,505	\$ -	\$ 34,051
Total liabilities	<u>29,546</u>	<u>-</u>	<u>4,505</u>	<u>-</u>	<u>34,051</u>
Fund balances:					
Committed	-	29,780	293,468	492,156	815,404
Total fund balances	-	29,780	293,468	492,156	815,404
Total liabilities and fund balances	<u>\$ 29,546</u>	<u>\$ 29,780</u>	<u>\$ 297,973</u>	<u>\$ 492,156</u>	<u>\$ 849,455</u>

See Independent Auditor's Report.

**STATE OF YAP**  
**FEDERATED STATES OF MICRONESIA**  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS  
Combining Statement of Revenues, Expenditures by Function  
and Changes in Fund Balances  
Year Ended September 30, 2023

	F39	F76	F85	F86	
	Sports Development	Housing Maintenance	Enterprise	Expendable Trust	Total
Revenues:					
Excise taxes	\$ 97,757	\$ -	\$ -	\$ -	\$ 97,757
Fees and charges	-	14,765	202,419	-	217,184
Net change in the fair value of investments	-	-	-	65,463	65,463
Total revenues	<u>97,757</u>	<u>14,765</u>	<u>202,419</u>	<u>65,463</u>	<u>380,404</u>
Expenditures by function:					
Current:					
General government	-	15,104	238,315	-	253,419
Other appropriations	97,757	-	-	-	97,757
Total expenditures	<u>97,757</u>	<u>15,104</u>	<u>238,315</u>	<u>-</u>	<u>351,176</u>
Net change in fund balances	-	(339)	(35,896)	65,463	29,228
Fund balances at the beginning of the year	-	30,119	329,364	426,693	786,176
Fund balances at the end of the year	<u>\$ -</u>	<u>\$ 29,780</u>	<u>\$ 293,468</u>	<u>\$ 492,156</u>	<u>\$ 815,404</u>

**STATE OF YAP**  
**FEDERATED STATES OF MICRONESIA**  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS  
Combining Statement of Revenues, Expenditures by Account  
and Changes in Fund Balances, continued  
Year Ended September 30, 2023

	F39	F76	F85	F86	
	Sports Development	Housing Maintenance	Enterprise	Expendable Trust	Total
Revenues:					
Excise taxes	\$ 97,757	\$ -	\$ -	\$ -	\$ 97,757
Fees and charges	-	14,765	202,419	-	217,184
Net change in the fair value of investments	-	-	-	65,463	65,463
Total revenues	<u>97,757</u>	<u>14,765</u>	<u>202,419</u>	<u>65,463</u>	<u>380,404</u>
Expenditures by account:					
Grants and subsidies	97,757	-	238,315	-	336,072
Capital outlay	-	14,223	-	-	14,223
Other	-	881	-	-	881
Total expenditures	<u>97,757</u>	<u>15,104</u>	<u>238,315</u>	<u>-</u>	<u>351,176</u>
Excess (deficiency) of revenues over (under) expenditures	-	(339)	(35,896)	65,463	29,228
Fund balances at the beginning of the year	-	30,119	329,364	426,693	786,176
Fund balances at the end of the year	<u>\$ -</u>	<u>\$ 29,780</u>	<u>\$ 293,468</u>	<u>\$ 492,156</u>	<u>\$ 815,404</u>

**STATEMENT OF YAP  
FEDERATED STATES OF MICRONESIA**  
Foreign Assistance Grants Fund  
Combining Balance Sheet  
September 30, 2023

	<b>F10</b>	<b>F11</b>	<b>F12</b>	<b>F13</b>	<b>F14</b>	<b>F15</b>	<b>F16</b>	<b>F18</b>	<b>F19</b>	<b>F20</b>	<b>F21</b>	<b>F23</b>	<b>F25</b>	
	Education	Health	Environment	Private Sector	Capacity Building	Supplemental Education	ERA Sector	Infrastructure Maintenance		U.S. Grants through FSM	Direct U.S. Grants	Non U.S. Grants	CFSM Grants	Total
	Sector	Sector	Sector	Development	Sector	Education	Sector	Maintenance	Infrastructure	through FSM	Grants	Grants	Grants	Total
<b>ASSETS</b>														
Receivables:														
Federal agencies	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 244,807	\$ -	\$ -	\$ 244,807
FSM National Government	1,128,770	342,118	118,125	54,897	26,381	1,320,497	177,584	-	2,091,359	322,828	-	-	38,769	5,621,328
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due from other funds	94,548	1,779,015	-	-	93,400	-	-	3,381,677	-	-	(130,360)	483,462	35,720	5,737,462
Advances	4,077	76,100	-	-	-	8,493	-	-	-	-	-	-	-	88,670
	<u>1,227,395</u>	<u>2,197,233</u>	<u>118,125</u>	<u>54,897</u>	<u>119,781</u>	<u>1,328,990</u>	<u>177,584</u>	<u>3,381,677</u>	<u>2,091,359</u>	<u>322,828</u>	<u>114,447</u>	<u>483,462</u>	<u>74,489</u>	<u>11,692,267</u>
<b>LIABILITIES AND FUND BALANCES:</b>														
Liabilities:														
Accounts payable	266,963	125,872	(144)	1,999	21,406	115,891	13,227	95,010	1,227,438	35,946	75,276	858	45,237	2,024,979
Other liabilities and accruals	112,036	106,892	-	-	3,834	41,104	8,505	-	6,543	39,038	39,171	295	1,495	358,913
Unearned revenues	446,126	1,964,469	70,373	29,022	94,541	38,186	9,784	-	665,439	-	-	446,497	27,757	3,792,194
Due to other funds	402,270	-	47,896	23,876	-	1,133,809	146,068	-	191,939	247,844	-	35,812	-	2,229,514
Total liabilities	<u>1,227,395</u>	<u>2,197,233</u>	<u>118,125</u>	<u>54,897</u>	<u>119,781</u>	<u>1,328,990</u>	<u>177,584</u>	<u>95,010</u>	<u>2,091,359</u>	<u>322,828</u>	<u>114,447</u>	<u>483,462</u>	<u>74,489</u>	<u>8,405,600</u>
Fund balances:														
Restricted	-	-	-	-	-	-	-	3,286,667	-	-	-	-	-	3,286,667
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,286,667</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,286,667</u>
Total liabilities and fund balances	<u>\$ 1,227,395</u>	<u>\$ 2,197,233</u>	<u>\$ 118,125</u>	<u>\$ 54,897</u>	<u>\$ 119,781</u>	<u>\$ 1,328,990</u>	<u>\$ 177,584</u>	<u>\$ 3,381,677</u>	<u>\$ 2,091,359</u>	<u>\$ 322,828</u>	<u>\$ 114,447</u>	<u>\$ 483,462</u>	<u>\$ 74,489</u>	<u>\$ 11,692,267</u>

**STATEMENT OF YAP  
FEDERATED STATES OF MICRONESIA**  
Foreign Assistance Grants Fund  
Combining Statement of Revenues, Expenditures by Function, and Changes in Fund Balances - by function  
September 30, 2023

	<b>F10</b>	<b>F11</b>	<b>F12</b>	<b>F13</b>	<b>F14</b>	<b>F15</b>	<b>F16</b>	<b>F18</b>	<b>F19</b>	<b>F20</b>	<b>F21</b>	<b>F23</b>	<b>F25</b>	
	<b>Education</b>	<b>Health</b>	<b>Environment</b>	<b>Private Sector</b>	<b>Capacity Building</b>	<b>Supplemental Education</b>	<b>ERA</b>	<b>Infrastructure Maintenance</b>	<b>Infrastructure</b>	<b>U.S. Grants through FSM</b>	<b>Direct U.S. Grants</b>	<b>Non U.S. Grants</b>	<b>CFSM Grants</b>	<b>Total</b>
	<b>Sector</b>	<b>Sector</b>	<b>Sector</b>	<b>Development</b>	<b>Sector</b>	<b>Education</b>	<b>Sector</b>	<b>Maintenance</b>	<b>Infrastructure</b>	<b>through FSM</b>	<b>Grants</b>	<b>Grants</b>	<b>Grants</b>	
Revenues:														
Compact funding	\$ 4,245,289	\$ 3,866,453	\$ -	\$ -	\$ 126,579	\$ 1,716,878	\$ 198,221	\$ -	\$ 1,798,417	\$ -	\$ -	\$ -	\$ -	\$ 11,951,837
Federal contributions and other grants	-	-	-	-	-	-	-	-	-	1,083,304	2,048,321	19,140	-	3,150,765
CFSM Grants	-	-	-	-	-	-	-	-	-	-	-	-	170,176	170,176
	<u>4,245,289</u>	<u>3,866,453</u>	<u>-</u>	<u>-</u>	<u>126,579</u>	<u>1,716,878</u>	<u>198,221</u>	<u>-</u>	<u>1,798,417</u>	<u>1,083,304</u>	<u>2,048,321</u>	<u>19,140</u>	<u>170,176</u>	<u>15,272,778</u>
Expenditures by function: Current:														
General government	-	-	-	-	126,579	-	198,221	-	-	-	-	-	-	324,800
Public safety	-	-	-	-	-	-	-	-	-	-	-	-	170,176	170,176
Resources and development	-	-	-	-	-	-	-	-	-	-	82,209	-	-	82,209
Education	4,245,289	-	-	-	-	1,716,878	-	-	-	535,476	-	-	-	6,497,643
Public works and transportation	-	-	-	-	-	-	-	686,760	182,883	-	-	-	-	869,643
Health services	-	3,866,453	-	-	-	-	-	-	-	504,232	1,864,225	19,140	-	6,254,050
Boards and commissions	-	-	-	-	-	-	-	-	-	43,596	-	-	-	43,596
Payments to component units	-	-	-	-	-	-	-	-	1,396,302	-	-	-	-	1,396,302
Other appropriations	-	-	-	-	-	-	-	-	-	-	101,887	-	-	101,887
Total expenditures	<u>4,245,289</u>	<u>3,866,453</u>	<u>-</u>	<u>-</u>	<u>126,579</u>	<u>1,716,878</u>	<u>198,221</u>	<u>686,760</u>	<u>1,579,185</u>	<u>1,083,304</u>	<u>2,048,321</u>	<u>19,140</u>	<u>170,176</u>	<u>15,740,306</u>
Other financing sources:														
Operating transfers in (out)	-	-	-	-	-	-	-	438,464	(219,232)	-	-	-	-	219,232
Net change in fund balances	-	-	-	-	-	-	-	(248,296)	-	-	-	-	-	(248,296)
Fund balances at the beginning of the year	-	-	-	-	-	-	-	3,534,963	-	-	-	-	-	3,534,963
Fund balances at the end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,286,667</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,286,667</u>

**STATEMENT OF YAP  
FEDERATED STATES OF MICRONESIA**  
Foreign Assistance Grants Fund  
Combining Statement of Revenues, Expenditures by Accounts, and Changes in Fund Balances - by account  
September 30, 2023

	<b>F10</b>	<b>F11</b>	<b>F12</b>	<b>F13</b>	<b>F14</b>	<b>F15</b>	<b>F16</b>	<b>F18</b>	<b>F19</b>	<b>F20</b>	<b>F21</b>	<b>F23</b>	<b>F25</b>	
	<b>Education</b>	<b>Health</b>	<b>Environment</b>	<b>Private</b>	<b>Capacity</b>	<b>Supplemental</b>	<b>ERA</b>	<b>Infrastructure</b>		<b>U.S. Grants</b>	<b>Direct U.S.</b>	<b>Non U.S.</b>	<b>FCSM</b>	
	<b>Sector</b>	<b>Sector</b>	<b>Sector</b>	<b>Sector</b>	<b>Building</b>	<b>Education</b>	<b>Sector</b>	<b>Maintenance</b>	<b>Infrastructure</b>	<b>through FSM</b>	<b>Grants</b>	<b>Grants</b>	<b>Grants</b>	<b>Total</b>
				<b>Development</b>	<b>Sector</b>									
Revenues:														
Compact funding	\$ 4,245,289	\$ 3,866,453	\$ -	\$ -	\$ 126,579	\$ 1,716,878	\$ 198,221	\$ -	\$ 1,798,417	\$ -	\$ -	\$ -	\$ -	\$ 11,951,837
Federal contributions and other grants	-	-	-	-	-	-	-	-	-	1,083,304	2,048,321	19,140	-	3,150,765
CFSM Grants	-	-	-	-	-	-	-	-	-	-	-	-	170,176	170,176
	<u>4,245,289</u>	<u>3,866,453</u>	<u>-</u>	<u>-</u>	<u>126,579</u>	<u>1,716,878</u>	<u>198,221</u>	<u>-</u>	<u>1,798,417</u>	<u>1,083,304</u>	<u>2,048,321</u>	<u>19,140</u>	<u>170,176</u>	<u>15,272,778</u>
Expenditures by account:														
Salaries and wages	2,041,223	1,798,304	-	-	81,173	750,775	158,877	-	118,077	818,646	710,398	2,042	6,799	6,486,314
Medical	-	1,002,910	-	-	-	-	-	-	-	3,184	550,783	-	-	1,556,877
Contractual services	282,797	295,396	-	-	45,872	38,499	-	655,546	12,117	3,500	49,207	12,020	8,586	1,403,540
Capital outlay	138,855	133,816	-	-	862	74,125	3,794	-	9,972	4,999	254,136	-	80,317	700,876
Supplies and materials	555,546	30,419	-	-	(1,328)	372,869	32,485	-	5,882	51,995	192,472	-	47,759	1,288,099
Utilities	329,510	318,155	-	-	-	28,288	-	-	4,639	22,362	83,377	-	-	786,331
Repairs and maintenance	209,157	32,673	-	-	-	21,278	725	31,214	910	4,792	41,650	-	9,346	351,745
Travel	132,766	116,361	-	-	-	200,287	-	-	13,410	92,318	88,634	2,520	-	646,296
Professional services	-	(3,200)	-	-	-	78,357	-	-	-	-	8,919	-	-	84,076
Scholarship and training	222,226	-	-	-	-	-	-	-	-	-	-	-	-	222,226
Food stuffs	78,443	50,836	-	-	-	103,501	-	-	-	7,409	-	-	4,594	244,783
POL	98,853	52,613	-	-	-	25,231	-	-	1,814	13,319	24,659	-	9,412	225,901
Communications	62,947	19,314	-	-	-	8,503	2,272	-	5,718	11,247	11,558	-	2,136	123,695
Freight	18,949	9,054	-	-	-	12,900	-	-	-	-	-	-	-	40,903
Printing and reproduction	-	6,181	-	-	-	-	-	-	-	3,610	-	126	-	9,917
Rentals	-	148	-	-	-	-	-	-	6,050	19,344	1,045	-	540	27,127
Allowances	720	-	-	-	-	750	-	-	-	-	-	1,700	-	3,170
Other	73,297	3,473	-	-	-	1,515	68	-	1,400,596	26,579	31,483	732	687	1,538,430
Total expenditures	<u>4,245,289</u>	<u>3,866,453</u>	<u>-</u>	<u>-</u>	<u>126,579</u>	<u>1,716,878</u>	<u>198,221</u>	<u>686,760</u>	<u>1,579,185</u>	<u>1,083,304</u>	<u>2,048,321</u>	<u>19,140</u>	<u>170,176</u>	<u>15,740,306</u>
Operating transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>438,464</u>	<u>(219,232)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>219,232</u>
Net change in fund balances (deficit)	-	-	-	-	-	-	-	(248,296)	-	-	-	-	-	(248,296)
Fund balances at the beginning of year	-	-	-	-	-	-	-	3,534,963	-	-	-	-	-	3,534,963
Fund balances at the end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,286,667</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,286,667</u>



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

**INDEPENDENT AUDITOR'S 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***

Honorable Francis Itimai  
Governor, State of Yap  
Federated States of Micronesia

We have audited, in accordance with 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 governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Yap (the State) as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the State's basic financial statements, and have issued our report thereon dated December 26, 2025. Our report includes an adverse opinion for the omission of a certain component unit and includes explanatory paragraphs concerning collectability of receivables. Our report includes a reference to other auditors who audited the financial statements of the Public Transportation System, as described in our report on the State's basic financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those other auditors.

For purposes of this report, our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants agreements, and other matters did not include the Yap Visitor's Bureau, the Yap State Public Service Corporation, and The Diving Seagull, Inc., which were all audited by us. We have issued separate reports on our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters for these entities. Other auditors issued a separate report on their consideration of internal control over financial reporting and their tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters for the Public Transportation System. The findings, if any, included in those reports are not included herein.

**Report on Internal Control over Financial Reporting**

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

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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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control as described in the accompanying Schedule of Findings and questioned costs as finding 2023-001, that we consider to be a material weakness.

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

As part of obtaining reasonable assurance about whether State'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 financial statements. 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.

### **State's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the State's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. State's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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.

*Bruce Comer & Associates*

Saipan, MP  
February 19, 2026



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

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

Honorable Francis Itimai  
 Governor, State of Yap  
 Federated States of Micronesia

**Report on Compliance for Each Major Federal Program**

*Unmodified Opinions*

We have audited State of Yap’s (the State’s) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of State’s Major Federal Programs CFDA 15.875 Compact of Free Association Grant Program, and we were engaged to audit State of Yap’s compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on CFDA 93.224 Health Center Program for the year ended September 30, 2023. State of Yap’s major federal programs are identified in the Summary of Opinions section of our report.

As discussed in Notes to the Schedule of Expenditures of Federal Awards (Notes), the State’s basic financial statements include the operations of certain entities whose federal awards are not included in the accompanying Schedule of Expenditures of Federal Awards for the year ended September 30, 2023. Our audit, described below, did not include the operations of the entities identified in Notes as these entities conducted separate audits in accordance with Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, if required.

*Summary of Opinions*

<i>Major Federal Program</i>	<i>Type of Opinion</i>
CFDA 15.875 Compact of Free Association Grant Program	Unmodified
CFDA 93.224 Health Center Program	Unmodified

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### *Unmodified Opinion on CFDA 93.224 Health Center Program*

In our opinion, State of Yap complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on *CFDA 93.224 Health Center Program* for the year ended September 30, 2023.

### *Unmodified Opinion on CFDA 15.875 Compact of Free Association Grant Program*

In our opinion, State of Yap complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on *CFDA 15.875 Compact of Free Association Grant* for the year ended September 30, 2023.

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the State of Yap and to meet our other ethical responsibilities, in accordance with 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 unmodified opinions on compliance for CFDA 93.224 Health Center Program and CFDA 15.875 Compact of Free Association Grant Program. Our audit does not provide a legal determination of the State's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the State's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the State's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the State's compliance with the requirements of each major federal program as a whole.

Our responsibility is to conduct an audit of compliance in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance and to issue an auditor's report.

We are required to be independent of the State and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 State's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the State's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***Other Matters***

*Government Auditing Standards* requires the auditor to perform limited procedures on the State's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The State's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a material weakness.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-002 to be a significant deficiency.

Our audit of CFDA 93.224 Health Center Program and CFDA 15.875 Compact of Free Association Grant Program was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

#### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the State's basic financial statements. We issued our report thereon dated December 26, 2025 which contained an adverse opinion for the omission of a certain component unit and included explanatory paragraphs concerning collectability of receivables. We did not audit the financial statements of the Public Transportation System, which represent 100% of the assets, net position, and operating revenues of the State's business-type activities. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Public Transportation System, is based solely on the report of the other auditors. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Government Auditing Standards* requires the auditor to perform limited procedures on the State's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The State's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Bruce Comer & Associates*

Saipan, MP

February 19, 2026

**STATE OF YAP  
FEDERATED STATES OF MICRONESIA**

Summary Schedule of Expenditures of Federal Awards, by Grantor  
Year Ended September 30, 2023

Agency/Program	Expenditures
U.S. Department of Agriculture	\$ 28,809
U.S. Department of the Interior	12,800,342
U.S. Small Business Administration	37,388
U.S. Department of Education	535,226
U.S. Department of Health and Human Services	<u>2,368,457</u>
GRAND TOTAL	<u>\$ 15,770,222</u>
Reconciliation to the basic financial statements:	
Foreign Assistance Grants Fund expenditures	\$ 15,959,538
Less: Non-U.S. Grants Fund expenditures	(170,176)
Less: CFSM Grants Fund expenditures	<u>(19,140)</u>
	<u>\$ 15,770,222</u>

See accompanying notes to schedule of expenditures of federal awards.

**STATE OF YAP  
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	ALN Number	Identifying Number Assigned by Pass- Through Entity	Federal Expenditures
<u>U.S. Department of Agriculture:</u>			
Direct Program:			
Cooperative Forestry Assistance	10.664		\$ 28,809
Total U.S. Department of Agriculture			<u>28,809</u>
<u>U.S. Department of the Interior:</u>			
Direct Programs:			
Economic, Social and Political Development of the Territories:			
Compact of Free Association, As Amended, Sector Grants			
Technical Assistance Program: Public Auditor	15.875		39,183
CF Asst. Consolidated Grants			78,716
Yap LFA Control Effort			-
Subtotal Direct Programs			<u>117,899</u>
Pass-Through Grants from the FSM National Government: A5			
Economic, Social and Political Development of the Territories:			
Compact of Free Association, As Amended, Sector Grants			
Compact II Education Sector	15.875	00050-2016-COFA-FSM	4,245,289
Compact II Health Sector			3,866,453
Compact II Capacity Building Sector			126,579
Supplemental Education Grant			1,716,878
Compact II ERA			198,221
Compact II Infrastructure Sector			1,798,417
Compact II Infrastructure Maintenance Sector			686,761
Historic Preservation Fund Grant-In-Aid	15.904		43,846
Subtotal Pass-Through Grants from Federated States of Micronesia National Government			<u>12,682,444</u>
Total U.S. Department of the Interior			<u>12,800,342</u>
<u>U.S. Small Business Administration:</u>			
Direct Programs:			
8(a) Business Development Program	59.006		37,388
Total U.S. Small Business Administration			<u>37,388</u>
<u>U.S. Department of Education:</u>			
Pass-Through Grants from the FSM National Government: A5			
Special Education Cluster (IDEA):			
Special Education - Grants to States (IDEA, Part B)	84.027		535,226
Special Education Cluster (IDEA) Subtotal			<u>535,226</u>
Total U.S. Department of Education			<u>535,226</u>
<u>U.S. Department of Health and Human Services:</u>			
Direct Programs:			
Health Center Program Cluster:			
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)			
	93.224		1,827,829
Health Center Cluster Subtotal and Subtotal Direct Programs			<u>1,827,829</u>
Pass-Through Grants from the FSM National Government: A5			
Public Health Emergency Preparedness	93.069		400
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092		72,127
Maternal and Child Health Federal Consolidated Program	93.110		21,814
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116		26,790
Family Planning Services	93.217		20,401

**STATE OF YAP  
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	ALN Number	Identifying Number Assigned by Pass- Through Entity	Federal Expenditures
<u>U.S. Department of Health and Human Services, Continued:</u>			
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243		370
Immunization Cooperative Agreements	93.268		106,698
Affiliated Pacific Islands, U.S. Virgin Islands, and P. R.	93.377		23,765
OPIOID STR	93.788		36,396
National Bioterrorism Hospital Preparedness Program	93.889		13,114
Cancer Prevention and Control Programs for State, Territorial	93.898		67,603
Block Grants for Community Mental Health Services	93.958		3,038
Block Grants for Prevention and Treatment of Substance Abuse	93.959		87,690
Block Grants for Preventative Health and Health Services	93.991		-
Maternal and Child Health Services Block Grant to the States	93.994		<u>60,422</u>
Subtotal Pass-Through Grants from Federated States of Micronesia National Government			<u>540,628</u>
Total U.S. Department of Health and Human Services			<u>2,368,457</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u><u>15,770,222</u></u>

See accompanying notes to schedule of expenditures of federal awards.

**STATE OF YAP  
FEDERATED STATES OF MICRONESIA**

Notes to Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2023

1. Scope

The State of Yap is one of the four States of the Federated States of Micronesia. All significant operations of State of Yap are included in the scope of the Single Audit. The U.S. Department of the Interior has been designated as State of Yap's cognizant agency for the Single Audit.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of State of Yap under programs of the federal government for the year ended September 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of State of Yap, it is not intended to and does not present the financial position or changes in financial position of State of Yap.

3. Summary of Significant Accounting Policies

A. Basis of Accounting

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, consistent with the manner in which State of Yap maintains its accounting records. All expenditures and capital outlays that represent the federal share are reported as expenditures. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented, where available.

B. Reporting Entity

For purposes of complying with the Single Audit Act of 1984, as amended in 1996, State of Yap's reporting entity is defined in Note 1A to its September 30, 2023 basic financial statements; and all of the discretely presented component units are excluded. Accordingly, the accompanying Schedule presents the federal award programs administered by State of Yap, as defined above, for the year ended September 30, 2023.

C. Matching Costs

Matching costs, i.e., the non-federal share of certain program costs, are not included in the accompanying Schedule.

**STATE OF YAP**  
**FEDERATED STATES OF MICRONESIA**

Notes to Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2023

4. Summary of Significant Accounting Policies, continued

D. Indirect Cost Allocation

State of Yap did not receive any indirect cost allocation and does not elect to use the de minimis indirect cost rate allowed under the Uniform Guidance. State of Yap did not charge indirect costs against federal programs.

E. ALN#15.875

ALN #15.875 represents the Office of Insular Affairs (OIA), U.S. Department of the Interior. Funding from this source is subject to varying rules and regulations since OIA administers the Compact of Free Association, which is a treaty, and is not a federal program. The Compact comprises various funded programs, each with separate compliance requirements. To maximize audit coverage of OIA funding, the OIG has recommended that programs administered under ALN #15.875 be grouped by like compliance requirements and such groupings be separately evaluated for purposes of major program determinations.

**STATE OF YAP  
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2023

**Section I - Summary of Auditors' Results**

*Financial Statements*

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Adverse and Unmodified

Internal control over financial reporting:

2. Material weakness(es) identified? Yes  
3. Significant deficiency(ies) identified? No  
4. Noncompliance material to financial statements noted? No

*Federal Awards*

Internal control over major federal programs:

5. Material weakness(es) identified? No  
6. Significant deficiency(ies) identified? Yes  
7. Type of auditors' report issued on compliance for major federal programs: Unmodified  
8. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes  
9. Identification of major federal programs:

<u>ALN Numbers</u>	<u>Name of Federal Program or Cluster</u>
15.875	Economic, Social and Political Development of the Territories – Compact of Free Association, as Amended, Compact Sector Grants

Health Center Program Cluster:

93.224	Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)
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Dollar threshold used to distinguish between Type A and Type B Programs: \$750,000

10. Auditee qualified as low-risk auditee? No

**Section II – Financial Statements Findings**

<u>Finding #</u>	<u>Finding</u>
2023-001	External Financial Reporting

**Section III - Federal Award Findings and Questioned Costs**

<u>Finding #</u>	<u>Finding</u>
2023-002	CFDA 93.224 Health Center Grant

**STATE OF YAP  
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2023

Finding No.: 2023-001

Area: External Financial Reporting

Criteria: Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 24*, requires that the general purpose financial statements of the reporting entity include component units for which the primary government is financially accountable, has a financial benefit or burden relationship with, or for which exclusion would cause the reporting entity's general purpose financial statements to be misleading or incomplete.

Condition: The fiscal year 2023 financial audit of a component unit, Yap Fishing Authority, was not completed in a timely manner due to delayed reconciliations and year-end closings.

Cause: The State lacks policies and procedures requiring regular monitoring of component unit financial statements and of the audit progress for the respective entities.

Effect: The State is in noncompliance with GASB Statement No. 14, as amended, and lacks audited financial statements for inclusion in the State's general purpose financial statements. Yap Fishing Authority did not incur federal program expenditures during the year ended September 30, 2023.

Recommendation: The State should establish policies and procedures to facilitate compliance with GASB Statement No. 14, as amended.

Identification as a Repeat Finding: Finding No. 2022-001 and 2021-001

Views of Responsible Officials: The State agrees with the finding and describes corrective actions in its corrective action plan.

**STATE OF YAP  
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2023

Finding No.: 2023-002

Area: CFDA 93.224 Health Center Grant Inability to Verify Compliance with Sliding Fee Discount Requirements

Criteria: Under the Health Center Program (CFDA 93.224), health centers are required to implement and apply a sliding fee discount schedule (SFDS) to adjust patient charges based on income and family size, ensuring access to affordable healthcare services for low-income individuals. The sliding fee discounts must be applied in accordance with the health center's approved schedule. In addition, 45 CFR Part 75, Appendix XI (Compliance Supplement) requires auditors to review the sliding fee discount schedule and a sample of patient financial records to verify that discounts are appropriately calculated and applied based on income and family size.

Condition: This finding was reported in the prior year and the same condition continued during the current audit period. During our fieldwork at Yap State Hospital, we noted that income eligibility determinations were not performed for patients as required by the grantor. The hospital treated the entire Yap State population as being below the poverty level, resulting in all patients automatically qualifying for sliding fee discounts.

Documentation provided by Yap State Government (YSG) and the health center was limited to cash receipts reports. These reports did not include sufficient patient-level financial information, such as income and family size, to allow verification that sliding fee discounts were applied in accordance with program requirements.

Cause: The health center did not provide the required patient financial records for services rendered during the audit period.

Effect: Because patient financial records were not made available, we were unable to determine whether the health center complied with the sliding fee discount requirements of the Health Center Program. This condition increases the risk that patient charges may not be accurately or consistently adjusted, potentially limiting affordability for low-income patients and resulting in noncompliance with federal program requirements.

Recommendation: We recommend that YSG work closely with the health center to establish and enforce procedures for the timely and complete submission of patient financial records for audit and compliance purposes. The health center should ensure that adequate documentation is maintained to support income and family size determinations and the proper application of sliding fee discounts. If necessary, YSG should seek guidance from the federal awarding agency to ensure compliance with program requirements. In addition, Yap State Government health centers should immediately develop, implement, and document a comprehensive Sliding Fee Discount Schedule in accordance with applicable federal regulations.

**STATE OF YAP  
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2023

Finding No.: 2023-002

Area: CFDA 93.224 Health Center Grant Inability to Verify Compliance with Sliding Fee  
Discount Requirements

Identification as a Repeat Finding: Yes

Views of Responsible Officials: The State agreed with the finding. See the response and planned corrective actions in the Corrective Action Plan following the Schedule of Findings and Questioned Costs.



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**REVENUE: 350-2472**

**Summary Schedule of Prior Audit Findings and Questioned  
 Costs Year Ended September 30, 2023**

<u>Finding Number</u>	<u>ALN Number</u>	<u>Costs</u>	<u>Status</u>
2019-001	15.875	164,760	On-going. See corrective action taken – Finding 2019-001
2019-002	93.224	9,998	On-going. See corrective action taken – Finding 2019-002
2019-003	-	-	On-going. See corrective action taken – Finding 2019-003
2020-001	-	-	On-going. See corrective action taken – Finding 2020-001
2021-001	-	-	On-going. See corrective action taken – Finding 2021-001
2022-001	-	-	On-going. See corrective action taken – Finding 2022-001
2022-002	-	-	On-going. See corrective action taken – Finding 2022-002
2022-003	-	-	On-going. See corrective action taken – Finding 2022-003
2022-004	-	-	On-going. See corrective action taken – Finding 2022-004
		<u>\$174,758</u>	



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**Yap State Government**

Corrective Action Plan  
 2 CFR§200.511(c)  
 Year Ended September 30, 2023

Finding Number	Corrective Action Plan	Anticipated Completion Date	Responsible Official Capacity
<b>2023-01</b>	We agree with this Finding. We have asked the Acting Attorney General to provide her opinion on how to legally transfer the capital assets of the Yap Fishing Authority to the State Government in the hope of reducing the balance sheet of the component unit so that it will no longer have a material impact to the State's financial statements as a whole. We are collaborating with the Yap State Public Auditor to obtain and present in the Yap State report the financial statements for YFA with the hope that for the audit of 2024, the adverse opinion could perhaps be changed to a qualification for the lack of audited financial information for the Yap Fishing Authority.	March 31, 2026	Ms. Patricia Ruecho' Chief, Division of Procurement & Property Management and also Chief, Division of Finance & Treasury  (691) 350-2142 chiefrppm@gmail.com
<b>2023-02</b>	We agree with this Finding. Henceforth, we will ask for the employment status of all new and continuing patients. Those who are employed will be required to provide their most recent W-2 form or their paycheck stub as proof of their income and eligibility for the sliding scale discount. This information will be kept in each patient's file and will be updated on a regular basis to ensure the continued compliance of the WCHC to the discount policy.	March 31, 2026	Ms. Irene Laabrug Chief, Division of Finance & Treasury  (691) 350-2142 ilaabrug123@gmail.com