

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

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

YEAR ENDED SEPTEMBER 30, 2024

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Year Ended September 30, 2024

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**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

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FEDERATED STATES OF MICRONESIA**

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**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

**INDEPENDENT AUDITORS' REPORT,
FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION**

YEAR ENDED SEPTEMBER 30, 2024



BURGER · COMER · & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Honorable Stevenson A. Joseph
Governor, State of Pohnpei
Federated States of Micronesia:

Report on the Audit of the Financial Statements

Adverse, Qualified and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units (except as described below), each major fund, and the aggregate remaining fund information of the State of Pohnpei (the State) as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in Section III of the table of contents.

We did not audit the financial statements of the Small Business Guarantee and Finance Corporation, which represent 5%, 7%, and 1%, respectively, of the assets, net position, and operating revenues of the aggregate discretely presented component units included in the accompanying financial statements. Those financial 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 Small Business Guarantee and Finance Corporation, is based solely on the report of the other auditors.

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Qualified
Aggregate Discretely Presented Component Units	Adverse
General Fund	Unmodified
Grants Assistance Fund	Unmodified
Compact Trust Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Adverse Opinion on Aggregate Discretely Presented Component Units

In our opinion, because of the significance of the matter described in the Matters Giving Rise to Adverse Opinion on the Aggregate Discretely Presented Component Units subsection of the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, the accompanying financial statements do not present fairly the financial position of the aggregate discretely presented component units of the State of Pohnpei as of September 30, 2024, or the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Saipan Office

1930 Picarro Lane, I Liyang Village
P.O. Box 504053, Saipan, MP 96950
Tel Nos. (670) 235-8722 (670) 233-1837
Fax Nos. (670) 235-6905 (670) 233-8214

Guam Office

333 South Marine Corps Drive
Tamuning, Guam 96913
Tel Nos. (671) 646-5044 (671) 472-2680
Fax Nos. (671) 646-5045 (671) 472-2686

Palau Office

PIDC Apartment No. 11
PO Box 1266 Koror, PW 96940
Tel Nos. (680) 488-8615
Fax Nos. (680) 488-8616

Qualified Opinion on Governmental Activities

In our opinion, except for the possible effects of the matter described in the Matters Giving Rise to Qualified Opinion on Governmental Activities subsection of the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Governmental Activities of the State of Pohnpei as of September 30, 2024, 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.

Unmodified Opinions on General Fund, Grants Assistance Fund, Compact Trust Fund and Aggregate Remaining Fund Information

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial positions of the General Fund, Grants Assistance Fund, Compact Trust Fund, and the aggregate remaining fund information of the State of Pohnpei as of September 30, 2024, and the 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, Qualified and Unmodified Opinions

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

Matters Giving Rise to Adverse Opinion on the Aggregate Discretely Presented Component Units

As described in Note 1 to the financial statements, the State has omitted the financial information of the Pohnpei Transportation Authority (PTA), a discretely presented component unit, from the accompanying financial statements. Although PTA's financial statements were audited by other auditors, ending net position reported on PTA's statement of net position did not reconcile with ending net position reported on its statement of revenues, expenses, and changes in net position. In addition, adjustments proposed by the Pohnpei State Public Auditor relating to fiscal years 2023 and 2024 were not reflected in PTA's issued audited financial statements.

The fiscal year 2023 adjustments would decrease beginning net position at October 1, 2023, by \$246,638. The separately identified fiscal year 2024 adjustments would further decrease net position by \$68,403. Collectively, recording these adjustments would decrease PTA's total assets at September 30, 2024, by \$110,935, increase its total liabilities by \$204,106, and decrease its ending net position by \$315,041. These amounts exclude the unresolved difference in ending net position between PTA's two financial statements. These matters remained unresolved, and the State excluded PTA's financial information. Accounting principles generally accepted in the United States of America require PTA's financial information to be included in the aggregate discretely presented component units. Consequently, the accompanying financial statements omit PTA's assets, liabilities, net position, revenues, and expenses. Although the effects of the identified unrecorded adjustments are quantified above, the complete financial effects of omitting PTA have not been determined.

Matters Giving Rise to Qualified Opinion on Governmental Activities

As described in Note 5 to the financial statements, the State capitalized \$8.8 million of building and infrastructure assets for which we were unable to obtain sufficient appropriate audit evidence to determine whether the recorded amounts represent historical cost, include all capitalizable costs, and exclude noncapitalizable expenditures. We also were unable to determine whether the related projects had been completed and placed into service as of September 30, 2024, and, consequently, whether the assets were appropriately classified as depreciable capital assets or construction in progress and whether depreciation was recognized in the appropriate reporting period. Accordingly, we were unable to determine whether adjustments were necessary to capital assets, construction in progress, depreciation expense, and related net position.

Emphasis of Matter-Restatement of 2023 Financial Statements

As discussed in Note 15 to the financial statements, the 2023 financial statements have been restated to correct misstatements. Our opinions are 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.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 on pages 5 through 12 as well as the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund and notes thereto, on pages 77 and 78, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 combining and individual fund financial statements, as set forth in Section V of the foregoing table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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, such information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2026 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 the State's internal control over financial reporting and compliance.

Brynn Conner & Associates

September 23, 2026
Tamuning, Guam

STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA
Management's Discussion and Analysis
September 30, 2024

I. Introduction

This section of the Pohnpei State's financial report presents our Management's Discussion and Analysis (MD&A) for the fiscal year ended September 30, 2024. This MD&A is prepared in compliance with the GASB 34 requirement.

Readers are requested to read this MD&A in conjunction with the State's financial statements, which follow this section. In summary, for the fiscal year 2024, the government generated \$64 million in revenue and incurred expenses of \$57 million, resulting in a revenue surplus of \$7 million.

II. Financial Highlights

- The reported total fund level revenues and contributions stand at \$64.1 million, representing a \$15.1 million or 31% increase from last year's \$49 million.
- The reported total fund level expenditures stand at \$57.2 million, representing a \$10.1 million or 21% increase from last years \$47.1 million.
- The excess of revenue over expenditure for the fund level financials is \$6.9 million representing a \$5.0 million or 263% increase from last year's \$1.9 million.
- Total governmental assets decreased to \$89.9 million from \$90.5 million, a \$0.6 million or 0.6% decrease versus the prior year.
- Total governmental liabilities decreased to \$22.4 million from \$22.7 million, a \$2.3 million or 9.3% decrease versus the prior year.
- Total governmental fund balance increased to \$67.5 million from \$65.8 million, a \$1.7 million or 2.6% increase versus the prior year.

III. Overview of the Financial Statements

The annual report consists of five parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information, other supplementary information and the notes to the financial statements. The figures presented are derived from the fiscal year 2024 statement of revenues, expenditures, and changes in fund balance, along with the governmental balance sheet. The statement of revenues, expenditures, and changes in fund balance encapsulates the financial activities of a government over the one-year period of fiscal year 2024. It encompasses the following components:

1. Revenue: This section outlines all income sources, which include taxes, grants, fees, and various funding streams.

STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA
Management's Discussion and Analysis
September 30, 2024

III. Overview of the Financial Statements, Continued

2. **Expenditure:** It provides a detailed account of all spending categories, such as salaries, operational costs, capital expenditures, and payments necessary for municipal operations.
3. **Changes in Fund Balance:** This indicates the variance between total revenues and total expenditures, reflecting how the fund balance has either increased or decreased during the fiscal year.

This statement serves as a crucial tool for stakeholders to evaluate the financial health and resource management of the government entity.

The governmental balance sheet offers a snapshot of the financial position of the government as of September 30, 2024. It enumerates the government's assets, liabilities, and fund balance:

1. **Assets:** This category consists of resources owned by the government, including cash, investments, property, equipment, and receivables.
2. **Liabilities:** These represent obligations or debts incurred by the government, such as loans, bonds, and other financial commitments.
3. **Fund Balance:** This is determined by subtracting liabilities from assets. A positive fund balance indicates that the assets surpass the liabilities, while a negative fund balance suggests the opposite. The fund balance is further categorized into non-spendable, restricted, committed, and unassigned portions.

The balance sheet plays a vital role in assessing the government's financial condition, thereby guiding policy decisions, budgeting, and fiscal management.

IV. Economic Factors and Environment

Significant economic factors and the environment that may impact the financial position of the State include the following:

1. **An increasing salary and wage bill:** In the early part of fiscal year 2024, the government approved wage increases ranging from 45% to 100% for its employees.
2. **In the last quarter of FY2023,** a plebiscite authorized a distribution of fishing fees to the State governments, with anticipated annual revenue proceeds to Pohnpei, projected between \$8 million and \$11 million.
3. **The outmigration of skilled employees in the healthcare and education sectors** has adversely affected the quality of services provided to the public.

STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA
Management's Discussion and Analysis
September 30, 2024

IV. Economic Factors and Environment, Continued

4. In fiscal year 2024, Compact III was approved, which will provide total annual assistance of \$140 million to the Federated States of Micronesia (FSM), with Pohnpei receiving a share of \$38 million. However, the extent to which Pohnpei can effectively utilize the full \$38 million depends on the speed of its infrastructure work. The annual allocation for infrastructure from this grant is set at \$12 million.

V. Financial Analysis of the State

Statement of Net Position and Changes in Net Position

The following is a summary of the State's net position as of September 30:

	Government Net Position		
	2024	2023	Difference
Current and other assets	\$ 77,870,882	\$ 76,750,809	\$ 1,120,073
Capital assets	26,159,701	18,143,070	\$ 8,016,631
Total assets	<u>\$ 104,030,583</u>	<u>\$ 94,893,879</u>	\$ 9,136,704
Current liabilities	\$ 8,964,143	\$ 8,903,376	\$ 60,767
Deferred inflows of resources from leases	2,737,631	2,856,135	\$ (118,504)
Long-term debt and other liabilities	6,013,714	2,808,285	\$ 3,205,429
Total liabilities	<u>17,715,488</u>	<u>14,567,796</u>	\$ 3,147,692
Net position:			
Net investment in capital assets	26,151,237	18,143,070	\$ 8,008,167
Restricted	33,753,832	35,187,100	\$ (1,433,268)
Unrestricted net position	<u>26,410,026</u>	<u>26,995,913</u>	\$ (585,887)
Total net position	<u>86,315,095</u>	<u>80,326,083</u>	\$ 5,989,012
Total liabilities and net position	<u>\$ 104,030,583</u>	<u>\$ 94,893,879</u>	<u>\$ 9,136,704</u>

The State's statement of changes in net position for the fiscal year ending September 30, 2024 and 2023 are as follows:

	Government Activities, Continued		
	2024	2023	Difference
Revenues:			
Program revenues:			
Charges for services	\$ 2,483,119	\$ 2,461,182	\$ 21,937
Operating grants and contributions	25,603,374	22,733,357	\$ 2,870,017
Capital grants and contributions	2,326,833	1,230,004	\$ 1,096,829
General Revenues:			
Taxes	27,661,911	20,048,693	\$ 7,613,218
Investment earnings	2,373,416	866,385	\$ 1,507,031
Other	649,499	(142,022)	\$ 791,521
Total revenues	<u>61,098,152</u>	<u>47,197,599</u>	<u>\$ 13,900,553</u>

STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA
Management's Discussion and Analysis
September 30, 2024

V. Financial Analysis of the State, Continued

Statement of Net Position and Changes in Net Position, Continued

	Government Activities, Continued		
	2024	2023	Difference
Expenses:			
Education	17,118,716	13,874,542	\$ 3,244,174
General government	11,867,090	10,328,349	\$ 1,538,741
Health services	11,580,247	10,163,925	\$ 1,416,322
Municipal governments	4,368,637	4,487,174	\$ (118,537)
Boards, commission and others	4,061,153	2,671,927	\$ 1,389,226
Public safety	2,808,393	2,376,364	\$ 432,029
Capital projects	2,326,833	1,230,004	\$ 1,096,829
Resources and development	705,788	807,470	\$ (101,682)
Land and natural resources	922,208	750,306	\$ 171,902
Attorney general	753,538	558,728	\$ 194,810
Public works and transportation	558,508	478,898	\$ 79,610
Non-government agencies	863,896	246,741	\$ 617,155
Total expenses	<u>57,935,007</u>	<u>47,974,428</u>	<u>\$ 9,960,579</u>
Other items:			
Special Item SDR - operating transfer in and out	-	29,843	\$ (29,843)
Contributions to permanent fund	3,045,125	2,001,420	\$ 1,043,705
Total general revenues, special items and contributions	33,729,951	22,804,319	\$ 10,925,632
Change in net position	6,208,270	1,254,434	\$ 4,953,836
Net position - beginning	80,326,083	81,269,730	\$ (943,647)
Restatement - correction of an error	(219,258)	(2,198,081)	\$ 1,978,823
Net position - beginning of the year, restated	80,106,825	79,071,649	\$ 1,035,176
Net position at the end of the year	<u>\$ 86,315,095</u>	<u>\$ 80,326,083</u>	<u>\$ 5,989,012</u>

Financial analysis of the State's Governmental Funds

Presented below are the changes in the State's governmental fund balances for the fiscal years ending September 30, 2024 and 2023.

	General Fund		Grants Assistance Fund		Compact Trust Fund		Other Funds	
	2024	2023	2024	2023	2024	2023	2024	2023
Revenues:								
Taxes	\$ 27,195,672	\$ 19,101,751	\$ -	\$ -	\$ -	\$ -	\$ 889,550	\$ 933,341
Compact	-	-	23,905,132	20,015,343	-	-	-	-
Other/transfer in	2,997,734	1,455,358	3,961,353	3,948,018	3,045,125	2,001,420	2,148,711	2,240,857
Total revenues	30,193,406	20,557,109	27,866,485	23,963,361	3,045,125	2,001,420	3,038,261	3,174,198
Expenditures/transfers out	26,039,118	20,371,947	28,018,221	23,785,657	-	-	3,178,289	3,388,540
Net change in fund balances	<u>\$ 4,154,288</u>	<u>\$ 185,162</u>	<u>\$ (151,736)</u>	<u>\$ 177,704</u>	<u>\$ 3,045,125</u>	<u>\$ 2,001,420</u>	<u>\$ (140,028)</u>	<u>\$ (214,342)</u>
% of FB Net Change	3,969,126	2144%	(329,440)	-185%	3,045,125	152%	(140,028)	65%
Increase (Decrease) in Revenues	9,636,297	47%	3,903,124	16%	3,045,125	152%	3,038,261	96%
(Increase) Decrease in expenditures	(5,667,171)	-28%	(4,232,564)	-18%	-	0%	(3,178,289)	-94%

STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA
Management's Discussion and Analysis
September 30, 2024

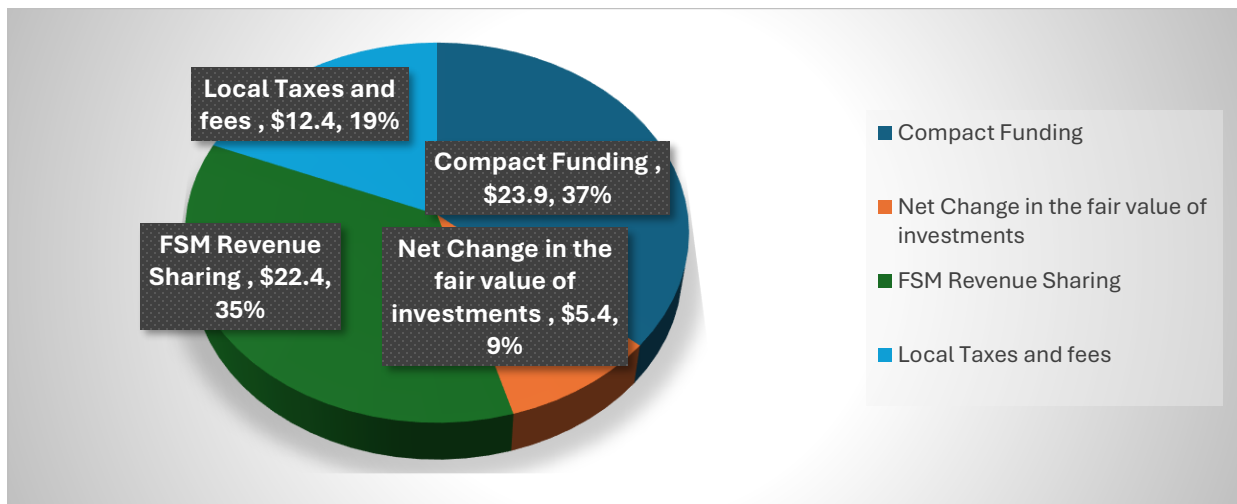
V. Financial Analysis of the State, Continued

Changes in major revenues and expenditures

Major Revenue Sources (in millions)	2024	2023	Increase (reduction)	% Change
Compact Funding	\$ 23.9	\$ 20.0	\$ 3.9	20%
Net Change in the fair value of investments	5.4	2.8	2.6	93%
FSM Revenue Sharing	22.4	14.3	8.1	57%
Local Taxes and fees	12.4	10.0	2.4	24%
Total	64.1	47.1	17.0	36%

The audit indicates that Compact funding revenue from the COFA rose by \$4 million from 2023 to 2024. In terms of FSM revenue sharing, the audit highlights an \$8 million increase in revenue sharing from fiscal year 2023 to 2024. This rise is primarily attributed to the inclusion of fishing fees, which were not previously shared before the plebiscite.

The presentation below outlines the sources of government revenue (in millions) and their respective percentages.



Major expenditure categories (in millions)	2024	2023	Increase (reduction)	% Change
Salaries	\$ 25.0	\$ 23.8	\$ 1.2	5%
Operations	29.0	18.4	10.6	58%
Capital Outlays	0.7	1.6	(0.9)	-56%
Payment to Municipal Government	2.5	3.3	(0.8)	-24%
Total	57.2	47.1	10.1	21%

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Management's Discussion and Analysis
September 30, 2024

V. Financial Analysis of the State, Continued

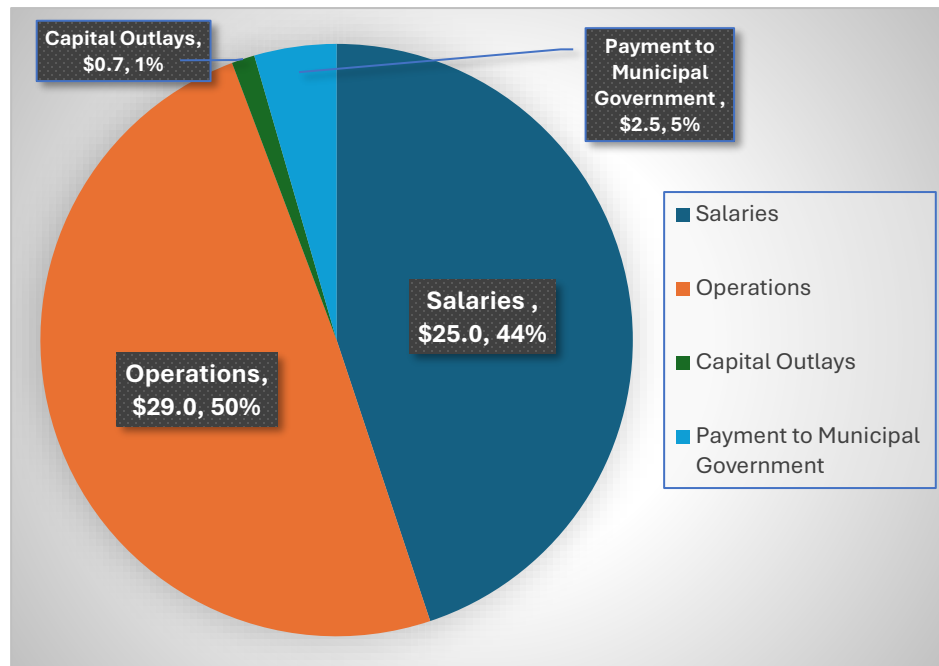
Changes in major revenues and expenditures, Continued

Salaries were raised from \$23.8 million in FY 2023 to \$25 million in FY 2024, resulting in an increase of \$1.2 million in the wage bill. However, operational expenses grew significantly by \$10.3 million.

Some of these increases are linked to inflation, rising fuel costs, and an expanded range of services that were previously unaffordable. The new funding levels enabled the government to provide services that had been limited by financial constraints. Most of the new expenses for services are classified as consumable costs.

Capital expenditures have been slowed, nearly coming to a halt, as the government has limited its spending on infrastructure in light of the new requirements, annual implementation plan, development of strategic development plan and the uncertainties surrounding the transition from Compact II to Compact III.

The chart below illustrates the primary expenditure categories in both dollar amounts (in millions) and percentages.



STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA
Management's Discussion and Analysis
September 30, 2024

V. Financial Analysis of the State, Continued

Capital asset and debt administration

Capital Assets

As of the conclusion of the fiscal year 2024, the State's capital assets predominately comprise equipment, buildings, roads, and bridges. The growth in these capital assets signifies the government's strategic investment in its infrastructure to enhance public service. Below is a summary of the gross capital assets as of September 30, 2024 and 2023:

	Government Activities	
	2024	2023
Buildings	\$ 28,107,338	\$ 24,841,744
Machinery	30,411,311	29,436,182
Infrastructure	59,423,636	53,690,078
Total	<u>\$ 117,942,285</u>	<u>\$ 107,968,004</u>

More details regarding the State's capital assets can be found in Note 5 of the notes to the Financial Statements.

Long-term debt

As of September 30, the State's long-term debt is detailed below:

	Government Activities	
	2024	2023
Asian Development Bank Loan	<u>\$ 6,392,349</u>	<u>\$ 2,811,842</u>
Fund Balance Unassigned	<u>\$ 5,382,899</u>	<u>\$ 2,534,173</u>

For further details of the State's long-term debt, please refer to Notes 7 and 8 of the notes to the Financial Statements.

VI. Operational Performance

The audited comparison of the primary government's budget versus actual expenditures indicates that the government remained within the spending limits set by the legislature. The authorized budget allocation was \$27.2 million, while actual expenditures totaled \$26.8 million, resulting in a budget surplus of \$0.42 million.

STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA
Management's Discussion and Analysis
September 30, 2024

VI. Operational Performance, Continued

All offices adhered to the legislature's authorized amounts, except for the repayment of the early retirement loan from the ADB. This payment was not included in the annual appropriation as it is funded through the sinking fund invested in the Bank of Hawaii.

VII. Future Outlook

According to the World Bank, the Federated States of Micronesia (FSM) anticipates a moderate decrease in real GDP growth to 0.7% for FY2025, primarily due to real income constraints and high import costs. Inflation is expected to reach 3.2%, influenced by rising fuel prices and global shipping challenges, while economic activity will receive some support from Compact-funded public investments.

For Pohnpei, the nation's capital, this suggests no significant revenue growth on the horizon, coupled with ongoing increases in operational costs and expenditures. The FSM is planning to implement a value-added tax, which experts believe could boost government revenue; however, this initiative requires support from all four states, not merely the national government and Pohnpei is not optimistic.

Fishing fee revenue is contingent on licenses granted within the FSM economic zone. Should fishing grounds shift, fishing revenue is likely to fluctuate accordingly, presenting a risk that policymakers need to address. Currently, all fishing fee revenues are allocated for consumables and government salaries. It is essential to promote disciplined fiscal management and strategic planning for infrastructure development to foster economic growth.

VIII. Conclusion

Overall, this year has been successful in terms of financial operation, with revenues substantially surpassing expenditures, and the government not utilizing the entirety of its allocated budget. Management remains dedicated to transparency and accountability.

FINANCIAL CONTACT

This financial report is designed to provide all interested users with a general overview of the State of Pohnpei's finances. If you have questions about this report or need additional financial information, please contact the Office of the Director of Treasury and Administration at (691) 320-2323, P.O. Box 1567 Kolonia, Pohnpei FM 96941.

STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA

Statement of Net Position
September 30, 2024

	Primary Government	Component Units
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 6,695,267	\$ 6,041,820
Time certificate of deposit	-	235,272
Investments	4,029,082	5,161,235
Accounts receivable, net	10,611,372	4,044,310
Lease receivable, current portion	112,784	134,981
Advances	748,973	2,259,341
Inventories	-	1,274,378
Restricted assets:		
Cash and cash equivalents	6,571,911	715,035
Time certificates of deposit	-	370,000
Total current assets	<u>28,769,389</u>	<u>20,236,372</u>
Noncurrent assets:		
Capital assets:		
Non-depreciable capital assets	-	3,236,718
Capital assets, net of accumulated depreciation	26,159,701	30,622,044
Investments	16,980,218	319,100
Deposits	-	1,620,913
Loan receivables, net	-	6,519,434
Lease receivables, net of current portion	3,261,491	2,475,822
Other assets	2,300,000	-
Due from primary government	-	34,732
Right-to-use assets, net	17,525	184,829
Restricted assets:		
Cash and cash equivalents	-	5,736
Investments	26,542,259	-
Total noncurrent assets	<u>75,261,194</u>	<u>45,019,328</u>
Total assets	<u>\$ 104,030,583</u>	<u>\$ 65,255,700</u>
<u>LIABILITIES</u>		
Current liabilities:		
Short-term debt	\$ -	\$ 232,071
Current portion of long-term obligation	589,603	531,313
Compensated absence payable	671,133	-
Accounts payable	2,993,942	2,887,773
Other liabilities and accruals	3,378,071	1,038,364
Due to FSM national government	-	235,236
Due to primary government	-	4,963,956
Lease liability, current portion	25,989	36,209
Unearned revenues	1,305,405	598,108
Total current liabilities	<u>8,964,143</u>	<u>10,523,030</u>
Deferred inflows of resources from leases	2,737,631	2,220,135
Noncurrent liabilities:		
Long-term obligations, net of current portion	5,802,746	4,707,092
Claims and judgments payable	210,968	-
Lease liability, noncurrent	-	148,620
Total noncurrent liabilities	<u>6,013,714</u>	<u>4,855,712</u>
Total liabilities and deferred inflows of resources	<u>17,715,488</u>	<u>17,598,877</u>
Contingencies and commitments		
<u>NET POSITION</u>		
Net investment in capital assets	26,151,237	28,620,357
Restricted for:		
Non-expendable:		
Future operations	20,876,360	-
Expendable:		
Debt service	5,665,899	-
Other purposes	7,211,573	8,531,402
Unrestricted	26,410,026	10,505,064
Total net position	<u>86,315,095</u>	<u>47,656,823</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 104,030,583</u>	<u>\$ 65,255,700</u>

See accompanying notes to financial statements.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Statement of Activities
Year Ended September 30, 2024

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units
Primary Government:						
Governmental Activities:						
General government	\$ 11,867,090	\$ 1,436,960	\$ 1,404,014	\$ -	\$ (9,026,116)	\$ -
Land and natural resources	922,208	87,371	200,531	-	(634,306)	-
Education	17,118,716	-	14,658,556	-	(2,460,160)	-
Health services	11,580,247	819,935	9,340,273	-	(1,420,039)	-
Public safety	2,808,393	-	-	-	(2,808,393)	-
Attorney general	753,538	-	-	-	(753,538)	-
Public works and transportation	558,508	138,853	-	-	(419,655)	-
Resource and development	705,788	-	-	-	(705,788)	-
Non-governmental agencies	863,896	-	-	-	(863,896)	-
Boards, commissions and others	4,061,153	-	-	-	(4,061,153)	-
Municipal governments	4,368,637	-	-	-	(4,368,637)	-
Capital projects	2,326,833	-	-	2,326,833	-	-
Total primary government	<u>57,935,007</u>	<u>2,483,119</u>	<u>25,603,374</u>	<u>\$ 2,326,833</u>	<u>(27,521,681)</u>	<u>-</u>
Component Units:						
Pohnpei Utilities Corporation	\$ 20,761,810	\$ 17,173,268	\$ -	\$ 112,070	-	(3,476,472)
Pohnpei Port Authority	3,795,922	4,983,668	-	116,019	-	1,303,765
Small Business Guarantee and Finance Corporation	285,597	263,464	-	-	-	(22,133)
Pohnpei State Housing Authority	263,207	441,222	-	-	-	178,015
Total component units	<u>\$ 25,106,536</u>	<u>\$ 22,861,622</u>	<u>\$ -</u>	<u>\$ 228,089</u>	<u>-</u>	<u>(2,016,825)</u>
General Revenues:						
Taxes:						
FSM revenue sharing:						
Gross revenue tax					3,202,139	-
Import tax					4,137,549	-
Income taxes					3,995,346	-
Other 20% taxes					321,754	-
State taxes					5,219,149	-
Fishing fees					10,785,974	-
Lease revenue					237,677	-
Lease interest revenue					121,897	240,119
Unrestricted investment earnings					2,373,416	120,269
Contributions from primary government					-	828,362
Grants					-	127,437
Other					<u>289,925</u>	<u>4,592</u>
Total general revenues					<u>30,684,826</u>	<u>1,320,779</u>
Contributions to permanent fund					<u>3,045,125</u>	<u>-</u>
Total general revenues, special items and contributions					<u>33,729,951</u>	<u>1,320,779</u>
Change in net position					<u>6,208,270</u>	<u>(696,046)</u>
Net position at the beginning of year					80,326,083	46,550,599
Restatement - correction of an error					(219,258)	1,802,270
Net position at the beginning of year, as restated					<u>80,106,825</u>	<u>48,352,869</u>
Net position at the end of the year					<u>\$ 86,315,095</u>	<u>\$ 47,656,823</u>

See accompanying notes to financial statements.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Balance Sheet
Governmental Funds
September 30, 2024

		Special Revenue	Permanent	Other Governmental Funds	Total
	General	Grants Assistance	Compact Trust		
ASSETS					
Cash and cash equivalents	\$ 6,648,631	\$ -	\$ -	\$ 46,636	\$ 6,695,267
Investments	21,009,300	-	-	-	21,009,300
Receivables, net:					
General	213,012	-	-	34,805	247,817
Taxes	5,334,251	-	-	-	5,334,251
Due from component units	133,294	-	-	-	133,294
Due from FSM National Government	-	4,526,687	-	-	4,526,687
Due from grantor agencies - Direct	-	286,543	-	-	286,543
Other	70,666	12,114	-	-	82,780
Lease receivable, current portion	80,090	-	-	32,694	112,784
Due from other funds	2,948,820	1,683,063	-	7,479,588	12,111,471
Advances	423,609	273,187	-	52,177	748,973
Other assets	2,300,000	-	-	-	2,300,000
Restricted assets:					
Cash and cash equivalents	6,564,211	7,700	-	-	6,571,911
Investments	5,665,899	-	20,876,360	-	26,542,259
Lease receivable, net of current portion	3,106,818	-	-	154,673	3,261,491
Total assets	<u>\$ 54,498,601</u>	<u>\$ 6,789,294</u>	<u>\$ 20,876,360</u>	<u>\$ 7,800,573</u>	<u>\$ 89,964,828</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 877,860	\$ 1,770,782	\$ -	\$ 345,300	\$ 2,993,942
Other liabilities and accruals	2,073,709	1,242,111	-	10,759	3,326,579
Unearned revenues	-	1,305,405	-	-	1,305,405
Due to other funds	9,162,651	2,921,257	-	27,563	12,111,471
Total liabilities	<u>12,114,220</u>	<u>7,239,555</u>	<u>-</u>	<u>383,622</u>	<u>19,737,397</u>
Deferred inflows of resources	2,522,119	-	-	215,512	2,737,631
Fund balances (deficit):					
Nonspendable	20,772,837	-	20,876,360	34,837	41,684,034
Restricted	12,230,110	-	-	-	12,230,110
Committed	414,074	-	-	7,166,602	7,580,676
Assigned	1,062,342	-	-	-	1,062,342
Unassigned:					
General fund	5,382,899	-	-	-	5,382,899
Grants assistance fund	-	(450,261)	-	-	(450,261)
Total fund balance (deficit)	<u>39,862,262</u>	<u>(450,261)</u>	<u>20,876,360</u>	<u>7,201,439</u>	<u>67,489,800</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 54,498,601</u>	<u>\$ 6,789,294</u>	<u>\$ 20,876,360</u>	<u>\$ 7,800,573</u>	

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, not reported in the funds.

26,159,701

Right-to-use assets, net

17,525

Long-term liabilities, including loans and lease payable, are not due and payable in the current period and, therefore, not reported in the funds. The liabilities include:

Long-term debt payable	(6,392,349)
Long-term lease payable	(25,989)
Compensated absence payable	(671,133)
Claims and judgments payable	(210,968)
Other government-wide liabilities	(51,492)

(7,351,931)

Net position of governmental activities

\$ 86,315,095

See accompanying notes to financial statements.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2024

		Special Revenue	Permanent	Other Governmental Funds	Total
	General	Grants Assistance	Compact Trust		
Revenues:					
Compact funding	\$ -	\$ 23,905,132	\$ -	\$ -	\$ 23,905,132
Net change in the fair value of investments	2,373,416	-	3,045,125	-	5,418,541
Federal contributions and other grants	63,722	3,961,353	-	-	4,025,075
FSM revenue sharing	22,442,762	-	-	-	22,442,762
State taxes	4,329,599	-	-	889,550	5,219,149
Fees and charges	423,311	-	-	2,059,808	2,483,119
Lease revenue	172,851	-	-	64,826	237,677
Lease interest revenue	97,820	-	-	24,077	121,897
Other	289,925	-	-	-	289,925
Total revenues	<u>30,193,406</u>	<u>27,866,485</u>	<u>3,045,125</u>	<u>3,038,261</u>	<u>64,143,277</u>
Expenditures:					
Current:					
General government	8,883,966	1,492,028	-	1,656,939	12,032,933
Land and natural resources	729,192	200,531	-	-	929,723
Education	2,027,387	14,658,556	-	-	16,685,943
Health services	871,159	9,340,273	-	1,521,350	11,732,782
Public safety	2,689,588	-	-	-	2,689,588
Office of the attorney general	745,540	-	-	-	745,540
Public works	555,309	-	-	-	555,309
Resource and development	705,788	-	-	-	705,788
Payments to non-governmental agencies	863,896	-	-	-	863,896
Boards, commissions and other	3,464,036	-	-	-	3,464,036
Local revenue share payments to municipal governments	4,368,637	-	-	-	4,368,637
Capital projects	-	2,326,833	-	-	2,326,833
Debt service	134,620	-	-	-	134,620
Total expenditures	<u>26,039,118</u>	<u>28,018,221</u>	<u>-</u>	<u>3,178,289</u>	<u>57,235,628</u>
Net change in fund balances (deficit)	<u>4,154,288</u>	<u>(151,736)</u>	<u>3,045,125</u>	<u>(140,028)</u>	<u>6,907,649</u>
Fund balances (deficit) at the beginning of the year	35,707,974	(298,525)	23,080,595	7,341,467	65,831,511
Restatement - correction of an error	-	-	(5,249,360)	-	(5,249,360)
Fund balances (deficit) at the beginning of the year, as restated	35,707,974	(298,525)	17,831,235	7,341,467	60,582,151
Fund balances (deficit) at the end of the year	<u>\$ 39,862,262</u>	<u>\$ (450,261)</u>	<u>\$ 20,876,360</u>	<u>\$ 7,201,439</u>	<u>\$ 67,489,800</u>

See accompanying notes to financial statements.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

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

Year Ended September 30, 2024

Amounts reported for governmental activities in the statement of activities are different than the net change in fund balances because:

Net change in fund balance - total governmental funds	\$ 6,907,649
Governmental funds report capital outlays as expenditures. In the Statement of Activities, those costs are capitalized and depreciated over their estimated useful lives. Capital outlays of \$1,188,969, were less than current year depreciation and amortization expense of \$2,020,213 by \$831,244.	(831,244)
The repayment of principal of long-term debt consumes the current financial resources of governmental funds and such transaction has no effect on net position.	203,520
SDR foreign exchange adjustment	68,900
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 lease liabilities	(26,710)
Net change in compensated absence payable	<u>(113,845)</u>
Change in net position of governmental activities	<u><u>\$ 6,208,270</u></u>

See accompanying notes to financial statements.

STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA

Combining Statement of Net Position
Component Units
September 30, 2024

	Pohnpei Utilities Corporation	Pohnpei Port Authority	Small Business Guarantee and Finance Corporation	Pohnpei State Housing Authority	Total
<u>ASSETS</u>					
Current assets:					
Cash and cash equivalents	\$ 895,946	\$ 4,706,360	\$ 500	\$ 439,014	\$ 6,041,820
Time certificate of deposit	235,272	-	-	-	235,272
Accounts receivable, net	3,319,965	640,847	58,959	24,539	4,044,310
Lease receivable, current portion	-	134,981	-	-	134,981
Advances	2,203,867	45,550	9,794	130	2,259,341
Inventories	1,274,378	-	-	-	1,274,378
Investments	-	5,161,235	-	-	5,161,235
Restricted assets:					
Cash and cash equivalents	-	-	715,035	-	715,035
Time certificates of deposit	370,000	-	-	-	370,000
Total current assets	8,299,428	10,688,973	784,288	463,683	20,236,372
Noncurrent assets:					
Loan receivables, net	-	-	2,492,110	4,027,324	6,519,434
Investments	-	319,100	-	-	319,100
Deposits	1,620,913	-	-	-	1,620,913
Right-to-use assets, net	184,829	-	-	-	184,829
Lease receivable, net of current portion	-	2,475,822	-	-	2,475,822
Non-depreciable capital assets	444,489	2,792,229	-	-	3,236,718
Capital assets, net of accumulated depreciation	26,264,642	4,302,356	13,734	41,312	30,622,044
Due from primary government	-	-	-	34,732	34,732
Restricted assets:					
Cash and cash equivalents	5,736	-	-	-	5,736
Total noncurrent assets	28,520,609	9,889,507	2,505,844	4,103,368	45,019,328
Total assets	\$ 36,820,037	\$ 20,578,480	\$ 3,290,132	\$ 4,567,051	\$ 65,255,700
<u>LIABILITIES</u>					
Current liabilities:					
Short-term debt	\$ 232,071	\$ -	\$ -	\$ -	\$ 232,071
Current portion of long-term obligation	531,313	-	-	-	531,313
Lease liability, current portion	36,209	-	-	-	36,209
Accounts payable	2,700,599	165,070	22,104	-	2,887,773
Other liabilities and accruals	720,174	270,909	8,852	38,429	1,038,364
Due to FSM national government	235,236	-	-	-	235,236
Due to primary government	4,854,955	-	-	109,001	4,963,956
Unearned revenues	598,108	-	-	-	598,108
Total current liabilities	9,908,665	435,979	30,956	147,430	10,523,030
Deferred inflows of resources from leases	-	2,220,135	-	-	2,220,135
Noncurrent liabilities					
Noncurrent portion of long-term debt	4,707,092	-	-	-	4,707,092
Lease liability, noncurrent	148,620	-	-	-	148,620
Total noncurrent liabilities	4,855,712	-	-	-	4,855,712
Total liabilities and deferred inflows of resources	14,764,377	2,656,114	30,956	147,430	17,598,877
<u>NET POSITION</u>					
Net investment in capital assets	21,470,726	7,094,585	13,734	41,312	28,620,357
Restricted	945,950	-	3,207,143	4,378,309	8,531,402
Unrestricted	(361,016)	10,827,781	38,299	-	10,505,064
Total net position	22,055,660	17,922,366	3,259,176	4,419,621	47,656,823
Total liabilities, deferred inflows of resources, and net position	\$ 36,820,037	\$ 20,578,480	\$ 3,290,132	\$ 4,567,051	\$ 65,255,700

See accompanying notes to financial statements.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Combining Statement of Revenues, Expenses, and Changes in Net Position
Component Units
Year Ended September 30, 2024

	<u>Pohnpei Utilities Corporation</u>	<u>Pohnpei Port Authority</u>	<u>Small Business Guarantee and Finance Corporation</u>	<u>Pohnpei State Housing Authority</u>	<u>Total</u>
Operating Revenues:					
Charges for services	<u>\$ 17,173,268</u>	<u>\$ 4,983,668</u>	<u>\$ 263,464</u>	<u>\$ 441,222</u>	<u>\$ 22,861,622</u>
Total operating revenues	<u>17,173,268</u>	<u>4,983,668</u>	<u>263,464</u>	<u>441,222</u>	<u>22,861,622</u>
Operating Expenses:					
Cost of services	15,587,912	-	-	-	15,587,912
Administration costs	2,799,018	3,141,724	270,424	254,373	6,465,539
Depreciation and amortization	<u>2,266,546</u>	<u>654,198</u>	<u>15,173</u>	<u>8,834</u>	<u>2,944,751</u>
Total operating expenses	<u>20,653,476</u>	<u>3,795,922</u>	<u>285,597</u>	<u>263,207</u>	<u>24,998,202</u>
Operating income (loss)	<u>(3,480,208)</u>	<u>1,187,746</u>	<u>(22,133)</u>	<u>178,015</u>	<u>(2,136,580)</u>
Nonoperating revenue (expenses):					
Contributions from the primary government	-	-	593,090	235,272	828,362
Lease interest revenue	-	240,119	-	-	240,119
Grants	29,523	97,914	-	-	127,437
Interest expense, net of interest income	(170,581)	76,000	215	-	(94,366)
Foreign exchange revaluation	(108,334)	-	-	-	(108,334)
Gain on sale of fixed assets	-	-	-	825	825
Unrealized gain (loss) on investment	-	214,635	-	-	214,635
Other	<u>-</u>	<u>-</u>	<u>3,767</u>	<u>-</u>	<u>3,767</u>
Total nonoperating revenues, net	<u>(249,392)</u>	<u>628,668</u>	<u>597,072</u>	<u>236,097</u>	<u>1,212,445</u>
Change in net position before capital contribution:	(3,729,600)	1,816,414	574,939	414,112	(924,135)
Capital contribution	<u>112,070</u>	<u>116,019</u>	<u>-</u>	<u>-</u>	<u>228,089</u>
Change in net position	<u>(3,617,530)</u>	<u>1,932,433</u>	<u>574,939</u>	<u>414,112</u>	<u>(696,046)</u>
Net position at the beginning of the year	23,870,920	15,989,933	2,684,237	4,005,509	46,550,599
Restatement - correction of an error	<u>1,802,270</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,802,270</u>
Net position at the end of the year, as restated	<u>\$ 22,055,660</u>	<u>\$ 17,922,366</u>	<u>\$ 3,259,176</u>	<u>\$ 4,419,621</u>	<u>\$ 47,656,823</u>

See accompanying notes to financial statements.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2024

(1) Summary of Significant Accounting Policies

The State of Pohnpei (the State) was constituted on November 8, 1984, under the provisions of the Pohnpei State Constitution (the Constitution) as approved by the people of Pohnpei. 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 Yap. The State is a constitutional government comprised of three branches: the Legislative Branch, consisting of 23 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 up to four Associate Justices, and other courts that may be created by law.

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.

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

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2024

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

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 State has not identified any entities that should be so blended.

The State's Proprietary funds the are discretely presented component units are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources, and liabilities and deferred inflows of resources associated with the operation of the fund are included in the statements of net position. Proprietary fund operating statements present increases and decreases in net position. The accrual basis of accounting is utilized by proprietary funds. Under this method, revenue is recorded when earned and expenses are recorded at the time liabilities are incurred.

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:

Pohnpei Utilities Corporation (PUC): PUC was created by Pohnpei State Public Law (PSPL) No. 2L-179-91 and is responsible for providing electrical, water and sewer services to the people of Pohnpei through the operation of the electric power, water and sewer systems. PUC is governed by a seven-member Board of Directors appointed by the Governor with the advice and consent of the Legislature. The State provides financial support to PUC through legislative appropriations and has the ability to impose its will on PUC.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2024

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

Discretely Presented Component Units, Continued:

Pohnpei Port Authority (PPA): PPA was created by PSPL No. 2L-224-91 and is responsible for overseeing the use and maintenance of the State's sea and airports. PPA is governed by a seven-member Board of Directors, consisting of representatives of the State appointed by the Governor with the advice and consent of the Legislature. The State has the ability to impose its will on PPA.

Small Business Guarantee and Finance Corporation (SBGFC): SBGFC was created by PSPL No. 3L-86-95 to provide, promote, develop and widen in both scope and services reach various alternative modes of financing for small enterprises, including, but not limited to, direct and indirect project lending, venture capital, financial leasing, secondary mortgage and rediscounting of loan papers to small businesses. SBGFC is governed by a seven-member Board of Directors, consisting of four representatives of the State and three representatives from the private sector appointed by the Governor with the advice and consent of the Legislature. The State provides financial support to SBGFC through legislative appropriations and has the ability to impose its will on SBGFC.

Pohnpei State Housing Authority (PSHA): PSHA was created by PSPL No. 2L-81-88 for the purpose of facilitating, through low-interest loans, the construction of safe and sanitary residential housing for low-income families of the State, and for monitoring the Housing Preservation Grant (HPG) loan funds extended by United States Department of Agriculture Rural Development. PSHA is governed by a five-member Board of Directors appointed by the Governor with the advice and consent of the Legislature. The State provides financial support to PSHA through legislative appropriations and has the ability to impose its will on PSHA.

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

P.O. Box 370
Kolonias, Pohnpei, FSM 96941

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2024

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

Omitted Component Units:

Pohnpei Transportation Authority (PTA): PTA was created by PSPL No. 169-69 and is responsible for promotion, development, and improving transportation facilities of the State. PTA is governed by a seven-member Board of Directors, consisting of representatives of the State appointed by the Governor with the advice and consent of the Legislature. The State has the ability to impose its will on PTA. Accordingly, PTA meets the criteria for inclusion as a discretely presented component unit of the State.

PTA's financial information for the year ended September 30, 2024, has been omitted from the accompanying aggregate discretely presented component-unit financial statements.

PTA's financial statements were audited by other auditors. However, ending net position reported on PTA's statement of net position did not reconcile with ending net position reported on its statement of revenues, expenses, and changes in net position. In addition, adjustments proposed by other auditors relating to fiscal years 2023 and 2024 were not reflected in PTA's issued audited financial statements. These adjustments involved capital assets and accumulated depreciation, inventory, receivables, accounts payable, payroll accruals, and net position.

The fiscal year 2023 adjustments would decrease beginning net position at October 1, 2023, by \$246,638. The separately identified fiscal year 2024 adjustments would further decrease net position by \$68,403. Collectively, recording these adjustments would decrease PTA's total assets at September 30, 2024, by \$110,935, increase its total liabilities by \$204,106, and decrease its ending net position by \$315,041. These amounts exclude the unresolved difference in ending net position between PTA's two financial statements.

These matters had not been resolved as of the date the State's financial statements were available to be issued. Accordingly, the State of Pohnpei excluded PTA's financial information from the accompanying financial statements. This omission is a departure from accounting principles generally accepted in the United States of America, which require PTA's financial information to be included in the State's reporting entity. The complete effects of the omission on the aggregate discretely presented component units' assets, liabilities, net position, revenues, and expenses have not been determined.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2024

(1) Summary of Significant Accounting Policies, Continued

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. The effect of interfund activity has been eliminated from these statements except for other charges between the primary government and the discretely presented component units. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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

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

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2024

(1) Summary of Significant Accounting Policies, Continued

B. Government-Wide Financial Statements

The government-wide Statement of Net Position reports \$33,753,832 of restricted net position, of which \$7,211,573 is restricted by enabling legislation. The Statement of Activities demonstrates the degree to which the direct expenses of given functions or segments are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function or segment.

Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are, instead, reported as general revenue.

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.

Government-Wide Financial Statements:

The government-wide financial statements are reported using the economic resources management focus and the accrual basis of accounting. 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.

D. Measurement Focus and Basis of Accounting

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

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2024

(1) Summary of Significant Accounting Policies, Continued

D. Measurement Focus and Basis of Accounting, Continued

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 and expenses 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.

Fund Accounting:

GASB Statement No. 34, as amended by GASB Statement No. 37, 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.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2024

(1) Summary of Significant Accounting Policies, Continued

D. Measurement Focus and Basis of Accounting, Continued

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.

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

Section 215 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.

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 maturity dates within three months of the date acquired by the State. Deposits maintained in time certificates of deposit with original maturity dates greater than ninety days are separately classified on the statement of net position/balance sheet.

F. Lease receivable

Lease receivable represents the present value of lease payments expected to be received during the lease term. The State has adopted policies to assist in determining lease treatment in accordance with requirements of GASB codification L20, which include the following: (1) the maximum possible lease term is non-cancellable by both lessee and lessor and is more than 12 months and (2) the terms of the lease will include possible extension periods that are deemed to be reasonably certain given all available information, regarding the likelihood of renewal.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2024

(1) Summary of Significant Accounting Policies, Continued

G. 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 (i.e., the exit price) in an orderly transaction between market participants at the date as of which the fair value of an asset or liability is determined.

The State categorizes fair value measurements using the GAAP fair value hierarchy based on valuation inputs. Level 1 uses quoted prices in active markets for identical assets; Level 2 uses significant observable inputs; and Level 3 uses significant unobservable inputs. The hierarchy gives highest priority to Level 1 and lowest to Level 3. When inputs from multiple levels are used, classification is based on the lowest-level input significant to the measurement. Investments not categorized within the hierarchy are reported at either net asset value (NAV) or amortized cost.

H. Receivables

In general, tax revenue is recognized on the government-wide financial statements when assessed or levied and on the governmental fund financial statements to the extent that it is both measurable and available. Receivables are stated net of estimated allowances for uncollectible accounts. Federal receivables include those funds which are earned primarily from FSM National Government (FSMNG) 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.

I. 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 governmentwide and governmental fund financial statements.

J. 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.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2024

(1) Summary of Significant Accounting Policies, Continued

J. Interfund Receivables/Payables, Continued

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

K. Inventories

Inventories of materials and supplies are determined by physical count and are valued at the lower of cost (principally average cost) or market. Inventories of the discretely presented component units are comprised of materials and diesel fuel and are valued at the lower of cost (FIFO) or market.

L. Restricted Assets

Certain assets of the primary government are classified as restricted assets because their use is completely restricted through enabling legislation and loan agreements. Specifically, the State has collateralized investments in the amount of \$5,665,899 for the Pohnpei State Early Retirement Scheme. Furthermore, investments recorded in the Compact Trust Fund of \$20,876,360 are restricted in that they are not available to be used in current operations.

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

Primary Government:

Deposits with a local bank restricted for the purpose of medical supplies for the State hospital	\$ 1,622,170
State Hospital's Honolulu imprest fund	7,700
Savings Account 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	351,521
Compact Sector Grants	<u>4,443,026</u>
Balance carryforward	<u>\$ 6,424,417</u>

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2024

(1) Summary of Significant Accounting Policies, Continued

L. Restricted Assets, Continued

Primary Government, Continued:

Balance forward	\$ 6,424,417
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Loan Guarantee Escrow Account established for the sole purpose of loan collateralization made through the USDA Rural Development. The escrow account may be drawn down in the event of a borrower's default on the obligation under the terms of the promissory note and the deed of trust security instrument supporting such note and for which such note is guaranteed by PSHA, the trustee of the Loan Guarantee Escrow Account.

147,494
<u>\$ 6,571,911</u>

Discretely Presented Component Units:

Pohnpei Utilities Corporation:

Deposit accounts collateralizing loans payable to the FSM Development Bank and the Bank of FSM	\$ 375,736
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Small Business Guarantee and Finance Corporation:

Deposits restricted for various operations of the small Business Guarantee and Finance Corporation	715,035
	<u>\$ 1,090,771</u>

M. Other Assets

The State holds approximately 14% of the outstanding shares of Pacific Islands Development Bank with a carrying value of \$2,300,000. 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.

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.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2024

(1) Summary of Significant Accounting Policies, Continued

O. Capital Assets

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

The State currently holds no title to land. 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 depreciated. Building 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. Additionally, as of fiscal year 2004, the State chose to capitalize assets acquired with U.S. federal funds that have an acquisition cost of \$5,000 or more.

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

Buildings	40 - 50 years
Infrastructure	25 - 50 years
Facilities	3 - 40 years
Machinery and equipment	3 - 25 years
Furniture and fixtures	3 - 10 years

P. 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 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.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2024

(1) Summary of Significant Accounting Policies, Continued

Q. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide 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 240 hours per calendar year. All unused annual leave is cancelled at the end of each calendar year.

R. Deferred Inflows of Resources

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (additions to net position) until then. As of September 30, 2024, deferred inflows of resources from leases are valued at \$2,737,631.

R. Unearned Revenues

In the government-wide financial statements, unearned revenues are recognized when cash, receivables or other assets are recorded prior to their 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. The unearned revenue in the governmental fund financial statements has primarily resulted as federal funds are received in advance of eligible expenditures.

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.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2024

(1) Summary of Significant Accounting Policies, Continued

S. Fund Balance, Continued

- Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.
- Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed.
- Unassigned - includes negative fund balances in other governmental funds.

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.

T. Interfund/Intrafund Transactions

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

U. Recently Adopted Accounting Standards

During the year ended September 30, 2024, the State implemented the following pronouncements:

- In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The effective guidance from statement clarifies provisions of previously issued GASB Statements, specifically: GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, and GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2024

(1) Summary of Significant Accounting Policies, Continued

U. Recently Adopted Accounting Standards, Continued

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

The implementation of these statements did not have a material effect on the accompanying financial statements. The State's implementation of GASB Statement No. 100 changed the required presentation and disclosure of the accounting-error corrections described in Note 15 but did not otherwise materially affect the State's financial position or results of operation.

V. Upcoming Accounting Standards

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

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2024

(1) Summary of Significant Accounting Policies, Continued

V. Upcoming Accounting Standards, Continued

In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. GASB Statement No. 101 will be effective for fiscal year ending September 30, 2025.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*, the objective of this Statement is to provide users of government financial statements with essential information about risks related to certain concentrations or constraints. The Statement defines a *concentration* as a lack of diversity related to an aspect of a significant inflow or outflow of resources. 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, or have begun to occur, or are more likely than not to occur with 12 months of the date the financial statements are issued. If a government determines that the criteria's have been met for disclosure of a concentration or constraint, it should disclose information in the notes to the financial statements in sufficient detail to enable users of the financial statement to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. The provisions of Statement No. 102 will be effective for fiscal year ending September 30, 2025.

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*, the objective of this Statement is to improve key components of the financial reporting model, including management's discussion and analysis (MD&A), proprietary fund financial statements, and budgetary comparison information. The Statement also enhances clarity regarding unusual or infrequent items and refines presentation requirements to improve consistency and decision usefulness. The provisions of Statement No. 103 will be effective for fiscal year ending September 30, 2026.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2024

(1) Summary of Significant Accounting Policies, Continued

V. Upcoming Accounting Standards, Continued

In September 2024, the GASB issued Statement No. 104, *Disclosures of Certain Capital Assets*, the objective of this Statement is to address the information needs of users and requires enhanced note disclosures related to capital assets, including disaggregated information by major asset class and more detailed explanations of additions, disposals, and depreciation. The Statement is intended to improve transparency and provide financial statement users with more decision-useful information about capital asset activities and conditions. The provisions of Statement No. 104 will be effective for fiscal year ending September 30, 2026.

In December 2025, the GASB issued Statement No. 105, *Subsequent Events*, the objective of this Statement is to improve the financial reporting requirements for subsequent events to enhance consistency in their application and better meet the information needs of financial statement users. This statement defines subsequent events, clarifies a two-point description for the date on which the financial statements are available to be issued, modifies the subsequent events time frame throughout the GASB literature, requires the date through which subsequent events have been evaluated to be disclosed, clarifies the distinction between recognized and nonrecognized events, and establishes specific note disclosures for nonrecognized events. The provisions of Statement No. 105 will be effective for fiscal year ending September 30, 2027.

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

W. Foreign Currency Transactions

The State maintains certain loan obligations denominated in Special Drawing Rights (SDRs), an international reserve asset created by the International Monetary Fund (IMF) based on a basket of major currencies, including the U.S. dollar, Euro, Chinese renminbi, Japanese yen, and British pound sterling. The value of the SDR fluctuates based on exchange rates of these underlying currencies and is published daily by the IMF.

Loan balances denominated in SDRs are translated into U.S. dollars using the IMF exchange rate in effect at the reporting date. Exchange gains and losses resulting from fluctuations in exchange rates between the SDR and the U.S. dollar are recognized as income or expense in the period in which they arise.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2024

(1) Summary of Significant Accounting Policies, Continued

W. Foreign Currency Transactions, Continued

During the fiscal year ended September 30, 2024, the State recognized a foreign currency exchange loss of \$68,900 resulting from changes in the SDR-to-U.S. dollar exchange rate applicable to its outstanding SDR-denominated loan obligations. The amount is presented as a component of general government function expenditures in the accompanying Statement of Activities.

X. 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, the State management believes it is more economical to manage its risks internally. In the event of claim settlements and judgments, the State reports all of its risk management activities in its General Fund. Claims, expenditures and liabilities are reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. No losses have occurred as a result of these risks in any of the past three fiscal years.

Y. 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 audited financial statements for the year ended September 30, 2023, from which summarized information was derived.

Z. Accounting Estimates

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

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2024

(2) Deposits and Investments

The deposit and investment policies of the State are governed by State legislation. 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) insurance. The Governor is responsible for the investment of any monies of the State that are deemed not necessary for immediate use. The Federated Development Authority 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, banker's 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 Corporation and Moody's Investor Services; and (2) Certificates of deposit must be from FDIC insured banks or FSLIC insured savings and loan associations, both of which must have assets in excess of \$2 billion.
- ii. Deposits in smaller institutions are acceptable, but must not exceed the amount of the insurance, unless collateralized by U.S. Treasury obligations at 102%.
- iii. Stocks - A "6" rating by a national rating service. Non-rated stocks, such as banks or insurance companies, must be equal in quality or higher.
- iv. Bonds - Confined to issues rated "A" or higher by a national rating service, except in the case of U.S. Treasury or government agency obligations which are not rated.

The equity portfolio shall be diversified among issues and industry classifications. No more than 25% of the equity portfolio may be invested in any single classification, as described by the Standard and Poor'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 the fund at the time of purchase without prior approval of the Secretary of Finance. The Secretary of Administration and Finance shall be responsible for investment of all public funds collected or appropriated for use by the State.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2024

(2) Deposits and Investments, Continued

Funds under this arrangement shall include all appropriations from the State, whether funds are appropriated from the State Treasury or funds from other sources. Any funds in excess of the amount necessary for the operation of the State shall be deposited or invested to earn the safest optimum interest.

The Secretary shall determine the amount to be invested with the consideration that such amount should not cause disruption of any government service due to low or lack of funds in the operational budget. The Secretary shall cause all investments to be made into financially secure institutions in Pohnpei or abroad as determined by the financial institution paying the highest rate of interest on savings when the investment is made.

The investment policy for the Compact Trust Fund (the Trust Fund), which was adopted by the Trust Fund Committee on September 15, 2010 and amended through December 17, 2013 requires the Trust Fund to allocate its managed investment portfolios among domestic and foreign equity and fixed income securities.

All or a portion of the Trust Fund may be invested in exchange traded funds ("ETFs"), mutual funds, real estate investment trusts ("REITs"), separate accounts and common trust funds (commingled vehicles), hedge funds, private equity funds, and other pooled investment vehicles ("pooled vehicles"). A common trust fund is similar to an open-ended investment company or mutual fund, but participation is limited to investors with trust accounts. Commingled and pooled vehicles that invest exclusively in marketable fixed income securities are considered to be fixed income securities for the purpose of compliance with the Trust Fund's investment policy.

The fair values of ETFs, mutual funds, and common trust funds are generally determined by the fair value of the underlying marketable equity and debt securities owned, which are principally common stocks and bonds, respectively. Publicly traded ETFs, mutual funds, and similar vehicles may trade at prices above or below the fair values of the underlying investments held; therefore, the fair value of such investments may differ from the sum of the fair values of the underlying investments owned.

The core fixed income portfolios may be invested in debt securities issued by the U.S. government and government agencies, foreign governments, domestic and international corporate securities, including asset-backed and mortgage-backed obligations.

The fixed income portfolio may invest in convertible and high yield debt securities; however, the average quality of the fixed income portfolio must be rated "investment grade" by at least one nationally recognized rating agency at the time of purchase. The Trust Fund's fixed income investment objective is for each portfolio to achieve total return similar to a relevant index, such as Barclays Capital Aggregate Index and the Bank of America Merrill Lynch Global High Yield Index.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2024

(2) Deposits and Investments, Continued

The Trust Fund's equity investment objective is for its various portfolios to achieve total returns similar to their benchmark equity indices. Benchmark indices include the Russell 3000, the S&P 500 and the MSCI EAFE.

Private equity funds are a form of pooled investment vehicle, typically limited partnerships controlled by a private equity firm that acts as general partner. The general partner seeks to obtain specific dollar commitments from qualified institutional and accredited investors to invest capital in the fund as limited partners.

The passive limited partners fund pro rata portions of their commitments when the general partner has identified an appropriate opportunity, which may be venture capital in the form of equity securities, convertible debt securities, or real estate for which no active markets exist. Venture capital is often used to finance new products and technologies, expand working capital, make acquisitions, or finance leveraged buyouts.

A typical private equity fund could make between 15 and 25 separate investments over a ten-year life, with no single investment exceeding 10% of the total capital commitment.

The fair values of the underlying investments held by each private equity fund are generally determined by management of the equity investee or as determined by the general partner or manager of the private equity fund and is based upon the Trust Fund's percentage ownership of the underlying investments. Investments in private equity funds generally tend to be illiquid for significant periods of time.

Hedge funds are a form of pooled investment vehicle, generally a limited partnership or a foreign (off-shore) investment corporation, that seeks to maximize absolute returns whose offering memorandum allows for the fund to take both long and short positions, use leverage and derivatives, and invest in many markets. Hedge funds often take large risks using a broad range of speculative strategies, including investing in unconventional and illiquid investments.

The fair value of the Trust Fund's investment in a hedge fund is determined by the hedge fund manager and is based upon the Trust Fund's percentage ownership of the underlying investments.

Commingled separate accounts invested in real estate and related assets are carried at fair value of the underlying investments. The fair value of separate account investments in real property real estate partnerships are generally determined based on independent appraisals obtained no less frequently than annually.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2024

(2) Deposits and Investments, Continued

A. Deposits

The fair value of separate account investments in real estate partnerships are generally determined based upon the equity method of accounting, and the fair value of underlying investments in real estate loans and mortgages are generally determined through the use of cash flow forecasting or other models by management of the insurance company that manages the separate account.

Derivatives, options and future contracts are permitted investments for the purpose of reducing risk and efficient portfolio management. Derivatives, options and futures may not be used for speculative purposes.

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.

As of September 30, 2024, the carrying amount of the primary government's total cash and cash equivalents was \$13,267,178 and the corresponding bank balances were \$14,183,504, which are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2024, bank deposits in the amount of \$250,000 were FDIC insured.

As of September 30, 2024, the carrying amount of the discretely presented component units' total cash and cash equivalents and time certificates of deposit was \$7,367,863 and the corresponding bank balances were \$7,445,089 which were maintained in financial institutions subject to FDIC insurance. As of September 30, 2024, bank deposits in the amount of \$1,527,839 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.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2024

(2) Deposits and Investments, Continued

B. Investments

Primary Government:

As of September 30, 2024, the State's investments are as follows:

General Fund

Fixed income	\$ 3,501,580
Domestic equities	17,179,967
Common equities	5,498,418
International equities	375,060
Cash management account	120,154
	<u>26,675,179</u>

Compact Trust Fund:

Common trust funds:

Domestic equity	6,146,302
Global equity	5,355,872
Private equity	1,999,369
Fixed income	5,129,840
Hedge Fund	890,703
Real Estate	1,337,720
Money Market Funds	16,574
	<u>20,876,380</u>

\$ 47,551,559

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2024

(2) Deposits and Investments, Continued

B. Investments, Continued

Primary Government, Continued:

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

Investment Type	Investment Maturities (In Years)					
	Moody's Rating	Market Value	Current	1-5	6-10	Over 10
U.S Treasury Notes and Bonds	Aaa	\$ 587,537	\$ 50,407	\$ 183,673	\$ 103,538	\$ 249,919
U.S Government Agencies Obligations:						
Federal Farm Credit Bank	Aaa	44,048	-	17,952	-	26,096
Federal Home Loan Bank	Aaa	99,217	-	99,217	-	-
Federal Home Loan Mortgage Corporation	Aaa	3,162	-	-	1,181	1,981
Federal National Mortgage Association	Aaa	5,868	-	-	5,174	694
Overseas Private Investment Corporation	Aaa	15,805	-	15,805	-	-
Tennessee Valley Authority	Aaa	72,432	-	-	-	72,432
Municipal Obligations	A1	42,604	7,759	34,845	-	-
Municipal Obligations	Aa2	88,606	-	23,681	13,419	51,506
Corporate Bonds	A-	6,681	6,681	-	-	-
Corporate Bonds	A1	91,654	-	91,654	-	-
Corporate Bonds	A2	141,625	-	141,625	-	-
Corporate Bonds	A3	90,875	-	-	67,276	23,599
Corporate Bonds	Aa1	21,959	-	-	-	21,959
Corporate Bonds	Aa3	20,547	-	-	-	20,547
Corporate Bonds	Aaa	87,670	-	-	-	87,670
Corporate Bonds	Baa2	23,638	-	-	-	23,638
		<u>\$ 1,443,928</u>	<u>\$ 64,847</u>	<u>\$ 608,452</u>	<u>\$ 190,588</u>	<u>\$ 580,041</u>

<u>Investment Type (no aging schedule)</u>	<u>Credit Ratings</u>	<u>Fair Value</u>
Government Securities:		
U.S. Treasury	Aaa	\$ 605,184
U.S. Agency	Aa3	21,757
Securitized:		
Mortgage-Backed	Aa1	598,056
Asset-Backed	B3	129,466
Corporate Securities:		
Industrial	Baa1	210,900
Financial	A3	234,459
Yankee Bond	Baa1	13,367
Utilities	Baa1	50,273
Other	A1	143,861
		<u>\$ 2,007,323</u>

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2024

(2) Deposits and Investments, Continued

B. Investments, Continued

Primary Government, Continued:

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

General Fund:	Fair Value Measurements Using			
	Total	Level 1	Level 2	Level 3
Investment by fair value level:				
Fixed income:				
U.S Treasury Obligation	\$ 1,192,721	\$ -	\$ 1,192,721	\$ -
U.S Government agencies	262,290	-	262,290	-
Municipal obligation	858,732	-	858,732	-
Corporate notes	<u>1,187,837</u>	<u>-</u>	<u>1,187,837</u>	<u>-</u>
	3,501,580	-	3,501,580	-
Equity securities:				
U.S equities	5,498,418	5,498,418	-	-
International equities	<u>375,060</u>	<u>375,060</u>	<u>-</u>	<u>-</u>
Total Investment at fair value	<u>9,375,058</u>	<u>\$ 5,873,478</u>	<u>\$ 3,501,580</u>	<u>\$ -</u>
Investment measured at NAV:				
Real Estate	199,749			
Equity investment in Bank of the FSM	1,595,102			
Equity investment in Caroline Fisheries Corp.	<u>15,385,116</u>			
	<u>17,179,967</u>			
Investment measured at amortized cost:				
Cash management account	<u>120,154</u>			
	<u>\$ 26,675,179</u>			
Compact Trust Fund:	Fair Value Measurements Using			
	Total	Level 1	Level 2	Level 3
Investment by fair value level:				
Common Trust Funds:				
Domestic Equity	\$ 6,146,302	\$ 6,146,302	\$ -	\$ -
Global Equity	5,355,872	5,355,872	-	-
Private Equity	1,999,369	-	-	1,999,369
Fixed Income	<u>5,129,840</u>	<u>5,129,840</u>	<u>-</u>	<u>-</u>
Total Investment at fair value	<u>\$ 18,631,383</u>	<u>\$ 16,632,014</u>	<u>\$ -</u>	<u>\$ 1,999,369</u>
Investment measured at NAV:				
Hedge Fund	890,703			
Real Estate	<u>1,337,720</u>			
	<u>2,228,423</u>			
Investment measured at amortized cost:				
Money Market Funds	<u>16,574</u>			
	<u>\$ 20,876,380</u>			

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2024

(2) Deposits and Investments, Continued

B. Investments, Continued

Primary Government, Continued:

Credit risk for investments is the risk that an issuer or other counterpart 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, 2024.

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. GASB Statement No. 40 requires disclosure by issuer and the amount of investments in any one issuer that represents five percent (5%) or more of total investments for 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.

As of September 30, 2024, the State owns 50,000 shares of the outstanding common stock of the Bank of the Federated States of Micronesia (BOFSM) totaling \$1,595,102 and representing approximately 6% of the general funds total investments. BOFSM engages in commercial banking services in the FSM. An equity investment in the common stock of the BOFSM (investee) is stated at the net asset value (NAV). The NAV is used as a practical expedient to estimate fair value. The NAV is determined based on the total shareholders' equities reported by the investee.

As of September 30, 2024, the State owns 2,886,000 shares of the outstanding common stock of the Carolines Fisheries Corporation (CFC) totaling \$15,385,116 and representing approximately 58% of the general funds total investments. CFC is principally an operator of purse seiners dealing in the tuna fish market. An equity investment in the common stock of the CFC (investee) is stated at the net asset value (NAV). The NAV is used as a practical expedient to estimate fair value. The NAV is determined based on the total shareholders' equities reported by the investee.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2024

(2) Deposits and Investments, Continued

B. Investments, Continued

Discretely Presented Component Units:

Pursuant to Pohnpei State Public Law 2L-224-91, the Pohnpei Port Authority (PPA) is authorized to invest unrestricted funds to support the operation and maintenance of Pohnpei State's seaport and airport facilities. PPA's investment objectives emphasize preservation of principal, liquidity, and investment income.

PPA has not adopted formal investment-policy limitations addressing interest-rate risk, credit risk, custodial credit risk, or concentration of credit risk beyond the requirements of applicable law and the terms of its investment agreements.

At September 30, 2024, PPA's investments and related accrued interest consisted of the following:

	<u>2024</u>
Brokered certificates of deposit	\$ 5,009,443
Offshore USD Treasury CNAV Fund Class A	80,645
Raymond James Bank Deposit Program	6,983
Accrued interest on certificates of deposit	64,164
Bank of the FSM common stock (BOFSM)	<u>319,100</u>
Total investments and related accrued interest	5,480,335
Less amount classified as current	<u>(5,161,235)</u>
Noncurrent investments	<u>\$ 319,100</u>

PPA's current investments and related accrued interest at September 30, 2024 totaled \$5,161,235. The investment in the BOFSM common stock is classified as noncurrent because the investment is held for long-term income and capital-preservation purposes and is not expected to be liquidated within one year.

At September 30, 2024, PPA held twenty brokered certificates of deposit through Raymond James with an aggregate principal amount of \$5,000,000 and a fair value of \$5,009,443. Each certificate had a principal amount of \$250,000 and was issued by a separate financial institution.

The brokered certificates of deposit are negotiable or transferable through the secondary market and are considered participating interest-earning investment contracts. Because all certificates mature within one year after September 30, 2024, they are classified as current investments.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2024

(2) Deposits and Investments, Continued

B. Investments, Continued

Discretely Presented Component Units, Continued:

The Raymond James Bank Deposit Program balance of \$6,983 represents funds temporarily held in an interest-bearing sweep account. Accrued interest on the brokered certificates of deposit totaled \$64,164 at September 30, 2024.

Fair-value Measurements

PPA uses market and income valuation approaches to measure the fair value of its investments. The brokered certificates of deposit are valued using observable market inputs provided by PPA's investment custodian, including quoted prices for similar instruments, contractual interest rates, maturity dates, prevailing market yields, and issuer credit information.

The Offshore USD Treasury CNAV Fund, Class A are valued using its published net asset value per share. The BOFSM common stock is measured using net asset value per share as a practical expedient and, accordingly, is not categorized within the fair-value hierarchy.

Investments measured at fair value at September 30, 2024 were as follows:

		Fair Value Measurement Using			
	2024	Level 1	Level 2	Level 3	NAV Practical Expedient
Investment:					
Brokered Certificates of Deposit	\$ 5,009,443	\$ -	\$ 5,009,443	\$ -	\$ -
Offshore US Treasury CNAV Fund Class A	80,645	80,645	-	-	-
Bank of the FSM Common Stock	319,100	-	-	-	319,100
Total investments by fair value level	<u>\$ 5,409,188</u>	<u>\$ 80,645</u>	<u>\$ 5,009,443</u>	<u>\$ -</u>	<u>\$ 319,100</u>

The Raymond James Bank Deposit Program balance and accrued interest receivable are not included in the fair-value hierarchy.

At September 30, 2024, PPA's investment measured using net asset value per share as a practical expedient consisted solely of BOFSM common stock with a fair value of \$319,100.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2024

(2) Deposits and Investments, Continued

B. Investments, Continued

Discretely Presented Component Units, Continued:

Interest-rate risk

Interest-rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. PPA manages its exposure to interest-rate risk by investing in certificates of deposit with staggered maturities and by maintaining investments that mature within a relatively short period.

The brokered certificates of deposit bear fixed annual interest rates ranging from 4.55% to 4.90% and mature as follows:

<u>Maturity Period</u>	<u>Principal Amount</u>
February 2025	\$ 3,000,358
August 2025	<u>2,009,085</u>
Total	<u>\$ 5,009,443</u>

Because the certificates of deposit mature between February and August 2025, PPA's exposure to changes in interest rates is limited to a period of less than one year after September 30, 2024. The BOFSM common stock does not have a contractual maturity and therefore is not included in the maturity schedule.

Credit risk and Custodial Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Custodial credit risk is the risk that, in the event of the failure of a counterparty or financial institution, PPA would not be able to recover the value of its deposits, investments, or collateral securities held by an outside party.

PPA's brokered certificates of deposit were issued by separate financial institutions participating in the Federal Deposit Insurance Corporation program. Each certificate had a principal amount of \$250,000 and was not rated by a nationally recognized statistical rating organization. Although the principal amount of each certificate did not exceed the standard FDIC insurance limit, accrued interest and any other deposits maintained by PPA under the same ownership category at the same institution may not be fully insured.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2024

(2) Deposits and Investments, Continued

B. Investments, Continued

Discretely Presented Component Units, Continued:

Credit risk and Custodial Credit Risk, Continued

The credit rating of the Offshore USD Treasury CNAV Fund, Class A, was not available as of September 30, 2024. PPA's investment in BOFSM common stock represents an ownership interest rather than a debt investment and, therefore, is not assigned a credit rating.

The brokered certificates of deposit and the Offshore USD Treasury CNAV Fund, Class A, were held through Raymond James in an investment account maintained in PPA's name. PPA's investment records identify the individual issuers and securities held for its benefit.

The Raymond James Bank Deposit Program allocates available cash among participating financial institutions, with balances eligible for FDIC insurance subject to applicable ownership categories, insurance limits, and other FDIC requirements.

At September 30, 2024, none of PPA's investments were exposed to custodial credit risk because the investments were held by the counterparty in the PPA's name.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of PPA's investment in a single issuer. At September 30, 2024, PPA's investment in BOFSM common stock represented approximately 5.9% of total investments measured at fair value. Excluding investments in mutual funds and other investments exempt from concentration-risk disclosure, PPA had no other investment in a single issuer that exceeded 5% of total investments at September 30, 2024. Each brokered certificate of deposit represented less than 5% of PPA's total investment portfolio and was issued by a separate financial institution.

Investment in Bank of the Federated States of Micronesia

At September 30, 2024, PPA held 10,000 shares of common stock in the BOFSM, representing approximately a 1% ownership interest. The BOFSM's fiscal year 2024 financial statements reported total shareholders' equity of \$29,948,228 as of December 31, 2024. This financial information was considered in evaluating the estimated fair value of PPA's investment.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2024

(2) Deposits and Investments, Continued

B. Investments, Continued

Discretely Presented Component Units, Continued:

Investment in Bank of the Federated States of Micronesia, Continued

BOFSM's common stock does not have a readily determinable fair value. Accordingly, PPA estimates the investment's fair value using net asset value per share as a practical expedient. BOFSM calculates net asset value per share consistently with applicable measurement principles based on reported shareholders' equity and outstanding common shares. The estimated fair value of PPA's investment was \$319,100 at September 30, 2024. The Authority had no unfunded commitments related to this investment.

The shares are not redeemable directly with BOFSM and may be liquidated only through a sale or transfer to another investor, subject to applicable ownership and transfer restrictions. Because there is no active market for the shares, the period within which PPA may liquidate the investment cannot be reasonably estimated.

The change in the estimated fair value of the investment for the year ended September 30, 2024 was as follows:

	<u>Amount</u>
Balance at October 1, 2023	\$ 265,700
Increase in estimated fair value	<u>53,400</u>
Balance at September 30, 2024	<u><u>\$ 319,100</u></u>

PPA recognized the \$53,400 increase in estimated fair value as investment income for the year ended September 30, 2024.

Investment income

For the year ended September 30, 2024, investment income attributable to the Raymond James account included interest and other investment income credited to the account of \$87,211, accrued interest on brokered certificates of deposit of \$64,164, and an increase in fair value of \$9,859.

Total changes in the fair value of investments recognized during the year were \$63,259, consisting of the \$9,859 increase related to investments held through Raymond James and the \$53,400 increase related to PPA's investment in BOFSM common stock.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2024

(3) Receivables

Primary Government:

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

	General	Grants Assistance	Other Government Funds	Allowance for uncollectible accounts	Total
Receivables:					
General	\$ 2,341,721	\$ -	\$ 34,805	\$ (2,128,709)	\$ 247,817
Taxes	5,497,650	-	-	(163,399)	5,334,251
Due from component units	11,093,966	-	-	(10,960,672)	133,294
Due from FSM National Government	-	6,502,053	-	(1,975,366)	4,526,687
Due from grantor agencies - direct	-	286,543	-	-	286,543
Other	70,666	12,114	-	-	82,780
	<u>\$ 19,004,003</u>	<u>\$ 6,800,710</u>	<u>\$ 34,805</u>	<u>\$ (15,228,146)</u>	<u>\$ 10,611,372</u>

As of September 30, 2024, there were no receivables recorded in the Compact Trust Fund.

The final settlement of receivables due from the FSMNG arising from Compact sector grant transactions can be determined only by final action of the FSMNG in consultation with the grantor agency. Management is of the opinion that 2024 reconciliation efforts will be favorable and thus no allowance for uncollectible accounts is considered necessary. The allowance balances that currently exist in the grants assistance fund are provisions on non-sector related receivables due from FSMNG.

The allowance for uncollectible accounts categorized by the State's individual major governmental funds, and nonmajor governmental funds in the aggregate, are as follows:

	General	Grants Assistance	Other Government Funds	Allowance for uncollectible accounts	Total
Allowance for uncollectible accounts	<u>\$ (13,252,781)</u>	<u>\$ (1,975,365)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (15,228,146)</u>

See Note 12, Related Party Transactions, for further discussion of the primary government's due from component units.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2024

(3) Receivables, Continued

Discretely Presented Component Units:

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

	Pohnpei Utilities Corporation	Pohnpei Port Authority	Small Business Guarantee and Finance Corporation	Pohnpei State Housing	Total
Receivables:					
General	\$ 11,379,380	\$ 665,065	\$ 58,959	\$ 24,539	\$ 12,127,943
Less: Allowance for uncollectible accounts	<u>(8,059,415)</u>	<u>(24,218)</u>	<u>-</u>	<u>-</u>	<u>(8,083,633)</u>
	<u>\$ 3,319,965</u>	<u>\$ 640,847</u>	<u>\$ 58,959</u>	<u>\$ 24,539</u>	<u>\$ 4,044,310</u>

The financial information of the PTA has not been included in the September 30, 2024 component-unit amounts because PTA's complete financial statements for fiscal year 2024 were not available. Accordingly, the fiscal year 2024 component-unit amounts are not directly comparable with those reported for fiscal year 2023.

Loan receivables as of September 30, 2024, for the discretely presented component units, including applicable allowances for loan loss, are as follows:

	Small Business Guarantee and Finance Corporation	Pohnpei State Housing	Total
Loan receivables:			
Pohnpei State Housing Authority loans	\$ -	\$ 7,280,068	\$ 7,280,068
Housing Preservation Grant loans (HPG)	-	228,600	228,600
Small loans	-	273,000	273,000
USDA Rural Development loans (USDA)	-	1,280,779	1,280,779
Micro loans	295,098	-	295,098
Loan guarantees	166,429	-	166,429
Pohnpei development loan fund (PDLF)	243,316	-	243,316
Consumer loans	1,975,417	-	1,975,417
Economic Development Administration loans (EDA)	<u>355,648</u>	<u>-</u>	<u>355,648</u>
Loan receivable, gross	3,035,908	9,062,447	12,098,355
Less: Allowance for loan loss	<u>(543,798)</u>	<u>(5,035,123)</u>	<u>(5,578,921)</u>
	<u>\$ 2,492,110</u>	<u>\$ 4,027,324</u>	<u>\$ 6,519,434</u>

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2024

(3) Receivables, Continued

Discretely Presented Component Units, Continued:

Small Business Guarantee and Finance Corporation

Loans to qualified businesses under the Micro Loan, Loan Guarantee, and the EDA loan programs bear a fixed interest rate of 9% per annum. Loans under the Consumer loan program bear a fixed interest rate of 13% per annum. The PDLF program is fully provisioned as of September 30, 2024, and accounts for approximately \$243,316 of the SBGFC's allowance for loan loss.

Loans are stated at face value, net of an allowance for loan losses. The allowance represents an amount which, in management's judgment, will be adequate to absorb possible losses on existing loans that may become uncollectible. Management's judgment in determining the adequacy of the allowance is based on evaluations of the collectability of loans.

The allowance for loan losses is reported based on certain assumptions pertaining to SBGFC's periodic review and evaluation of the loan portfolio, which is subject to change.

Pohnpei State Housing Authority

PSHA's loan portfolio is derived from three sources: (1) capital contributions of Compact of Free Association Capital Account Funds - Capital Projects by Pohnpei State to fund the Housing Development Loan Fund; (2) Housing Preservation Grant (HPG) loans from a grant extended by the United States Department of Agriculture (USDA) Rural Development through the Housing and Community Facilities Program; and (3) Rural Development loans under the USDA funded Direct Single Family Housing Program. All loans, other than the USDA RD loans, bear a fixed interest rate substantially at 4.5 % per annum with terms ranging from 3 to 25 years. The USDA RD loans are non-interest bearing and are collateralized by land.

Loans are stated at face value, net of an allowance for loan losses. The allowance represents an amount which, in management's judgment, will be adequate to absorb possible losses on existing loans that may become uncollectible. Management's judgment in determining the adequacy of the allowance is based on evaluations of the collectability of loans.

The allowance for loan losses are reported based on certain assumptions pertaining to PSHA's periodic review and evaluation of the loan portfolio, which is subject to change.

**STATE OF POHNPEI
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Notes to Financial Statements
September 30, 2024

(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, 2024, are summarized as follows:

Receivable fund	Payable Fund	Amount
Grants Assistance	General	\$ 1,683,063
Non Major	General	7,479,588
General	Grants Assistance	2,948,820
		<u>\$ 12,111,471</u>

(5) Capital Assets

Primary Government:

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

	Balance October 1, 2023	Additions	Retirements	Balance September 30, 2024
Governmental activities				
Capital assets being depreciated:				
Buildings	\$24,841,744	\$ 3,265,594	\$ -	\$ 28,107,338
Machinery, equipment, others	29,436,182	975,129	-	30,411,311
Infrastructure	53,690,078	5,733,558	-	59,423,636
	107,968,004	9,974,281	-	117,942,285
Less accumulated depreciation for:				
Buildings	9,438,680	470,957	-	9,909,637
Machinery, equipment, others	28,040,480	621,795	-	28,662,275
Infrastructure	52,345,774	864,898	-	53,210,672
	89,824,934	1,957,650	-	91,782,584
Governmental activities capital assets, net	<u>\$18,143,070</u>	<u>\$ 8,016,631</u>	<u>\$ -</u>	<u>\$ 26,159,701</u>

The State capitalized \$8,785,312 in building and infrastructure assets which, based on the State's available records, were substantially completed during the year ended September 30, 2024. The amounts recorded include prior year and current year costs for which supporting documentation regarding the historical cost incurred, the dates the projects were completed and placed in service, and the nature of certain capitalizable expenditures was not available to the auditors in sufficient detail to substantiate the recorded amounts and related accounting treatment.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2024

(5) Capital Assets, Continued

Primary Government, Continued:

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

General government	\$ 232,203
Land and natural resources	24,181
Education	436,996
Health services	210,744
Public safety	262,486
Boards, commissions and others	<u>791,040</u>
	<u>\$ 1,957,650</u>

Discretely Presented Component Units:

The following summarizes the financial position and activities of the State's discretely presented component units as of and for the years ended September 30, 2024 and 2023. These component units are legally separate entities for which the Pohnpei State Government is financially accountable and are reported separately from the primary government in the government-wide financial statements.

The financial information of the Pohnpei Transportation Authority (PTA) has not been included in the September 30, 2024 component-unit amounts because complete and reliable financial information for the fiscal year 2024 was not available. Accordingly, the fiscal year 2024 component-unit amounts are not directly comparable with those reported for fiscal year 2023.

Reconciliation of Beginning Capital Assets Balances:

	September 30, 2023, as previously reported	Adjustment to exclude PTA	October 1, 2023 as adjusted
Depreciable assets:			
Buildings	\$ 18,604,256	\$ (216,166)	\$ 18,388,090
Utility plants	76,245,152	-	76,245,152
Machinery, equipment and others	<u>10,469,779</u>	<u>(3,961,598)</u>	<u>6,508,181</u>
	105,319,187	(4,177,764)	101,141,423
Less accumulated depreciation	<u>(70,403,466)</u>	<u>2,377,460</u>	<u>(68,026,006)</u>
	<u>34,915,721</u>	<u>(1,800,304)</u>	<u>33,115,417</u>

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2024

(5) Capital Assets, Continued

Discretely Presented Component Units:

Reconciliation of Beginning Capital Assets Balances, Continued:

	September 30, 2023, as previously reported	Adjustment to exclude PTA	October 1, 2023 as adjusted
Nondepreciable assets:			
Land	2,776,034	-	2,776,034
Construction work-in-progress	265,829	-	265,829
	<u>3,041,863</u>	<u>-</u>	<u>3,041,863</u>
Capital assets, net	<u>\$ 37,957,584</u>	<u>\$ (1,800,304)</u>	<u>\$ 36,157,280</u>

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

	Balance October 1, 2023	Additions	Retirements	Balance September 30, 2024
Depreciable assets				
Buildings	\$ 18,388,090	\$ 38,245	\$ (13,400)	\$ 18,412,935
Utility plants	76,245,152.00	214,695	-	76,459,847
Machinery, equipment, and others	6,508,181.00	198,580	(797,074)	5,909,687
	<u>101,141,423</u>	<u>451,520</u>	<u>(810,474)</u>	<u>100,782,469</u>
Less accumulated depreciation	<u>(68,026,006)</u>	<u>(2,944,750)</u>	<u>810,331</u>	<u>(70,160,425)</u>
	<u>33,115,417</u>	<u>(2,493,230)</u>	<u>(143)</u>	<u>30,622,044</u>
Nondepreciable assets:				
Land	2,776,034	-	-	2,776,034
Construction work-in-progress	265,829	194,855	-	460,684
	<u>3,041,863</u>	<u>194,855</u>	<u>-</u>	<u>3,236,718</u>
Capital assets, net	<u>\$ 36,157,280</u>	<u>\$ (2,298,375)</u>	<u>\$ (143)</u>	<u>\$ 33,858,762</u>

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2024

(6) Short-term Debt

Discretely Presented Component Units:

Pohnpei Utilities Corporation (PUC)

PUC has a line of credit (LOC) with a bank in the original amount of \$370,000. The LOC is collateralized by time certificates of deposit (TCD) with the bank, bearing variable interest over the TCD rate (effective rate of 6.25% at September 30, 2024). The LOC matured in August 2024 and was renewed for an additional year. The agreement restricts 100% of the LOC and as such the \$370,000 is reflected as restricted time certificates of deposit in the accompanying Component Units Combining Statement of Net Position as of September 30, 2024.

Short-term activity for the year ended September 30, 2024, was as follows:

	Balance <u>October 1, 2023</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>September 30, 2024</u>
Notes Payable to:				
BFSM	\$ 256,071	\$ -	\$(24,000)	\$ 232,071

(7) 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 \$4,200,000 loan from the Asian Development Bank (ADB) (Loan Number 1520 (SF) through the FSM National Government, non-interest bearing with a service charge of 1 % per annum on the amount of the loan withdrawn from the Loan Account. 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 2037. However, pursuant to the terms of the Financing Agreement between the State and the FSMNG, the State is required to deposit into the ERS Trust account held in the name of the State within the FSMNG investment portfolio, 100% of the outstanding principal balance by September 30, 2002. Funds for the repayment of the 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.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2024

(7) Long-Term Obligations

Primary Government, Continued:

The Financing Agreement requires the State to continue to appropriate salaries for the abolished positions and deposit the appropriate funds into the ERS Trust Account. These funds had not been deposited to the Trust Account as of September 30, 2002. Of the required \$4,200,000 identified for future debt service payments, \$5,665,899 is deposited in an investment account held jointly with the FSMNG. The amount is presented as a component of noncurrent restricted investments in the Government-wide Statement of Net Position. That investment account is restricted for the repayment of this debt. As of September 30, 2024, the balance payable on this loan amounted to \$2,192,927.

The State also entered into an agreement with the FSMNG to borrow a portion of the proceeds of FSMNG Program Loans with the ADB (Loan Number 1873 (SF) and Loan Number 1874 FSM (SF)) for the purpose of promoting private sector development in Pohnpei, with interest at 1% to 1.5% per annum. Principal payments shall be made in 32 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, 2024, the balances payable on these loans amounted to \$31,911 and \$452,384 respectively.

Lastly, the State entered into an agreement with the FSMNG to borrow a portion of the proceeds of FSMNG Program Loans with the ADB (Loan number 1459 (SF) and Loan Number 2099 (SF)) for the purpose of financing water supply and sanitation infrastructure projects in Pohnpei, with interest at 1% and 1.5% per annum. Under the financing agreements, the State on-lent the proceeds that it borrowed from the FSMNG to the PUC and is jointly obligated with the PUC repay the loan to the FSMNG.

For loan 1459, repayments as allocated by FSMNG indicate annual principal payments of \$98,297 from fiscal year 2018 through fiscal year 2036. For loan 2099, Principal payments shall be made in 48 equal semi-annual payments with the first payment due on January 15, 2013 and the last payment on January 15, 2037. As of September 30, 2024, the balances payable on these loans amounted to \$1,080,786 and \$2,634,341 respectively.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2024

(7) Long-Term Obligations

Primary Government, Continued:

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

Year Ending September 30	Principal	Interest	Total
2025	\$ 589,603	\$ 59,995	\$ 649,598
2026	532,709	54,457	587,166
2027	522,073	49,392	571,465
2028	522,073	44,445	566,518
2029	522,073	39,499	561,572
2030 - 2034	2,586,555	123,292	2,709,847
2035 - 2039	1,117,263	16,987	1,134,250
	<u>\$6,392,349</u>	<u>\$388,067</u>	<u>\$6,780,416</u>

Discretely Presented Component Units:

Pohnpei Utilities Corporation (PUC)

Long-term debt consists of the following at September 30, 2024:

Loan no. 1459, payable to the Asian Development Bank (ADB) borrowed through the Federated States of Micronesia National Government (FSMNG) and the Pohnpei State Government (PSG). Repayments as allocated by FSMNG indicate annual principal payments of \$95,315 through FY2017 and \$98,297 for FY2018 through FY2036, plus interest at 1.0%.

\$ 1,131,783

Loan no. 2099, payable to the ADB borrowed through the FSMNG and the PSG. Repayments as allocated by FSMNG indicate annual principal payments of \$252,109 through FY2035, with interest payable at 1.0% per annum during the grace period and at 1.5% thereafter. Proceeds are used for infrastructure projects to overhaul sewage pumps, extend sewage lines, and for treatment plants.

2,634,341

Balance carryforward

\$3,766,124

**STATE OF POHNPEI
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Notes to Financial Statements
September 30, 2024

(7) Long-Term Obligations, Continued

Discretely Presented Component Units, Continued:

Pohnpei Utilities Corporation (PUC), Continued

Balance forward	\$3,766,124
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Loan no. 2100, payable to the ADB borrowed and administered through the FSMNG, principal due in semi-annual installments of varying amounts as a percentage of total drawings through 2029. Interest is payable at SOFR plus 0.6% (effective rate of 2.3% at September 30, 2024). Proceeds are used for infrastructure projects to overhaul sewage pumps, extend sewage lines, and for treatment plants.

713,587

Loan payable to United States Department of Agriculture, Rural Utilities Services (RUS) original amount of \$578,000, due in monthly installments of \$2,654 from October 2006 to July 2044. The loan bears fixed interest of 4.5%.

411,728

Loan payable to Bank of Guam (BOG), original amount of \$830,000, interest at 10.5% and monthly installments of \$7,529 from December 15, 2014 to November 15, 2019, upon which the unpaid principal is due and payable. The loan was renewed and extended until November 15, 2029 with the same terms. The loan is collateralized by a certain chattel mortgage on the three generators purchased in 2015.

346,966

Total long-term debt	5,238,405
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Less: current portion of long-term debt	<u>(531,313)</u>
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Total long-term debt, net of current portion	<u><u>\$ 4,707,092</u></u>
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**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2024

(7) Long-Term Obligations, Continued

Discretely Presented Component Units, Continued:

Pohnpei Utilities Corporation (PUC), Continued

Future minimum principal and interest payments on all long-term debt for subsequent years ending September 30, are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 531,313	\$ 119,944	\$ 651,257
2026	502,921	106,668	609,589
2027	523,014	92,739	615,753
2028	544,658	77,795	622,453
2029	609,003	84,311	693,314
2030 - 2034	1,623,087	144,260	1,767,347
2035 - 2039	729,484	50,658	780,142
2040 - 2044	174,925	11,852	186,777
	<u>\$ 5,238,405</u>	<u>\$ 688,227</u>	<u>\$ 5,926,632</u>

(8) Change in Long-term Obligations

Primary Government:

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

	<u>Balance October 1, 2023</u>	<u>Increases</u>	<u>Decreases</u>	<u>SDR</u>	<u>Balance September 30, 2024</u>	<u>Current</u>	<u>Noncurrent</u>
Loans payable:							
ADB loans							
Loan 1459	\$ 1,189,803	\$ -	\$ (143,436)	\$ 34,419	\$ 1,080,786	\$ 136,726	\$ 944,060
Loan 1520	2,284,045	-	(152,700)	61,582	2,192,927	168,705	2,024,222
Loan 1873	61,097	-	(30,643)	1,457	31,911	21,275	10,636
Loan 1874	466,700	-	(20,177)	5,861	452,384	47,619	404,765
Loan 2099	2,759,907	-	(199,481)	73,915	2,634,341	215,278	2,419,063
	6,761,552	-	(546,437)	177,234	6,392,349	589,603	5,802,746
Other							
Compensated absences	557,288	720,735	(606,890)	-	671,133	671,133	-
Claims and judgements	210,968	-	-	-	210,968	-	210,968
	<u>\$ 7,529,808</u>	<u>\$ 720,735</u>	<u>\$ (1,153,327)</u>	<u>\$ 177,234</u>	<u>\$ 7,274,450</u>	<u>\$ 1,260,736</u>	<u>\$ 6,013,714</u>

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2024

(8) Change in Long-term Obligations, Continued

Primary Government, Continued:

When the ADB extends credit to a particular country, the loan is booked in Special Drawing Rights (SDRs), but the actual loan is delivered in the currency of the borrower, at the current exchange rate between the currency and the SDR. The value of the SDR is subject to periodic review by the International Monetary Fund, which may result in the recognition of a foreign exchange gain or loss. Based on the underlying agreements for Loan no's 1459 and 2099, PUC alone is entitled to recognize the SDR gain or loss on those loans. During the year ended September 30, 2024, the State and PUC recognized a foreign exchange loss of \$68,900 and \$108,334, respectively, associated with valuation of the SDR, which are presented as special items in the accompanying financial statements, and which resulted in an increase to ADB loans payable. The component unit amount is presented as a component of PUC expenditures in the accompanying Statement of Activities.

Discretely Presented Component Units:

During the year ended September 30, 2024, the following changes occurred in long-term obligations of the discretely presented component units:

Balance October 1, 2023	Increases	Decreases	Balance September 30, 2024	Due Within One Year
\$ 5,657,680	\$ 108,334	\$ (527,609)	\$ 5,238,405	\$ 531,313

(9) Leases

Primary Government – as a Lessee:

The State's Attorney General Office entered into a lease agreement for its office on September 15, 2023. The lease is for 1 year with an option to renew for another year that is reasonably certain to be exercised. An additional extension option of 2 years is provided in the extended agreement with substantially the same payment terms previously provided. It is the position of management that the additional 2-year extension option will not be exercised. The lease payments are \$3,000 monthly, for both the initial and extended terms, payable at the beginning of each month. The discount rate used is 9.24%.

Information related to right-to-use leased assets and lease liabilities are as follows:

Right-to-use the leased asset	\$50,245
Accumulated amortization	<u>(32,720)</u>
Right to use the leased asset, net	<u>\$17,525</u>

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2024

(9) Leases, Continued

Primary Government – as a Lessee, Continued:

Lease liability, current	\$25,989
Lease liability, non-current	<u>-</u>
Total lease liability	<u>\$25,989</u>

Supplemental information related to the State's lease is as follows:

Remaining lease term	1 years
Discount rate	9.24%

The future lease obligations are as follows:

Year ending September 30:	Payments	Principal	Interest
2025	<u>\$ 27,000</u>	<u>\$ 25,989</u>	<u>\$ 1,011</u>

Discretely Presented Component Units – as a Lessee:

PUC entered into a lease agreement for its Finance Office on April 1, 2019. The original lease term was five years, with an option to renew for an additional five-year period. Effective April 1, 2024, PUC exercised the renewal option and extended the lease for an additional five years. In connection with the extension, the monthly lease payments increased from \$3,000 to \$4,000. As a result, PUC remeasured the lease liability and right-to-use asset in accordance with GASB L20.

The future lease obligations for years ending September 30 are as follows:

Year ending September 30,	Payments	Principal	Interest
2025	\$ 48,000	\$ 36,209	\$ 11,791
2026	48,000	38,827	9,173
2027	48,000	41,633	6,367
2028	48,000	44,643	3,357
2029	24,000	23,517	483
	<u>\$ 216,000</u>	<u>\$ 184,829</u>	<u>\$ 31,171</u>

**STATE OF POHNPEI
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Notes to Financial Statements
September 30, 2024

(9) Leases, Continued

Discretely Presented Component Units – as a Lessee, Continued:

Information related to right-to-use leased assets and lease liabilities are as follows:

Right to use the leased asset	\$ 306,777
Accumulated amortization	<u>(121,948)</u>
Right to use the leased asset, net	<u>\$ 184,829</u>
Lease liability, current	\$ 36,209
Lease liability, non-current	<u>148,620</u>
Total lease liability	<u>\$ 184,829</u>

Supplemental information related to PUC's lease for the year then ended September 30, 2024, are as follows:

Weighted average remaining lease term	5.58
Weighted average discount rate	7.00%

Primary Government – as a Lessor:

The State, as a lessor, entered into land lease agreements with third parties which have non-cancellable lease terms that extend through fiscal year 2049. General fund lessor arrangements relate to the leasing of lots that were previously held by now extinguished component units of the State, namely: Pohnpei Fisheries Corporation (PFC) and the Economic Development Authority (EDA). All other land lease agreements comprise those executed by the Pohnpei Public Land Trust (PPLT) for public land use for commercial purposes.

Lease-related amounts, with the exception of short-term leases, are recognized at the commencement of leases in which the State is the lessor. The deferred inflow of resources is initially measured at an amount equal to the corresponding lease receivable, adjusted for certain additional payments received from the lessee at or before the commencement of the lease term that relate to future periods, less any incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The deferred inflow of resources is recognized as an inflow of resources in a systematic and rational manner over the term of the lease. Renewal options are included in the lease term only if it is reasonably certain that the lessee will exercise. For PPLT agreements, renewals are not included in the lease term because renewals are contingent upon approval by the State's executive leadership and legal counsel, the Board of Trustees for the Pohnpei Public Land Trust, the Director of the State's Department of Land and Natural Resources, and the State's Court of Land Tenure.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2024

(9) Leases, Continued

Primary Government – as a Lessor, Continued:

A summary of changes in lease receivable for the year ended September 30, 2024, is as follows:

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>	<u>Current</u>	<u>Noncurrent</u>
PFC & EDA Lot	\$ 3,186,908	\$ -	\$ -	\$ 3,186,908	\$ 80,090	\$ 3,106,818
PPLT	192,426	5,776	(10,835)	187,367	32,694	154,673
	<u>\$ 3,379,334</u>	<u>\$ 5,776</u>	<u>\$ (10,835)</u>	<u>\$ 3,374,275</u>	<u>\$ 112,784</u>	<u>\$ 3,261,491</u>

Future minimum payments that are included in the measurement of the lease receivable as of September 30, 2024, are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 112,784	\$ 139,935	\$ 252,719
2026	93,309	136,127	229,436
2027	101,360	132,760	234,120
2028	101,233	128,208	229,441
2029	107,489	124,183	231,672
2029 - 2033	575,625	559,394	1,135,019
2034 - 2038	695,487	447,389	1,142,876
2039 - 2043	696,411	268,423	964,834
2044 - 2049	890,577	24,345	914,922
Total	<u>\$3,374,275</u>	<u>\$1,960,764</u>	<u>\$5,335,039</u>

Discretely Presented Component Units – as a Lessor:

The Pohnpei Port Authority (PPA) is a lessor under various land and concession space agreements with private entities and agencies of the Federated States of Micronesia National Government (FSMNG). Lease-related amounts, with the exception of short-term leases, are recognized at the commencement of leases in which PPA is the lessor. The deferred inflow of resources is initially measured at an amount equal to the corresponding lease receivable, adjusted for certain additional payments received from the lessee at or before the commencement of the lease term that relate to future periods, less any incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The deferred inflow of resources is recognized as an inflow of resources in a systematic and rational manner over the term of the lease. Non-cancellable lease terms extend through fiscal year 2049. Renewal options are included in the lease term only if it is reasonably certain that the lessee will exercise them. PPA's lease agreements exclude material residual value guarantees or variable payment provisions based on future performance or usage.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2024

(9) Leases, Continued

Discretely Presented Component Units – as a Lessor, Continued:

For the fiscal year ended September 30, 2024, total recognized lease revenue was \$566,578. This total includes revenue from the amortization of deferred inflows of resources and interest revenue earned on lease receivables.

A summary changes in PPA's lease receivable for the year ended September 30, 2024, is as follows:

Balance October 1, 2023	Increases	Decreases	Balance September 30, 2024	Current	Noncurrent
<u>\$ 2,390,123</u>	<u>\$ 398,654</u>	<u>\$ 177,974</u>	<u>\$ 2,610,803</u>	<u>\$ 134,981</u>	<u>\$ 2,475,822</u>

Future minimum payments that are included in the measurement of the PPA's lease receivable as of September 30, 2024, are as follows:

Year ending September 30,	Principal	Interest	Total
2025	\$ 134,981	\$ 230,035	\$ 365,016
2026	60,103	221,027	281,130
2027	32,811	217,278	250,089
2028	34,582	214,157	248,739
2029	39,361	210,804	250,165
2030 - 2034	285,800	986,976	1,272,776
2035 - 2039	606,108	788,120	1,394,228
2040 - 2044	1,020,022	400,897	1,420,919
2045 - 2049	397,035	58,279	455,314
	<u>\$ 2,610,803</u>	<u>\$ 3,327,573</u>	<u>\$ 5,938,376</u>

(10) Contingencies and Commitments

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.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2024

(10) Contingencies and Commitments, Continued

Encumbrances

The State utilizes encumbrance accounting to identify fund obligations. Encumbrances represent commitments related to unperformed contracts for goods.

At September 30, 2024, the State has significant encumbrances summarized as follows:

General	\$ 1,062,342
Grants Assistance	10,688,354
Nonmajor	<u>1,258,690</u>
	<u>\$ 13,009,386</u>

Federal Grants

The State participates in a number of federally assisted grant programs and other various U.S. Department of the Interior grants. 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, 2024.

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.

Pursuant to Title I, Section 105 of United States Public Law 99-239, the Government of the Federated States of Micronesia (FSM) (which includes the State) is no longer liable for debts to U.S. federal agencies arising prior to the date of the implementation of the Compact of Free Association. This matter has not yet been officially resolved with the U.S. Government.

Loan Guarantees

As discussed in Note 1L, if after exhaustive efforts between PSHA and the United State of Department of Agriculture (USDA) Rural Development (parties to the MOU) have failed to collect from the defaulted borrowers, the State may be ultimately responsible for various USDA Rural Development loans. On March 28, 2007, the State was notified that various loans in the program may be in default. No provision for any liability that may result from this matter has been provided for within the accompanying financial statements.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2024

(10) Contingencies and Commitments, Continued

Loan Guarantees, Continued

PSHA's management is of the opinion that the primary government will become ultimately liable for such defaulted liabilities to USDA Rural Development.

Therefore, such loans and related liabilities are not recorded by PSHA in the accompanying financial statements. The State is of the opinion that these loans have not been communicated timely in accordance with the underlying agreement and therefore, does not believe that it is liable for the balance.

Claims and Judgements Payable

The State is party to several legal proceedings arising from governmental operations. Claims are filed with the State's Attorney General. Approved claims are usually paid under general appropriations to the affected government agency. The State Attorney General is of the opinion that the probable outcome of suits existing at September 30, 2024, is not predictable but could have a material impact on the accompanying financial statements. Such impact has currently been estimated to approximate \$210,968.

Insurance Coverage

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

Other

The State Legislature has authorized various Compact Infrastructure and Infrastructure Maintenance projects. However, the State Legislature has required that additional approvals be provided by that body prior to these projects being expended.

As a result, no continuing appropriation has been recorded or will be recorded for these authorizations until such time as the additional requirements have been satisfied. State law mandates that 30% of fishing fines be shared with applicable municipalities. Given the lack of certain legal clarifications, no specific dollar amount can be determined to be recorded as either a continuing appropriation or as a liability due to the municipalities.

(11) Self-Insurance Fund - Component Units

In accordance with Section 2(5) of State Law 3L-41-93, which amended the PUC's enabling legislation, PUC established a self-insurance fund to defray the costs of unforeseen accidents or disasters. Up until the fiscal year 2012, the self-insurance fund was accumulated in a restricted account, held by a trustee, in the name of PUC.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2024

(11) Self-Insurance Fund - Component Units, Continued

During the year ended September 30, 2012 the trustee notified PUC that it could no longer service the account and as such, the balance was transferred into a PUC bank deposit account where it has remained since.

The deposit balance continues to be reported as a component of restricted cash in the accompanying financial statements. Management has indicated that PUC maintains commercial insurance coverage meeting the insurance requirements of the enabling legislation and, accordingly, believe that the reserve is no longer required. However, the enabling legislation has not been formally amended or otherwise clarified with respect to the disposition of the existing reserve. PUC has designated the account for operations and maintenance expenditures. As of September 30, 2024, the balance in the account was \$5,736, which is presented as a component of restricted cash and cash equivalents in the accompanying combining statements of net position – component units. During the year ended September 30, 2024, the account was utilized to finance emergency repairs on generator set CAT #5.

PUC maintains commercial insurance coverage for potential losses arising from fire and lightning on its buildings and contents, as well as full coverage for bodily injury and property damage. Workers' compensation insurance covers both regular and contractual employees of the PUC. PUC, however, is self-insured for other types of losses, including errors and omissions, and natural disasters. Management believes that no material losses have been sustained as a result of this practice during the past three fiscal years. There were no significant reductions in insurance coverage from the prior year, and no settlements have exceeded insurance coverage during the past three fiscal years.

Pohnpei Port Authority (PPA) purchases insurance to cover workmen's compensation and life insurance risks but is substantially self-insured for all other risks. Management of PPA is of the opinion that no material losses have been sustained as a result of this practice.

Pohnpei State Housing Authority (PSHA) does not purchase commercial insurance covering potential risks. Management of PSHA represents that no material losses have been sustained as a result of this practice during the last three years.

Pohnpei Transportation Authority (PTA) does not purchase commercial insurance covering potential risks. Management of PTA represents that no material losses have been sustained as a result of this practice during the last three years.

Small Business Guarantee and Finance Corporation (SBGFC) does not purchase commercial insurance covering potential risks. Management of SBGFC represents that no material losses have been sustained as a result of this practice.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2024

(12) Related Party Transactions

Primary Government:

At September 30, 2024, the State has various related party transactions with its component units:

Receivables due from PUC

Consistent with the special operations tripartite default provisions applicable to PUC's notes payable to the State (Loan Nos. 1459 and 2099), and the set-off rights of the FSMNG established under FSM Public Law No. 9-136 with respect to Loan No. 2100, if PUC is unable to make scheduled payments on these obligations, the amounts may be withheld from the State's share of annual tax revenues payable by the FSMNG. The State considers amounts withheld from its tax revenue share on behalf of PUC to constitute noninterest-bearing advances due from PUC. At September 30, 2024, amounts due to the State from PUC arising from withheld tax revenues for debt service totaled \$4,854,955.

The State has recognized loan receivables due from PUC for the remaining outstanding balances of loan nos. 1459 and 2099. At September 30, 2024, amounts due to the State from PUC arising from these loans totaled \$3,715,127. It is the opinion of State management that PUC has not demonstrated to pay the amounts owed in the near-term future and accordingly has fully provisioned its receivables due from PUC.

Receivables due from PTA

PTA has noninterest bearing advances from the State. The State has recorded a receivable due from PTA of \$2,390,589, which is included as a component of general receivables, net in the balance sheet – governmental funds. It is the opinion of State management that PTA has not demonstrated the ability to pay the amounts owed in the near-term future and accordingly has provisioned the receivable.

Receivables due from PSHA

PSHA has recorded \$109,001 as due to the State for current year collections on escrow loans. The PSHA reports these collections as a liability in the combining statements of net position – component units. The State has recorded a receivable due from PSHA for the same amount which is included as a component of general receivables, net in the balance sheet – governmental funds.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2024

(12) Related Party Transactions, Continued

Primary Government, Continued:

Receivables due from PPA

Pursuant to Pohnpei State Public Law No. 8L-83-15, effective October 1, 2015, the PPA is required to remit 30% of anchorage fees collected to the State. For the fiscal years ended September 30, 2024 and 2023, the Authority recognized expenses of \$117,053 and \$178,688, respectively, representing PSG's share of anchorage fee collections. As of September 30, 2024 and 2023, unremitted amounts due to the State totaling \$24,292 and \$7,924, respectively, are included as a liability in the combining statements of net position – component units. The State has recorded a receivable due from PPA for the same amount which is included as a component of general receivables, net in the balance sheet – governmental funds.

A summary of these amounts is as follows:

Component Units:

Due to primary government

PUC - Payable to primary government for ADB loan deductions	\$ 4,854,955
PUC - Payable to primary government for ADB loans payable	3,715,127
PSHA - Payable to primary government for escrow loan collections	109,001
PPA - Payable to primary government for anchorage fees	<u>24,293</u>
	<u><u>\$ 8,703,376</u></u>

Primary government:

Due from component units

Due from component units, gross	\$ 11,093,965
Less: receivable due from PTA, fully provisioned	<u>(2,390,589)</u>
	8,703,376
Less: allowance for receivable due from PUC	<u>(8,570,082)</u>
Due from component units, net	<u><u>\$ 133,294</u></u>

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2024

(12) Related Party Transactions, Continued

Discretely Presented Component Units:

Payables due to PSHA

PSHA has recorded \$34,732 has a due from the State for cumulative amounts owed for unexpended annual appropriations. The PSHA reports these amounts as a receivable in the accompanying combining statements of net position – component units. The State has recorded a payable in for the same amount which is included as a component of general fund accounts payable in the balance sheet – governmental funds.

(13) Fund Balance

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

	General Fund	Grants Assistance Fund	Compact Trust Fund	Non Major Fund	Total
Nonspendable:					
General Government	\$ 1,492,618	\$ -	\$ -	\$ -	\$ 1,492,618
Economic Development	-	-	-	34,837	34,837
Pacific Islands Development Bank	2,300,000	-	-	-	2,300,000
Bank of the FSM	1,595,103	-	-	-	1,595,103
Permanent Fund Principal	-	-	20,876,360	-	20,876,360
CFC Equity Shares	15,385,116	-	-	-	15,385,116
	<u>20,772,837</u>	<u>-</u>	<u>20,876,360</u>	<u>34,837</u>	<u>41,684,034</u>
Restricted for:					
General Government	4,794,547	(450,261)	-	-	4,344,286
Debt Service	5,665,899	-	-	-	5,665,899
USDA Development Loans	147,494	-	-	-	147,494
Capital projects	-	-	-	-	-
Health Services	1,622,170	-	-	-	1,622,170
	<u>12,230,110</u>	<u>(450,261)</u>	<u>-</u>	<u>-</u>	<u>11,779,849</u>
Committed:					
General Government	414,074	-	-	2,938,559	3,352,633
Economic Development	-	-	-	1,054,365	1,054,365
Health Services	-	-	-	3,173,678	3,173,678
	<u>414,074</u>	<u>-</u>	<u>-</u>	<u>7,166,602</u>	<u>7,580,676</u>
Assigned	1,062,342	-	-	-	1,062,342
Unassigned	5,382,899	-	-	-	5,382,899
	<u>\$ 39,862,262</u>	<u>\$ (450,261)</u>	<u>\$ 20,876,360</u>	<u>\$ 7,201,439</u>	<u>\$ 67,489,800</u>

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2024

(14) Budgetary Compliance

For the year ended September 30, 2024, expenditures exceeded legally authorized appropriations in the following General Fund functions:

General Government	\$ 1,686,497
Land and Natural Resources	30,978
Public Safety	21,068
Resource and Development	200
Boards, Commissions and Others	31,448
	<u>\$ 1,770,191</u>

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

(15) Restatement

The State's opening balance of net position has been restated in the aggregate amount of \$219,258 for the primary government and \$1,802,270 for the State's component units. The restatement is comprised of the following:

Primary Government:

During the fiscal year 2024, the State made several corrections of errors which resulted in restatements to the beginning net position of the Government-Wide Activities and the Compact Trust fund:

- The opening balance of the Government-Wide Activities was restated in the net amount of \$3,715,127 to correct understatements in government-wide long-term obligations. The State recognized liability's to FSMNG associated with ADB loans 1459 and 2099 which were on-lent to PUC by the State.
- The opening balance of the Government Wide Activities was restated in the net amount of \$8,745,229 to correct understatements in capital assets, depreciation, and accumulated depreciation. Based on available records, the State capitalized building and infrastructure assets related to prior periods. Because the State's records were insufficient to determine the historical dates that the assets were placed in service, the assets were assigned in-service dates of October 1, 2023.
- The opening balance of the Compact Trust fund was restated in the net amount of \$5,249,360 to correct overstatements in the valuation of the State's share in the FSM Trust Fund.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2024

(15) Restatement, Continued

Primary Government, Continued:

The changes for the year ended September 30, 2023, are as follows:

Primary government:	General	Compact Trust	Government Wide Governmental Activities
Net position/fund balance as previously reported, September 30, 2023	\$ 35,707,974	\$ 23,080,595	\$ 80,326,083
Increases (Decreases) due to correction of an error:			
Overstatement compact trust investment	-	(5,249,360)	(5,249,360)
Understatement of receivable due from PUC	3,715,127	-	3,715,127
Understatement of allowance for doubtful accounts	(3,715,127)	-	(3,715,127)
Understatement of notes payable to FSMNG	-	-	(3,715,127)
Understatement of capital assets	-	-	8,785,312
Understatement of accumulated amortization	-	-	(29,842)
Understatement of accumulated depreciation	-	-	(10,241)
Total over (under) statements of fund balance	-	(5,249,360)	(219,258)
Net position/Fund balance as restated, September 30, 2023	<u>\$ 35,707,974</u>	<u>\$ 17,831,235</u>	<u>\$ 80,106,825</u>
Change in net position/fund balance as previously reported, year ending September 30, 2023	185,162	2,001,420	1,254,434
Increases (Decreases) due to correction of an error:			
Overstatement compact trust investment	-	(5,249,360)	(5,249,360)
Understatement of receivable due from PUC	-	-	3,715,127
Understatement of allowance for doubtful accounts	-	-	(3,715,127)
Understatement of notes payable to FSMNG	-	-	(3,715,127)
Understatement of capital assets	-	-	8,785,312
Understatement of accumulated amortization	-	-	(29,842)
Understatement of accumulated depreciation	-	-	(10,241)
Total over (under) statements of changes in net position	-	(5,249,360)	(219,258)
Change in net position/fund balance as restated year ending September 30, 2023	<u>\$ 185,162</u>	<u>\$ (3,247,940)</u>	<u>\$ 1,035,176</u>

Discretely Presented Component Units:

During fiscal year 2024, the Corporation identified billing errors involving various commercial and non-commercial customers. The errors resulted in the understatement of electricity sales and related accounts receivable for utility services provided during fiscal year 2023 and prior periods. The correction increased accounts receivable as of September 30, 2023, by \$1,802,270. Of this amount, \$1,377,770 related to services provided before fiscal year 2023 and was recorded as a restatement of beginning net position as of October 1, 2022.

The remaining \$424,500 related to services provided during fiscal year 2023 and was recognized as additional electricity sales in the restated fiscal year 2023 financial statements.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2024

(15) Restatement, Continued

Discretely Presented Component Units, Continued:

Billing errors

The Corporation applied the correction retroactively in accordance with GASB Statement No. 100, *Accounting Changes and Error Corrections*. Accordingly, the fiscal year 2023 comparative financial statements have been restated. As a result of these determinations and adjustments, the 2023 financial statements have been restated from the amounts previously reported as follows:

	As Previously Reported	Adjustments	As Restated
Restatements due to the correction of an accounting error:			
<u>For the year ended September 30, 2023</u>			
Combining Statement of Net Position			
Accounts receivable, net	\$ 1,363,593	\$ 1,802,270	\$ 3,165,863
Total current assets	\$ 5,588,261	\$ 1,802,270	\$ 7,390,531
Total assets	\$ 36,775,412	\$ 1,802,270	\$ 38,577,682
Unrestricted net position	\$ (441,872)	\$ 1,802,270	\$ 1,360,398
Total net position	\$ 23,870,920	\$ 1,802,270	\$ 25,673,190
Total liabilities and net position	\$ 36,775,412	\$ 1,802,270	\$ 38,577,682
Combining Statement of Revenues, Expenses, and Changes in Net Position			
Charges for services	\$ 14,151,038	\$ 424,500	\$ 14,575,538
Operating income (loss)	\$ (1,480,674)	\$ 424,500	\$ (1,056,174)
Change in total loss before capital contributions	\$ (1,422,587)	\$ 424,500	\$ (998,087)
Change in net position	\$ (280,096)	\$ 424,500	\$ 144,404
Net position at beginning of year, restated	\$ 24,151,016	\$ 1,377,770	\$ 25,528,786
Net position at end of year	\$ 23,870,920	\$ 1,802,270	\$ 25,673,190

Reclassifications of Net Position and Cash and Cash Equivalents

During fiscal year 2024, PUC determined that certain time certificates of deposit with original maturities exceeding three months had been incorrectly classified as cash and cash equivalents in prior periods. Additionally, these certificates of deposit are subject to externally imposed constraints which limit PUC's ability to utilize these resources; however, they were not previously reflected as components of restricted net position. PUC has corrected these matters by reclassifying \$370,000 from restricted assets – cash and cash equivalents to restricted assets – time certificates of deposit and from unrestricted net position to restricted net position. These corrections affected the classification of amounts presented in the Combining Statement of Net Position but did not affect total net position.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2024

(16) Date of Management's Review

The State has considered subsequent events through September 23, 2026, the date upon which the financial statements were available to be issued. There were no other material subsequent events that would require recognition or disclosure in the financial statements for the year ended September 30, 2024.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

**REQUIRED SUPPLEMENTARY INFORMATION-
OTHER THAN MANGEMENT'S DISCUSSION AND ANALYSIS**

YEAR ENDED SEPTEMBER 30, 2024

STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA

Schedule of Revenues, Expenditures by Function and Changes in Fund Balances
Budget and Actual - General Fund
Year Ended September 30, 2024

	Budgetary Amounts		Actual- Budgetary Basis	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
FSM revenue sharing	\$ 9,119,708	\$ 9,119,708	22,442,762	\$ 13,323,054
State taxes	4,782,877	4,782,877	4,329,599	(453,278)
Fees and charges	664,659	664,659	423,311	(241,348)
Lease revenue	-	-	172,851	172,851
Lease interest revenue	-	-	97,820	97,820
Net change in the fair value of investments	-	-	2,373,416	2,373,416
Other	-	-	353,647	353,647
Total revenues	<u>14,567,244</u>	<u>14,567,244</u>	<u>30,193,406</u>	<u>15,626,162</u>
Expenditures:				
Current:				
General government	8,078,588	8,078,588	9,356,733	(1,278,145)
Department of Land and Natural Resources	792,376	792,376	761,699	30,677
Department of Education	2,199,311	2,199,311	2,050,746	148,565
Department of Health Services	1,384,682	1,384,682	889,013	495,669
Department of Public Safety	2,799,755	2,799,755	2,745,296	54,459
Office of the Attorney General	849,705	849,705	755,027	94,678
Department of Public Works	761,110	761,110	672,814	88,296
Department of Resources and Development	1,196,518	1,196,518	816,054	380,464
Boards, Commissions and Others	3,851,476	3,851,476	3,685,838	165,638
Payments to non-governmental agencies	870,959	870,959	864,983	5,976
Local revenue share payments to municipal governments	4,406,339	4,406,339	4,368,637	37,702
Debt service:	-	-	134,620	(134,620)
Total expenditures	<u>27,190,819</u>	<u>27,190,819</u>	<u>27,101,460</u>	<u>89,359</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(12,623,575)</u>	<u>(12,623,575)</u>	<u>3,091,946</u>	<u>15,536,803</u>
Net change in fund balance	<u>(12,623,575)</u>	<u>(12,623,575)</u>	<u>3,091,946</u>	<u>15,536,803</u>
Encumbrances for supplies and equipment ordered but not received, reported in the year the order is placed for budgetary purposes but in the year the supplies are received for financial reporting purposes	-	-	1,062,342	1,062,342
	<u>(12,623,575)</u>	<u>(12,623,575)</u>	<u>4,154,288</u>	<u>16,777,863</u>
Fund balance at the beginning of the year	<u>35,707,974</u>	<u>35,707,974</u>	<u>35,707,974</u>	<u>-</u>
Fund balance at the end of the year	<u>\$ 23,084,399</u>	<u>\$ 23,084,399</u>	<u>\$ 39,862,262</u>	<u>\$ 16,777,863</u>

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

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Required Supplementary Information – Budgetary Reporting
September 30, 2024

(1) Budgetary Information

The Governor presents to the Pohnpei State Legislature, prior to September 30, proposed budget estimates for the fiscal year commencing October 1. The budget estimates include the overall and total proposed expenditures of the State and the means of financing those expenditures. The Pohnpei State Legislature reviews and approves these estimates making changes, as it deemed appropriate. The Appropriation Committee of the Pohnpei State Legislature, during the regular session of the Pohnpei State Legislature. Holds public hearings at which time Departments and Office are required to justify their budget estimates. During the regular session of the Pohnpei State Legislature, an appropriation bill, as required by the Constitution, is introduced and budget estimates are then legally enacted by the Pohnpei State Legislature.

Formal budget integration is employed as a management control device during the year for all funds. The Pohnpei State Legislature has the authority to reprogram budgeted estimates in accordance with the Constitution. All annual appropriations lapse at the end of the fiscal year. Unexpended encumbrances at each fiscal year end are carried forward until they are expended or cancelled without further legislative action. The State does not establish budgets for the operations of its other governmental funds.

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

(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 bugetary basis	\$ 27,101,460
Change in Encumbrances	<u>(1,062,342)</u>
Expenditures on a GAAP basis	<u><u>\$ 26,039,118</u></u>

See Accompanying Independent Auditors' report.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

OTHER SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2024

STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA

Combining Schedule of Expenditures by Account
Governmental Funds
Year Ended September 30, 2024

		Special Revenue	988 Permanent		
	General	Grants Assistance	Compact Trust	Other Governmental Funds	Total
Expenditures:					
Salaries and wages:					
Regular	\$ 9,197,275	\$ 15,617,142	\$ -	\$ 199,280	\$ 25,013,697
Overtime	209,557	314,911	-	-	524,468
Fringe benefits	4,359,071	2,939,556	-	67,281	7,365,908
Travel and transportation	1,243,613	329,237	-	43,800	1,616,650
Books and instructional materials	438	829,681	-	-	830,119
Communications	155,604	183,853	-	5,095	344,552
Dues, memberships, and subscriptions	72,158	24,871	-	-	97,029
Foodstuffs	393,476	409,865	-	2,878	806,219
Freight and port charges	10,505	14,588	-	2,673	27,766
Non-capitalized equipment	87,281	219,578	-	14,733	321,592
Capital outlay	312,315	394,715	-	68,459	775,489
Office supplies and materials	363,322	964,624	-	79,032	1,406,978
POL	354,393	233,910	-	32,381	620,684
Printing and reproduction	79,175	37,638	-	2,564	119,377
Rental services	53,330	66,502	-	2,735	122,567
Repairs and maintenance	43,200	8,900	-	990	53,090
Utilities	403,243	957,537	-	29,649	1,390,429
Miscellaneous goods and services	328,447	59,550	-	700,945	1,088,942
Subsidies and contributions	762,743	-	-	-	762,743
Medical referrals	-	13,081	-	-	13,081
Medical supplies	-	331,560	-	1,416,079	1,747,639
Repatriation	-	29,214	-	-	29,214
Contractual services	1,383,111	3,095,558	-	501,830	4,980,499
Housing allowance	51,600	213,200	-	-	264,800
Nonpayroll compensation	100	183,333	-	-	183,433
Court settlement	18,543	-	-	-	18,543
Scholarships and allowances	-	255,659	-	-	255,659
Insurance	18,181	-	-	-	18,181
Official allowance	189,530	-	-	-	189,530
Meeting allowance	6,265	14,720	-	7,885	28,870
Principal repayments	134,620	-	-	-	134,620
Payments to municipalities	2,507,005	-	-	-	2,507,005
Bad debt expense	1,817,056	-	-	-	1,817,056
Bank charges	8,060	(20)	-	-	8,040
Miscellaneous	1,475,901	275,258	-	-	1,751,159
Total expenditures	<u>\$ 26,039,118</u>	<u>\$ 28,018,221</u>	<u>\$ -</u>	<u>\$ 3,178,289</u>	<u>\$ 57,235,628</u>

See accompanying Independent Auditors' Report.

STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA

Statements of Revenues, Expenditures by Function and Changes in Fund Balances
General Fund
Year Ended September 30, 2024
(with comparative totals for the year ended September 30, 2023)

Revenues:	2024	2023
FSM revenue sharing:		
Gross revenue sharing	\$ 3,202,139	\$ 3,333,621
Import taxes	4,137,549	4,016,327
Income taxes	3,995,346	3,353,132
20% bgrt and income	-	611,322
Fishing fees	10,785,974	2,790,270
Other taxes	321,754	246,408
	<u>22,442,762</u>	<u>14,351,080</u>
State taxes:		
Sales tax	4,159,977	4,294,348
Hotel tax	169,622	141,772
	<u>4,329,599</u>	<u>4,436,120</u>
Fees and charges:		
License fees	423,311	314,551
Lease revenue	172,851	130,621
Lease interest revenue	97,820	103,305
Net change in the fair value of investments	2,373,416	866,385
Other revenues	353,647	(60,615)
Total revenues	<u>30,193,406</u>	<u>20,141,447</u>
Expenditures:		
Current:		
General government:		
Governor and staff	1,010,892	543,269
Department of Treasury and Administration	2,798,933	2,663,486
Office of Pohnpei Public Auditor	437,118	273,460
Judiciary Branch	1,229,719	861,350
Legislative Branch	3,407,304	2,419,119
	<u>8,883,966</u>	<u>6,760,684</u>
Department of Land and Natural Resources:		
Office of the Director	194,738	176,191
Division of Forestry and Marine Conservation	(2,850)	-
Division of Surveying and Mapping	347,758	288,998
Division of Historic Preservation	160,839	65,675
Division of Parks and Recreation	28,707	90,944
	<u>729,192</u>	<u>621,808</u>
Department of Education:		
Division of Primary and Secondary Education	<u>2,027,387</u>	<u>1,602,585</u>
Department of Health:		
Medical Services	709,590	589,762
Office of Social Affairs	161,569	118,007
	<u>871,159</u>	<u>707,769</u>

See accompanying Independent Auditors' Report.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Statements of Revenues, Expenditures by Function and Changes in Fund Balances, Continued
General Fund
Year Ended September 30, 2024
(with comparative totals for the year ended September 30, 2023)

Expenditures, continued:	2024	2023
Department of Public Safety:		
Office of the Director	157,292	155,699
Fish and Wildlife	202,474	177,390
Police Commission	16,774	17,583
Division of Fire and Emergency	484,131	389,604
Division of Police and Security	1,378,585	1,007,558
Division of Correction and Rehabilitation	450,332	363,297
	<u>2,689,588</u>	<u>2,111,131</u>
Office of the Attorney General	<u>745,540</u>	<u>559,197</u>
Public Works	<u>555,309</u>	<u>479,421</u>
Department of Resources and Development:		
Office of the Director	148,621	319,849
Division of Agriculture	179,417	164,366
Division of Natural Resources	146,886	115,588
Division of Tourism	188,288	159,978
Division of Commerce and Industry	44,185	47,689
Division of Economic Affairs	(1,609)	-
	<u>705,788</u>	<u>807,470</u>
Boards, Commissions and Others:		
Election Commissioner's Office	389,083	272,069
Pohnpei Public Broadcasting Corporation	256,789	196,439
Public Land Board	1,600	534
Pohnpei Housing Authority	236,200	202,673
Sports and Recreation	473,220	449,781
Office of Fisheries and Aquaculture	396,123	332,506
Micronesia Games	398,424	-
Environmental Protection Agency	469,764	401,565
Pohnpei Transportation Authority	842,833	8,240
	<u>3,464,036</u>	<u>1,863,807</u>
Payments to non-governmental agencies:		
Small Business Guarantee and Finance Corporation	593,090	93,090
Micronesia Legal Services Corporation	144,000	60,000
U.S.D.A. Rural Development	126,807	93,651
	<u>863,896</u>	<u>246,741</u>
Local revenue share payments to municipal governments	<u>4,368,637</u>	<u>4,487,174</u>
Debt service:		
Principal payment	134,620	124,160
	<u>134,620</u>	<u>124,160</u>
Total expenditures	<u>26,039,118</u>	<u>20,371,947</u>
Excess (deficiency) of revenue over (under) expenditures	<u>4,154,288</u>	<u>(230,500)</u>

See accompanying Independent Auditors' Report.

STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA

Statements of Revenues, Expenditures by Function and Changes in Fund Balances, Continued
General Fund
Year Ended September 30, 2024
(with comparative totals for the year ended September 30, 2023)

	<u>2024</u>	<u>2023</u>
Special items:		
Operating transfer-in	<u>-</u>	<u>415,662</u>
Net change in fund balance	4,154,288	185,162
Fund balance at the beginning of the year	35,707,974	37,398,267
Restatement - correction of an error	<u>-</u>	<u>(1,875,455)</u>
Fund balance at the beginning of the year, as restated	<u>35,707,974</u>	<u>35,522,812</u>
Fund balance at the end of the year	<u><u>\$ 39,862,262</u></u>	<u><u>\$ 35,707,974</u></u>

See accompanying Independent Auditors' Report.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Schedule of Revenues, Expenditures by Function and Changes in Fund Balances
Budget and Actual - General Fund
Year Ended September 30, 2024

	Budgetary Amounts		Actual-	Variance with
	Original	Final	Budgetary Basis	Final Budget- Positive (Negative)
Revenues:				
FSM revenue sharing	\$ 9,119,708	\$ 9,119,708	\$ 22,442,762	\$ 13,323,054
State taxes:				
Sales tax	4,679,279	4,679,279	4,159,977	(519,302)
Hotel tax	103,598	103,598	169,622	66,024
	<u>4,782,877</u>	<u>4,782,877</u>	<u>4,329,599</u>	<u>(453,278)</u>
Fees and charges:				
License fees	664,659	664,659	423,311	(241,348)
Lease revenue	-	-	172,851	172,851
Lease interest revenue	-	-	97,820	97,820
Net change in the fair value of investments	-	-	2,373,416	2,373,416
Other	-	-	353,647	353,647
Total revenues	<u>14,567,244</u>	<u>14,567,244</u>	<u>30,193,406</u>	<u>15,626,162</u>
Expenditures:				
Current:				
General government:				
Governor and staff	1,295,198	1,295,198	1,135,230	159,968
Department of Treasury and Administration	1,148,139	1,148,139	2,834,636	(1,686,497)
Office of the Pohnpei Auditor	470,837	470,837	467,062	3,775
Judiciary Branch	1,406,132	1,406,132	1,254,584	151,548
Legislative Branch	3,758,282	3,758,282	3,665,221	93,061
	<u>8,078,588</u>	<u>8,078,588</u>	<u>9,356,733</u>	<u>(1,278,145)</u>
Department of Land and Natural Resources:				
Office of the Director	202,480	202,480	201,582	898
Division of Survey and Mapping	382,986	382,986	368,383	14,603
Division of Forestry and Marine Conservation	-	-	(1,385)	1,385
Division of Historic Preservation	206,910	206,910	162,142	44,768
Division of Parks and Recreation	-	-	30,978	(30,978)
	<u>792,376</u>	<u>792,376</u>	<u>761,699</u>	<u>30,676</u>
Department of Education:				
Divisions of Primary and Secondary Education	2,199,311	2,199,311	2,050,746	148,565
Department of Health Services:				
Division of Medical Services	1,128,232	1,128,232	717,159	411,073
Division of Social Service	256,450	256,450	171,854	84,596
	<u>1,384,682</u>	<u>1,384,682</u>	<u>889,013</u>	<u>495,669</u>
Department of Public Safety:				
Office of the Director	220,017	220,017	179,200	40,817
Fish and Wildlife	219,153	219,153	213,675	5,478
Police Commission	34,286	34,286	16,918	17,368
Division of Fire and Emergency	477,864	477,864	488,363	(10,499)
Division of Police and Security	1,405,302	1,405,302	1,393,438	11,864
Division of Correction and Rehabilitation	443,133	443,133	453,702	(10,569)
	<u>2,799,755</u>	<u>2,799,755</u>	<u>2,745,296</u>	<u>54,459</u>
Office of the Attorney General	849,705	849,705	755,027	94,678
Department of Public Works:				
Office of Transportation and Infrastructure	761,110	761,110	672,814	88,296

See accompanying Independent Auditors' Report.

STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA

Schedule of Revenues, Expenditures by Function and Changes in Fund Balances, Continued
Budget and Actual - General Fund
Year Ended September 30, 2024

	Budgetary Amounts		Actual-	Variance with
	Original	Final	Budgetary Basis	Final Budget-Positive (Negative)
Expenditures, continued:				
Department of Resources and Development:				
Office of the Director	326,959	326,959	201,674	125,285
Division of Agriculture	320,775	320,775	191,613	129,162
Division of Natural Resources	199,324	199,324	162,399	36,925
Economic Affairs Office	-	-	200	(200)
Division of Tourism	255,496	255,496	207,647	47,849
Division of Commerce and Industry	93,964	93,964	52,521	41,443
	<u>1,196,518</u>	<u>1,196,518</u>	<u>816,054</u>	<u>380,464</u>
Boards, Commissions and Others:				
Election Commissioner's Office	428,748	428,748	396,018	32,730
Foreign Investment Board	-	-	2,186	(2,186)
Pohnpei Public Broadcasting Corporation	254,096	254,096	259,146	(5,050)
Public Land Board	-	-	1,857	(1,857)
Pohnpei Housing Authority	238,368	238,368	239,298	(930)
Sports and Recreation	563,951	563,951	485,300	78,651
Office of Fisheries and Aquaculture	457,440	457,440	415,896	41,544
Micronesian Games	460,529	460,529	461,441	(912)
Environmental Protection Agency	449,924	449,924	470,437	(20,513)
Pohnpei Transportation Authority	998,420	998,420	954,258	44,162
	<u>3,851,476</u>	<u>3,851,476</u>	<u>3,685,838</u>	<u>165,639</u>
Payments to non-governmental agencies:				
Small Business Guarantee and Finance Corporation	593,090	593,090	593,090	-
Micronesian Legal Services Corporation	144,000	144,000	144,000	-
U.S.D.A. Rural Development	133,869	133,869	127,893	5,976
	<u>870,959</u>	<u>870,959</u>	<u>864,983</u>	<u>5,976</u>
Local revenue share payments to municipal governments	<u>4,406,339</u>	<u>4,406,339</u>	<u>4,368,637</u>	<u>37,702</u>
Debt service:				
Principal repayment	-	-	134,620	(134,620)
	-	-	134,620	(134,620)
Total expenditures	<u>27,190,819</u>	<u>27,190,819</u>	<u>27,101,460</u>	<u>89,359</u>
Excess (deficiency) of revenue over (under) expenditures:	<u>(12,623,575)</u>	<u>(12,623,575)</u>	<u>3,091,946</u>	<u>15,536,803</u>
Net change in fund balance	(12,623,575)	(12,623,575)	3,091,946	15,536,803
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes but in the year the supplies are received for financial reporting purposes	-	-	1,062,342	1,062,342
Net change in fund balance - GAAP basis	(12,623,575)	(12,623,575)	4,154,288	16,777,863
Fund balance at the beginning of the year	<u>35,707,974</u>	<u>35,707,974</u>	<u>35,707,974</u>	<u>-</u>
Fund balance at the end of the year	<u>\$ 23,084,399</u>	<u>\$ 23,084,399</u>	<u>\$ 39,862,262</u>	<u>\$ 16,777,863</u>

See accompanying Independent Auditors' Report.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS

Combining Balance Sheet
September 30, 2024

	Fund No.	26	27	29	32	33	34	35	36	37	38	56	87	
		Alien Registration Revolving	Pohnpei State Farmer's Revolving	Fisheries Enforcement and Development	Recycling Revolving	Paved Road Maintenance	Medical Supplies Revolving	Public Broadcasting Corporation	Health Care Premium	Department of Public Safety Fees	Environmental Quality	Judicial Escrow	Public Lands Trust	Total
<u>ASSETS</u>														
Cash		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 46,636	\$ -	\$ 46,636
Due from other funds		580,756	142,574	333,065	580,266	1,606,655	537,600	36,834	2,960,196	163,653	11,869	-	526,120	7,479,588
Advances		-	34,295	542	-	-	8,340	-	6,625	-	-	-	2,375	52,177
Lease receivable, current portion		-	-	-	-	-	-	-	-	-	-	-	32,694	32,694
Receivables, net		-	-	-	-	-	-	-	-	-	-	-	34,805	34,805
Lease receivable, net of current portion		-	-	-	-	-	-	-	-	-	-	-	154,673	154,673
Total assets		<u>\$ 580,756</u>	<u>\$ 176,869</u>	<u>\$ 333,607</u>	<u>\$ 580,266</u>	<u>\$ 1,606,655</u>	<u>\$ 545,940</u>	<u>\$ 36,834</u>	<u>\$ 2,966,821</u>	<u>\$ 163,653</u>	<u>\$ 11,869</u>	<u>\$ 46,636</u>	<u>\$ 750,667</u>	<u>\$ 7,800,573</u>
<u>LIABILITIES AND FUND BALANCES</u>														
Liabilities:														
Accounts payable		\$ -	\$ 800	\$ 458	\$ -	\$ 930	\$ 339,083	\$ -	\$ -	\$ 3,582	\$ -	\$ -	\$ 447	\$ 345,300
Other liabilities and accruals		-	-	280	-	-	-	-	-	3,241	-	-	7,238	10,759
Due to other funds		-	-	-	-	-	-	-	-	-	-	27,563	-	27,563
Total liabilities		-	800	738	-	930	339,083	-	-	6,823	-	27,563	7,685	383,622
Deferred inflows of resources from leases		-	-	-	-	-	-	-	-	-	-	-	215,512	215,512
Fund balances:														
Non-spendable		-	34,295	542	-	-	-	-	-	-	-	-	-	34,837
Committed		580,756	141,774	332,327	580,266	1,605,725	206,857	36,834	2,966,821	156,830	11,869	19,073	527,470	7,166,602
Unassigned		-	-	-	-	-	-	-	-	-	-	-	-	-
Total fund balances		<u>580,756</u>	<u>176,069</u>	<u>332,869</u>	<u>580,266</u>	<u>1,605,725</u>	<u>206,857</u>	<u>36,834</u>	<u>2,966,821</u>	<u>156,830</u>	<u>11,869</u>	<u>19,073</u>	<u>527,470</u>	<u>7,201,439</u>
Total liabilities, deferred inflows of resources, and fund balances		<u>\$ 580,756</u>	<u>\$ 176,869</u>	<u>\$ 333,607</u>	<u>\$ 580,266</u>	<u>\$ 1,606,655</u>	<u>\$ 545,940</u>	<u>\$ 36,834</u>	<u>\$ 2,966,821</u>	<u>\$ 163,653</u>	<u>\$ 11,869</u>	<u>\$ 46,636</u>	<u>\$ 750,667</u>	<u>\$ 7,800,573</u>

See accompanying Independent Auditors' Report.

**STATE OF POHNPEI
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, 2024

Fund No.	26	27	29	32	33	34	35	36	37	38	56	87	
	Alien Registration Revolving	Pohnpei State Farmer's Revolving	Fisheries Enforcement and Development	Recycling Revolving	Paved Road Maintenance	Medical Supplies Revolving	Public Broadcasting Corporation	Health Care Premium	Department of Public Safety Fees	Environmental Quality	Judicial Escrow	Public Lands Trust	Total
Revenues:													
State tax	\$ -	\$ -	\$ -	\$ -	\$ 588,960	\$ -	\$ -	\$ 300,590	\$ -	\$ -	\$ -	\$ -	\$ 889,550
Fees and charges	55,901	46,054	152,480	653,433	138,337	763,772	27,501	-	127,133	500	4,230	90,467	2,059,808
Lease revenue	-	-	-	-	-	-	-	-	-	-	-	64,826	64,826
Lease interest revenue	-	-	-	-	-	-	-	-	-	-	-	24,077	24,077
Total revenues	<u>55,901</u>	<u>46,054</u>	<u>152,480</u>	<u>653,433</u>	<u>727,297</u>	<u>763,772</u>	<u>27,501</u>	<u>300,590</u>	<u>127,133</u>	<u>500</u>	<u>4,230</u>	<u>179,370</u>	<u>3,038,261</u>
Expenditures:													
Current:													
General government	-	4,295	56,869	700,549	403,259	-	3,924	-	109,280	-	-	378,763	1,656,939
Health services	-	-	-	-	-	1,497,484	-	23,866	-	-	-	-	1,521,350
Total expenditures	<u>-</u>	<u>4,295</u>	<u>56,869</u>	<u>700,549</u>	<u>403,259</u>	<u>1,497,484</u>	<u>3,924</u>	<u>23,866</u>	<u>109,280</u>	<u>-</u>	<u>-</u>	<u>378,763</u>	<u>3,178,289</u>
Net change in fund balances (deficit)	55,901	41,759	95,611	(47,116)	324,038	(733,712)	23,577	276,724	17,853	500	4,230	(199,393)	(140,028)
Fund balances at the beginning of the year	524,855	134,310	237,258	627,382	1,281,687	940,569	13,257	2,690,097	138,977	11,369	14,843	726,863	7,341,467
Fund balances at the end of the year	<u>\$ 580,756</u>	<u>\$ 176,069</u>	<u>\$ 332,869</u>	<u>\$ 580,266</u>	<u>\$ 1,605,725</u>	<u>\$ 206,857</u>	<u>\$ 36,834</u>	<u>\$ 2,966,821</u>	<u>\$ 156,830</u>	<u>\$ 11,869</u>	<u>\$ 19,073</u>	<u>\$ 527,470</u>	<u>\$ 7,201,439</u>

See accompanying Independent Auditors' Report.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

**NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS**

Combining Statement of Revenues, Expenditures by Account, and Changes in Fund Balances
Year Ended September 30, 2024

Fund No.	26	27	29	32	33	34	35	36	37	38	56	87	
	Alien Registration Revolving	Pohnpei State Farmer's Revolution	Fisheries Enforcement and Development	Recycling Revolving	Paved Road Maintenance	Medical Supplies Revolving	Public Broadcasting Corporation	Health Care Premium	Department of Public Safety Fees	Environmental Quality	Judicial Escrow	Public Lands Trust	Total
Revenues:													
State tax	\$ -	\$ -	\$ -	\$ -	\$ 588,960	\$ -	\$ -	\$ 300,590	\$ -	\$ -	\$ -	\$ -	\$ 889,550
Fees and charges	55,901	46,054	152,480	653,433	138,337	763,772	27,501	-	127,133	500	4,230	90,467	2,059,808
Lease revenue	-	-	-	-	-	-	-	-	-	-	-	64,826	64,826
Lease interest revenue	-	-	-	-	-	-	-	-	-	-	-	24,077	24,077
Total revenues	<u>55,901</u>	<u>46,054</u>	<u>152,480</u>	<u>653,433</u>	<u>727,297</u>	<u>763,772</u>	<u>27,501</u>	<u>300,590</u>	<u>127,133</u>	<u>500</u>	<u>4,230</u>	<u>179,370</u>	<u>3,038,261</u>
Expenditures:													
Salaries and wages													
Regular	-	-	-	-	-	-	-	-	-	-	-	199,280	199,280
Fringe benefits	-	-	-	-	-	-	-	-	-	-	-	67,281	67,281
Travel	-	-	3,500	-	-	-	-	23,866	280	-	-	16,154	43,800
Communications	-	-	-	189	-	-	-	-	4,366	-	-	540	5,095
Foodstuffs	-	-	2,245	-	-	-	501	-	132	-	-	-	2,878
Freight and port charges	-	912	-	23	-	-	-	-	138	-	-	1,600	2,673
Non-capitalized equipment	-	-	-	-	-	-	-	-	1,085	-	-	13,648	14,733
Capital outlay	-	-	-	19,796	-	23,958	-	-	-	-	-	24,705	68,459
Office supplies and materials	-	2,366	5,174	7,834	-	-	21	-	57,826	-	-	5,811	79,032
POL	-	953	12,949	3,797	-	-	962	-	-	-	-	13,720	32,381
Printing and reproduction	-	40	-	-	-	-	-	-	624	-	-	1,900	2,564
Rental	-	-	-	2,435	-	-	-	-	300	-	-	-	2,735
Repairs and maintenance	-	-	-	835	-	-	-	-	155	-	-	-	990
Utilities	-	-	20,482	4,167	-	-	-	-	5,000	-	-	-	29,649
Miscellaneous goods and services	-	24	-	661,473	-	74	-	-	39,374	-	-	-	700,945
Medical supplies	-	-	-	-	-	1,416,079	-	-	-	-	-	-	1,416,079
Contractual services	-	-	12,219	-	403,259	57,373	2,440	-	-	-	-	26,539	501,830
Meeting allowance	-	-	300	-	-	-	-	-	-	-	-	7,585	7,885
Total expenditures	<u>-</u>	<u>4,295</u>	<u>56,869</u>	<u>700,549</u>	<u>403,259</u>	<u>1,497,484</u>	<u>3,924</u>	<u>23,866</u>	<u>109,280</u>	<u>-</u>	<u>-</u>	<u>378,763</u>	<u>3,178,289</u>
Net change in fund balances (deficit)	55,901	41,759	95,611	(47,116)	324,038	(733,712)	23,577	276,724	17,853	500	4,230	(199,393)	(140,028)
Fund balances at the beginning of the year	524,855	134,310	237,258	627,382	1,281,687	940,569	13,257	2,690,097	138,977	11,369	14,843	726,863	7,341,467
Fund balances at the end of the year	<u>\$ 580,756</u>	<u>\$ 176,069</u>	<u>\$ 332,869</u>	<u>\$ 580,266</u>	<u>\$ 1,605,725</u>	<u>\$ 206,857</u>	<u>\$ 36,834</u>	<u>\$ 2,966,821</u>	<u>\$ 156,830</u>	<u>\$ 11,869</u>	<u>\$ 19,073</u>	<u>\$ 527,470</u>	<u>7,201,439</u>

See accompanying Independent Auditors' Report.

STATE OF POHNPEI FEDERATED STATES OF MICRONESIA

GRANTS ASSISTANCE FUNDS

Combining Balance Sheet
September 30, 2024

Fund No.	10 Section 211(a)(1) Education Sector	11 Section 211(a)(2) Health Sector	12 Section 211(a)(5) Environment	13 Section 211(a)(3) Private Sector Development	14 Section 211(a)(4) Capacity Building	15 Section 211(a)(1) Supplemental Education	16 Enhanced Reporting Accountability	17 Health COVID	18 Infrastructure Maintenance	19 Infrastructure	6 Section 221(b) Special Block Grant	7 Compact I Other Grants	20 U.S. Federal Grants	21 Direct U.S. Federal Grants	23 Non-U.S. Grants	25 CFSM Grants	Total
ASSETS																	
Receivables:																	
Due from FSM National Government	\$ 2,822,160	\$ -	\$ -	\$ -	\$ 34,712	\$ 153,136	\$ -	\$ -	\$ -	\$ 1,298,434	\$ -	\$ -	\$ 218,245	\$ -	\$ -	\$ -	\$ 4,526,687
Due from grantor agencies-Direct	-	-	-	-	-	-	-	-	-	-	-	-	-	286,543	-	-	286,543
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11,546	568	12,114
Due from other funds	-	1,126,557	38,344	-	25,935	-	104,180	198,184	-	-	44,188	35,588	-	-	82,953	27,134	1,683,063
Advances	593	19,401	7,372	-	9,516	6,113	1,302	18,048	-	6,184	-	-	7,932	193,354	-	3,372	273,187
Restricted cash	-	7,700	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,700
Total assets	<u>\$ 2,822,753</u>	<u>\$ 1,153,658</u>	<u>\$ 45,716</u>	<u>\$ -</u>	<u>\$ 70,163</u>	<u>\$ 159,249</u>	<u>\$ 105,482</u>	<u>\$ 216,232</u>	<u>\$ -</u>	<u>\$ 1,304,618</u>	<u>\$ 44,188</u>	<u>\$ 35,588</u>	<u>\$ 226,177</u>	<u>\$ 479,897</u>	<u>\$ 94,499</u>	<u>\$ 31,074</u>	<u>\$ 6,789,294</u>
LIABILITIES AND FUND BALANCES (DEFICIT)																	
Liabilities																	
Accounts payable	\$ 406,825	\$ 131,728	\$ -	\$ -	\$ -	\$ 31,601	\$ 8,572	\$ -	\$ 929	\$ 1,061,574	\$ -	\$ -	\$ 17,107	\$ -	\$ 95,283	\$ 17,163	\$ 1,770,782
Other liabilities and other accruals	850,168	136,611	-	-	29,663	60,620	26,585	-	-	9,779	-	-	98,213	15,597	964	13,911	1,242,111
Unearned revenue	-	885,319	45,716	-	40,500	-	70,325	252,586	-	-	-	-	-	-	10,959	-	1,305,405
Due to other funds	1,565,760	-	-	-	-	67,028	-	-	490,473	233,265	-	-	100,431	464,300	-	-	2,921,257
Total liabilities	<u>2,822,753</u>	<u>1,153,658</u>	<u>45,716</u>	<u>-</u>	<u>70,163</u>	<u>159,249</u>	<u>105,482</u>	<u>252,586</u>	<u>491,402</u>	<u>1,304,618</u>	<u>-</u>	<u>-</u>	<u>215,751</u>	<u>479,897</u>	<u>107,206</u>	<u>31,074</u>	<u>7,239,555</u>
Fund Balances:																	
Restricted (deficit)	-	-	-	-	-	-	-	(36,354)	(491,402)	-	44,188	35,588	10,426	-	(12,707)	-	(450,261)
Total fund balances (deficit)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(36,354)</u>	<u>(491,402)</u>	<u>-</u>	<u>44,188</u>	<u>35,588</u>	<u>10,426</u>	<u>-</u>	<u>(12,707)</u>	<u>-</u>	<u>(450,261)</u>
Total liabilities and fund balances	<u>\$ 2,822,753</u>	<u>\$ 1,153,658</u>	<u>\$ 45,716</u>	<u>\$ -</u>	<u>\$ 70,163</u>	<u>\$ 159,249</u>	<u>\$ 105,482</u>	<u>\$ 216,232</u>	<u>\$ -</u>	<u>\$ 1,304,618</u>	<u>\$ 44,188</u>	<u>\$ 35,588</u>	<u>\$ 226,177</u>	<u>\$ 479,897</u>	<u>\$ 94,499</u>	<u>\$ 31,074</u>	<u>\$ 6,789,294</u>

See accompanying Independent Auditors' Report.

STATE OF POHNPEI FEDERATED STATES OF MICRONESIA

GRANTS ASSISTANCE FUNDS

Combining Statement of Revenues, Expenditures by Function, and Changes in Fund Balances (Deficit)
Year Ended September 30, 2024

Fund No.	10	11	12	13	14	15	16	17	18	19	6	7	20	21	23	25	
	Section 211(a)(1) Education Sector	Section 211(a)(2) Health Sector	Section 211(a)(5) Environment	Section 211(a)(3) Private Sector Development	Section 211(a)(4) Capacity Building	Section 211(a)(1) Supplemental Education	Enhanced Reporting Accountability	Health COVID	Infrastructure Maintenance	Infrastructure	Section 221(b) Special Block Grant	Compact I Other Grants	U.S Federal Grants	Direct U.S. Federal Grants	Non-U.S Grants	CFSM Grants	Total
Revenues:																	
Compact funding	\$ 10,183,228	\$ 7,348,369	\$ -	\$ -	\$ 130,593	\$ 3,523,699	\$ 614,359	\$ -	\$ 80,531	\$ 2,024,353	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,905,132
Federal contribution and other grants	-	-	-	-	16,148	-	-	-	-	-	-	-	1,880,470	1,298,634	167,771	598,330	3,961,353
Total revenues	<u>10,183,228</u>	<u>7,348,369</u>	<u>-</u>	<u>-</u>	<u>146,741</u>	<u>3,523,699</u>	<u>614,359</u>	<u>-</u>	<u>80,531</u>	<u>2,024,353</u>	<u>-</u>	<u>-</u>	<u>1,880,470</u>	<u>1,298,634</u>	<u>167,771</u>	<u>598,330</u>	<u>27,866,485</u>
Expenditures:																	
Current:																	
General government	-	-	-	-	146,741	-	614,359	36,354	-	-	-	-	38,724	-	276,178	379,672	1,492,028
Land and natural resources	-	-	-	-	-	-	-	-	-	-	-	-	80,497	105,924	14,110	-	200,531
Education	10,183,228	-	-	-	-	3,523,699	-	-	-	-	-	-	951,629	-	-	-	14,658,556
Health services	-	7,348,369	-	-	-	-	-	-	-	-	-	-	799,194	1,192,710	-	-	9,340,273
Capital projects	-	-	-	-	-	-	-	-	302,480	2,024,353	-	-	-	-	-	-	2,326,833
Total expenditures	<u>10,183,228</u>	<u>7,348,369</u>	<u>-</u>	<u>-</u>	<u>146,741</u>	<u>3,523,699</u>	<u>614,359</u>	<u>36,354</u>	<u>302,480</u>	<u>2,024,353</u>	<u>-</u>	<u>-</u>	<u>1,870,044</u>	<u>1,298,634</u>	<u>290,288</u>	<u>379,672</u>	<u>28,018,221</u>
Net change in fund balance (deficit)	-	-	-	-	-	-	-	(36,354)	(221,949)	-	-	-	10,426	-	(122,517)	218,658	(151,736)
Fund balances at the beginning of the year	-	-	-	-	-	-	-	-	(269,453)	-	44,188	35,588	-	-	109,810	(218,658)	(298,525)
Fund balances (deficit) at the end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (36,354)</u>	<u>\$ (491,402)</u>	<u>\$ -</u>	<u>\$ 44,188</u>	<u>\$ 35,588</u>	<u>\$ 10,426</u>	<u>\$ -</u>	<u>\$ (12,707)</u>	<u>\$ -</u>	<u>\$ (450,261)</u>

See accompanying Independent Auditors' Report.

STATE OF POHNPEI FEDERATED STATES OF MICRONESIA

GRANTS ASSISTANCE FUNDS

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

Year Ended September 30, 2024

Fund No.	10	11	12	13	14	15	16	17	18	19	6	7	20	21	23	25	
	Section 211(a)(1) Education Sector	Section 211(a)(2) Health Sector	Section 211(a)(5) Environment	Section 211(a)(3) Private Sector Development	Section 211(a)(4) Capacity Building	Section 211(a)(1) Supplemental Education	Enhanced Reporting Accountability	Health COVID	Infrastructure Maintenance	Infrastructure	Section 221(b) Special Block Grant	Compact I Other Grants	U.S. Federal Grants	Direct U.S. Federal Grants	Non-U.S. Grants	CFSM Grants	Total
Revenues:																	
Compact funding	\$ 10,183,228	\$ 7,348,369	\$ -	\$ -	\$ 130,593	\$ 3,523,699	\$ 614,359	\$ -	\$ 80,531	\$ 2,024,353	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,905,132
CFSM grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	598,330	598,330
Federal contribution and other grants	-	-	-	-	16,148	-	-	-	-	-	-	-	1,880,470	1,298,634	167,771	-	3,363,023
Total revenues	10,183,228	7,348,369	-	-	146,741	3,523,699	614,359	-	80,531	2,024,353	-	-	1,880,470	1,298,634	167,771	598,330	27,866,485
Expenditures:																	
Salaries and wages																	
Regular	6,987,667	4,489,343	-	-	-	1,667,231	421,617	-	-	415,497	-	-	1,138,289	443,825	53,673	-	15,617,142
Overtime	-	216,808	-	-	-	-	14,189	-	-	-	-	-	9,761	74,153	-	-	314,911
Fringe benefits	1,283,310	577,037	-	-	-	351,353	70,203	-	-	32,805	-	-	497,358	115,686	11,804	-	2,939,556
Travel	28,782	54,126	-	-	(9,364)	23,299	5,437	-	-	22,198	-	-	38,099	156,305	-	10,355	329,237
Communications	19,804	68,252	-	-	-	83,036	-	-	-	5,673	-	-	3,918	2,646	200	324	183,853
Dues, memberships, and subscriptions	(124)	17,495	-	-	-	5,000	2,500	-	-	-	-	-	-	-	-	-	24,871
Foodstuffs	66,107	114,382	-	-	-	220,131	-	-	-	60	-	-	301	672	42	8,170	409,865
Freight and port charges	250	12,645	-	-	-	949	-	-	-	744	-	-	-	-	-	-	14,588
Non-capitalized equipment	46,756	51,375	-	-	-	65,410	10,082	-	-	-	-	-	15,753	27,607	-	2,595	219,578
Capital outlay	78,887	153,841	-	-	-	11,490	5,500	-	-	-	-	-	32,000	30,616	1,110	81,271	394,715
Office supplies and materials	321,549	227,793	-	-	572	243,851	66,508	-	-	9,269	-	-	15,742	48,051	9,260	22,029	964,624
Books and instructional supplies	759,333	-	-	-	-	70,097	-	-	-	-	-	-	251	-	-	-	829,681
POL	93,116	30,691	-	-	-	65,983	-	-	-	3,506	-	-	28,803	7,860	1,954	1,997	233,910
Printing and reproduction	2,070	15,177	-	-	-	521	240	-	-	-	-	-	5,574	8,556	500	5,000	37,638
Rental	12,695	29,993	-	-	-	2,155	124	-	-	-	-	-	16,805	-	4,730	-	66,502
Repairs and maintenance	1,669	2,472	-	-	-	850	400	-	-	3,315	-	-	-	194	-	-	8,900
Utilities	167,947	666,093	-	-	(60)	55,307	-	-	-	11,250	-	-	21,000	20,000	-	16,000	957,537
Medical referral	-	13,081	-	-	-	-	-	-	-	-	-	-	-	-	-	-	13,081
Medical supplies	-	159,690	-	-	-	-	-	-	-	-	-	-	-	171,870	-	-	331,560
Repatriation	-	29,214	-	-	-	-	-	-	-	-	-	-	-	-	-	-	29,214
Contractual services	26,021	196,193	-	-	155,593	509,794	17,559	36,354	302,480	1,516,438	-	-	36,098	162,960	134,973	1,095	3,095,558
Scholarships and allowances	255,659	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	255,659
Housing allowance	3,200	204,300	-	-	-	-	-	-	-	1,800	-	-	-	3,900	-	-	213,200
Meeting allowance	-	8,900	-	-	-	600	-	-	-	-	-	-	5,160	60	-	-	14,720
Non-payroll compensation	28,500	1,600	-	-	-	141,708	-	-	-	-	-	-	3,425	-	8,100	-	183,333
Miscellaneous goods and services	-	7,918	-	-	-	4,934	-	-	-	1,798	-	-	1,707	23,673	19,437	83	59,550
Single authorization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	44,505	230,753	275,258
Bank charges	30	(50)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(20)
Total expenditures	10,183,228	7,348,369	-	-	146,741	3,523,699	614,359	36,354	302,480	2,024,353	-	-	1,870,044	1,298,634	290,288	379,672	28,018,221
Net change in fund balances (deficit)	-	-	-	-	-	-	-	(36,354)	(221,949)	-	-	-	10,426	-	(122,517)	218,658	(151,736)
Fund balances at the beginning of the year	-	-	-	-	-	-	-	-	(269,453)	-	44,188	35,588	-	-	109,810	(218,658)	(298,525)
Fund balances (deficit) at the end of the year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (36,354)	\$ (491,402)	\$ -	\$ 44,188	\$ 35,588	\$ 10,426	\$ -	\$ (12,707)	\$ -	\$ (450,261)

See accompanying Independent Auditors' Report.