

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

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

YEAR ENDED SEPTEMBER 30, 2023

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Year Ended September 30, 2023

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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, 2023



INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Qualified and Unmodified Opinions

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

We did not audit the financial statements of the Pohnpei Transportation Authority and the Small Business Guarantee and Finance Corporation, which represent 7%, 6%, and 9%, respectively, of the assets, net position, and operating revenues of the State's discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Pohnpei Transportation Authority and the Small Business Guarantee and Finance Corporation, is based solely on the reports of the other auditors.

Summary of Opinions

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

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Qualified Opinion on Governmental Activities

In our opinion, except for the effects of the matters described in the Basis for Qualified and Unmodified Opinions section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Governmental Activities of the State of Pohnpei as of September 30, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on Aggregate Discreetly Presented Component Units, 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 position of the aggregate discreetly presented component units, General Fund, Grants Assistance Fund, Compact Trust Fund, and the aggregate remaining fund information of the State of Pohnpei as of September 30, 2023, 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 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 audit opinions.

Matters Giving Rise to Qualified Opinion on Governmental Activities

As more fully described in Note 12 to the financial statements, the State has not recorded a liability for a nonexchange financial guarantee for discretely presented component unit debt. In our opinion, accounting principles generally accepted in the United States of America require that a liability be recognized when the State will be required to make a payment on the guarantee. The effects of this departure on the governmental activities of the State are not reasonably determinable.

Emphasis of Matter-Restatement of 2022 Financial Statements

As discussed in Note 15 to the financial statements, the 2022 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.

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 11 as well as the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund and notes thereto, on pages 66 and 67, 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 November 6, 2025 on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control over financial reporting and compliance.

Bryce Conner & Associates

November 6, 2025
Tamuning, Guam

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

**Management's Discussion and Analysis
September 30, 2023**

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, 2023. This MD&A is prepared in compliance with the GASB 54 requirement. Readers are requested to read this MD&A in conjunction with the State's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The government's net position for the fiscal year stands at \$80,326,083, reflecting a decrease of \$943,647 from the prior year. This decline is primarily due to increases in total liabilities amounting to \$4.0 million, which exceeded the asset growth of \$3.1 million during the year.
- The overall governmental fund balance experienced a positive shift of \$3.8 million. This is due to an increase in the gain on investment by \$6.3 million in Compact Trust Fund, minus the increased cost of services related to general fund and compact sector of \$2.5 million.
- The reported total revenues and contributions stand at \$47,087,683, representing an increase of \$1.8 million compared to the prior year. This growth is chiefly due to an uptick in Compact Sector Revenue and gains from the strengthened investment market.
- The reported expenses for the Government services total \$48 million, reflecting an overall increase of 5%, or \$2.5 million, compared to the previous year. Significant contributions to this rise include increased expenditure fluctuations of \$0.9 million from general government services, \$0.9 million from education, \$0.8 million from health services, and \$0.4 million from Boards, Commissions, and other areas.

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 basic financial statements include two types of statements that present different views of the State:

Government-Wide Financial Statements

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

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

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

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Management's Discussion and Analysis
September 30, 2023

The government-wide financial statements of the State consist of its government activities, which include public works, health, education and general administration. Sales taxes, revenue sharing, federal grants and Compact II/Sector grants are the major sources of these activities. Compact II/Sector grants replace the Compact I funding in the fiscal year 2004. This will be the last year of report for the Compact II/Sector grants.

Fund Financial Statements

The fund financial statements provide more detailed information about the State's significant funds. The State uses fund accounting to comply with financial related legal requirements.

Governmental funds

Most of the State's basic services are included in governmental funds, which focus on how cash and other financial assets that can readily be converted to cash flow in and out and the balances left at year-end that are available for spending. Unlike the government-wide financial statements, the governmental funds statements focus on the short-term financial requirements of the State. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide reconciliation at the bottom of the governmental funds statement, to explain the relationship between them. The State maintains individual governmental funds, which are categorized as major and non-major. The major fund includes the General Fund. The other major funds consist of the Grants Assistance Fund and the Compact Trust Fund.

FINANCIAL ANALYSIS OF THE STATE

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

	Government Net Position		
	2023	2022	Difference
Current and other assets	\$ 76,750,809	\$ 72,691,168	\$ 4,059,641
Capital assets	18,143,070	19,098,697	\$ (955,627)
Total assets	<u>\$ 94,893,879</u>	<u>\$ 91,789,865</u>	\$ 3,104,014
Current liabilities	\$ 8,903,376	\$ 5,093,119	\$ 3,810,257
Long-term debt and other liabilities	5,664,420	5,427,016	\$ 237,404
Total liabilities	<u>14,567,796</u>	<u>10,520,135</u>	\$ 4,047,661
Net position:			
Net investment in capital assets	18,143,070	19,098,697	\$ (955,627)
Restricted	35,187,100	33,472,137	\$ 1,714,963
Unrestricted fund balance	<u>26,995,913</u>	<u>28,698,896</u>	\$ (1,702,983)
Total net position	<u>80,326,083</u>	<u>81,269,730</u>	\$ (943,647)
	<u>\$ 94,893,879</u>	<u>\$ 91,789,865</u>	\$ 3,104,014

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Management's Discussion and Analysis
September 30, 2023

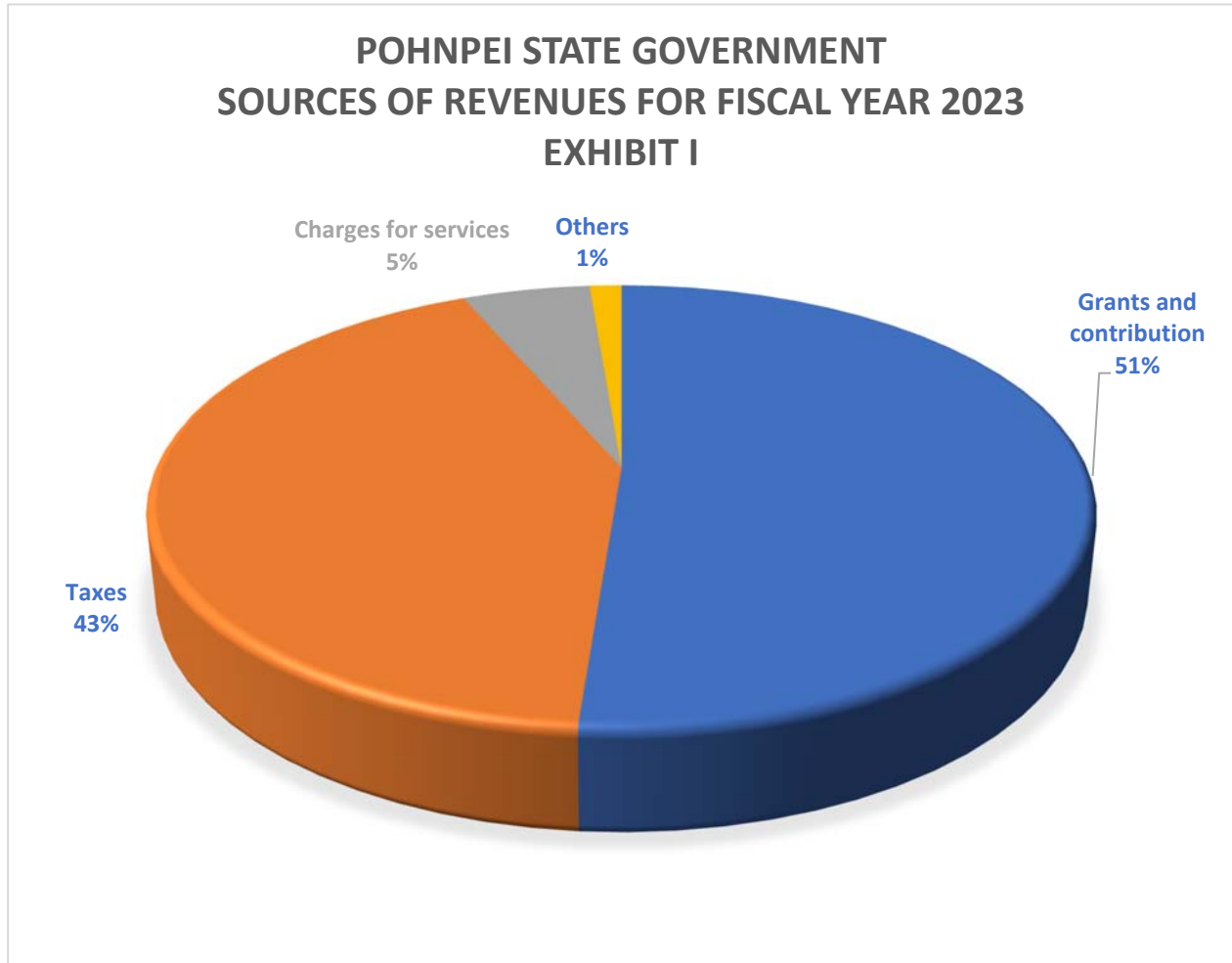
Change in net position. The State's Statement of Changes in Net Position for the fiscal years ended September 30, 2023 and 2022 are as follows:

	Government Activities		
	2023	2022	Difference
Revenues:			
Program revenues:			
Charges for services	\$ 2,461,182	\$ 2,233,532	\$ 227,650
Operating grants and contributions	22,733,357	21,283,811	1,449,546
Capital grants and contributions	1,230,004	1,499,892	(269,888)
General Revenues:			
Taxes	20,048,693	20,501,268	(452,575)
Investment earnings	866,385	(389,677)	1,256,062
Other	(251,938)	142,240	(394,178)
Total revenues	47,087,683	45,271,066	1,816,617
Expenses:			
Education	13,874,542	12,959,074	915,468
General Government	10,328,349	9,403,497	924,852
Health services	10,163,925	9,329,338	834,587
Municipal governments	4,487,174	5,259,835	(772,661)
Boards, commission and others	2,671,927	2,223,913	448,014
Public safety	2,376,364	2,204,771	171,593
Capital projects	1,230,004	1,499,893	(269,889)
Resources and development	807,470	589,897	217,573
Land and natural resources	750,306	851,841	(101,535)
Attorney general	558,728	479,288	79,440
Public works and transportation	478,898	427,345	51,553
Non-government agencies	246,741	240,893	5,848
Total expenses	47,974,428	45,469,585	2,504,843
Other items:			
Special Item SDR-foreign exchange loss	(81,407)	(279,646)	198,239
Special Item SDR-Operation Transfer in and out	221,166	94,986	126,180
Contributions to permanent fund	2,001,420	(3,020,233)	5,021,653
Total general revenues, special items and contributions	22,804,319	17,048,938	5,755,381
Change in net positions	1,254,434	(3,403,411)	4,657,845
Net position - beginning	81,269,730	67,899,320	13,370,410
Prior period adjustment	(2,198,081)	16,773,821	(18,971,902)
Net position - beginning of the year, restated	79,071,649	84,673,141	(5,601,492)
Net position at the end of the year	\$ 80,326,083	\$ 81,269,730	\$ (943,647)

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Management's Discussion and Analysis
September 30, 2023

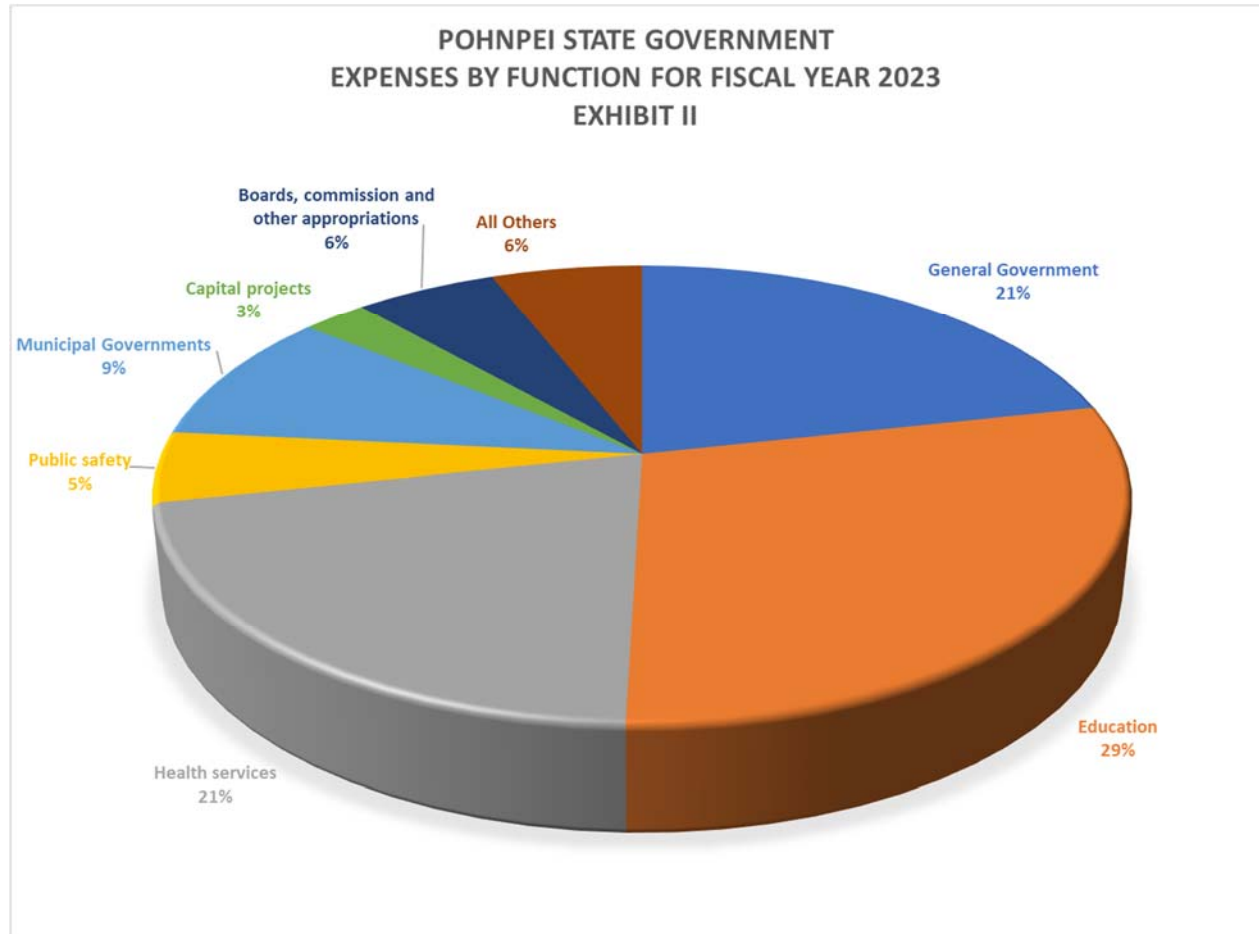
Exhibit I indicates that 51% of the State's revenues originated from Compact II, whereas 49% were sourced from taxes and other government charges.



**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Management's Discussion and Analysis
September 30, 2023

According to Exhibit II, Education accounted for 29% of the State's total expenditures, while General Government, Health Services and Municipal represented 22%, 21% and 9%, respectively.



FINANCIAL ANALYSIS OF THE STATE GOVERNMENTAL FUNDS

Presented below are the changes in the State's governmental fund balances for the fiscal years ending September 30, 2023, and 2022.

	General Fund		Grants Assistance Fund		Compact Trust Fund		Other Funds	
	2023	2022	2023	2022	2023	2022	2023	2022
Revenues:								
Taxes	\$ 19,950,124	\$ 19,618,893	\$ -	\$ -	\$ -	\$ -	\$ 933,341	\$ 889,291
Compact	-	-	20,015,343	18,366,841	-	-	-	-
Other/transfer in	-	-	3,948,018	4,416,862	2,001,420	(3,020,233)	2,240,857	1,979,377
Total revenues	19,950,124	19,618,893	23,963,361	22,783,703	2,001,420	(3,020,233)	3,174,198	2,868,668
Expenditures/transfers out	19,764,962	18,234,600	23,785,657	23,025,622	-	-	3,388,540	3,098,622
Net change in fund balances	\$ 185,162	\$ 1,384,293	\$ 177,704	\$ (241,919)	\$ 2,001,420	\$ (3,020,233)	\$ (214,342)	\$ (229,954)
% of FB Net Change	(1,199,131)	-87%	419,623	173%	5,021,653	166%	15,612	-7%
Increase (Decrease) in Revenues	331,231	2%	1,179,658	5%	5,021,653	166%	305,530	11%
(Increase) Decrease in expenditures	(1,530,362)	-8%	(760,035)	-3%	-	0%	(289,918)	-9%

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Management's Discussion and Analysis
September 30, 2023

General Fund

The net change in the General Fund balance saw a reduction of \$1,199,131, or -87%, primarily due to an increase in revenues amounting to \$331,231 against a significant rise in cost-of-service totaling \$1,530,362.

Grant Assistance Fund

The net change in the Fund Balance of the Grant Assistance Fund experienced an increase of \$419,623, equating to an increase of 173%. This represents a significant improvement in federal program reimbursements.

Compact Trust Fund

The Compact Trust Fund saw a net increase in Fund Balance of \$5,021,653, representing a growth of 166%, driven by improvements in the investment market.

General Fund Budgetary Highlights

Over the course of the year, the State amended its budget multiple times, totaling \$1,064,000 to provide additional funding for various departments and offices that required increased appropriations to prevent budget deficits. It is not anticipated that these adjustments will significantly impact future services.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of the conclusion of the fiscal year 2023, the State's capital assets predominantly 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, 2023 and 2022:

	Primary Government Government Activities	
	2023	2022
Buildings	\$ 24,841,744	\$ 24,841,744
Machinery	29,436,182	28,448,840
Infrastructure	53,690,078	53,690,078
Total	<u>\$ 107,968,004</u>	<u>\$ 106,980,662</u>

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

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Management's Discussion and Analysis
September 30, 2023

Long-term Debt

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

	Government Activities	
	2023	2022
Asian Development Bank Loan	<u>\$ 2,811,842</u>	<u>\$ 2,936,002</u>
Fund Balance Unassigned	<u>\$ 2,534,173</u>	<u>\$ 8,860,173</u>

For further details regarding the State's long-term debt, please refer to Notes 7 and 8 in the financial statements.

NEXT YEAR'S ECONOMIC OUTLOOK

In Fiscal Year 2024, we will commence the first year of economic assistance under the newly amended Compact III/Sector. The Government expects to implement a salary increase of 45% across the board. Additionally, the Government anticipates receiving revenue from fishing fees collected by the FSM National Government, which is expected to inject \$7 million into the State budget.

For the Education Sector Grant, which continues to be the primary funding priority, the annual budget has been set at \$8,305,512. The budget allocated for the Health Sector Grant is \$6,809,134.

The Infrastructure Grant budget amounts to \$6,535,905. The Funding for the Office of the PMO is set at \$1,079,236, while the budget for the Infrastructure Maintenance Fund is \$335,554.

The budget for the Public Sector Capacity Building Grant is \$150,000 and the Enhanced Reporting and Accounting Sector Grant, \$247,800.

The General Fund is projected to reach \$27,980,000, based on expected revenues from collected fishing fees.

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, P.O. Box 1567 Kolonia, Pohnpei FM 96941.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Statement of Net Position
September 30, 2023

	Primary Government	Component Units
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 7,432,215	\$ 10,578,308
Time certificate of deposit	-	235,272
Investments	3,417,375	-
Accounts receivable, net	8,089,193	5,444,205
Lease receivable, net	92,035	203,068
Advances	527,767	982,479
Inventories	-	1,033,349
Other current assets	-	9,076
Restricted assets:		
Cash and cash equivalents	8,048,877	513,733
Total current assets	<u>27,607,462</u>	<u>18,999,490</u>
Noncurrent assets:		
Capital assets:		
Non-depreciable capital assets	-	3,041,863
Capital assets, net of accumulated depreciation	18,143,070	34,915,721
Investments	16,689,670	265,700
Deposits	-	1,620,913
Receivables, net	-	2,115,393
Lease receivables, net of current portion	3,287,299	2,187,055
Other assets	1,300,000	-
Due from primary government	-	57,866
Right-To-Use assets, net	50,245	165,980
Restricted assets:		
Cash and cash equivalents	-	817,936
Investments	27,816,133	-
Total noncurrent assets	<u>67,286,417</u>	<u>45,188,427</u>
Total assets	<u>\$ 94,893,879</u>	<u>\$ 64,187,917</u>
LIABILITIES		
Current liabilities:		
Short-term debt	\$ -	\$ 256,071
Current portion of long-term obligation	232,050	473,060
Compensated absence payable	557,288	-
Accounts payable	3,958,957	1,206,118
Other liabilities and accruals	1,260,168	1,058,369
Due to primary government	-	6,560,251
Lease liability, current portion	32,720	25,179
Unearned revenues	2,862,193	646,510
Total current liabilities	<u>8,903,376</u>	<u>10,225,558</u>
Deferred inflows of resources from leases	2,856,135	2,070,267
Noncurrent liabilities:		
Long-term obligations, net of current portion	2,579,792	5,184,620
Claims and judgements payable	210,968	-
Lease liability, non current	17,525	140,801
Total noncurrent liabilities	<u>2,808,285</u>	<u>5,325,421</u>
Total liabilities	<u>14,567,796</u>	<u>17,621,246</u>
Contingencies and commitments		
NET POSITION		
Net investment in capital assets	18,143,070	32,299,904
Restricted for:		
Non-expendable:		
Future operations	23,080,595	-
Expendable:		
Debt service	4,735,538	-
Compact related	(269,453)	-
Other purposes	7,640,420	8,871,991
Unrestricted	26,995,913	5,394,776
Total net position	<u>80,326,083</u>	<u>46,566,671</u>
Total liabilities and net position	<u>\$ 94,893,879</u>	<u>\$ 64,187,917</u>

See accompanying notes to financial statements.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Statement of Activities
Year Ended September 30, 2023

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:						
Government Activities:						
General government	\$ 10,328,349	\$ 1,415,023	\$ 1,839,716	\$ -	\$ (7,073,610)	\$ -
Land and natural resources	750,306	87,371	102,919	-	(560,016)	-
Education	13,874,542	-	12,233,486	-	(1,641,056)	-
Health services	10,163,925	819,935	8,557,236	-	(786,754)	-
Public safety	2,376,364	-	-	-	(2,376,364)	-
Attorney-general	558,728	-	-	-	(558,728)	-
Public works and transportation	478,898	138,853	-	-	(340,045)	-
Resource and development	807,470	-	-	-	(807,470)	-
Non-governmental agencies	246,741	-	-	-	(246,741)	-
Boards, commissions and others	2,671,927	-	-	-	(2,671,927)	-
Municipal governments	4,487,174	-	-	-	(4,487,174)	-
Capital projects	1,230,004	-	-	1,230,004	-	-
Total primary government	<u>47,974,428</u>	<u>2,461,182</u>	<u>22,733,357</u>	<u>\$ 1,230,004</u>	<u>(21,549,885)</u>	<u>-</u>
Component Units:						
Pohnpei Utilities Corporation	17,474,048	15,962,244	-	\$ 1,142,491	-	(369,313)
Pohnpei Port Authority	3,386,779	4,689,436	-	-	-	1,302,657
Pohnpei Transportation Authority	2,345,522	1,872,627	-	-	-	(472,895)
Small Business Guarantee and Finance Corporation	242,335	223,653	-	-	-	(18,682)
Pohnpei State Housing Authority	173,461	391,343	-	-	-	217,882
Total component units	<u>\$ 23,622,145</u>	<u>\$ 23,139,303</u>	<u>\$ -</u>	<u>\$ 1,142,491</u>	<u>-</u>	<u>659,649</u>
General Revenues:						
Taxes:						
FSM revenue sharing:						
Gross revenue tax					3,333,621	-
Import tax					4,016,327	-
Income taxes					3,353,132	-
20% additional taxes					611,322	-
Other 20% taxes					246,408	-
State taxes					5,369,461	-
Fishing fees					2,790,270	-
Lease revenue					173,122	-
Lease interest revenue					155,030	-
Unrestricted investment earnings					866,385	-
Other					(251,938)	2,525,835
Total general revenues					20,663,140	2,525,835
Special item - loss on SDR foreign exchange					(81,407)	-
Special item - Escrow fund payments on defaulted Farmers Home Admin Loans					191,323	-
Special item - Operating transfer-in					29,843	-
Contributions to permanent fund					2,001,420	-
Total general revenues, special items and contributions					<u>22,804,319</u>	<u>2,525,835</u>
Change in net position					<u>1,254,434</u>	<u>3,185,484</u>
Net position at the beginning of year					81,269,730	42,453,728
Prior period adjustment					(2,198,081)	927,459
Net position at the beginning of year, restated					<u>79,071,649</u>	<u>43,381,187</u>
Net position at the end of the year					<u>\$ 80,326,083</u>	<u>\$ 46,566,671</u>

See accompanying notes to financial statements.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Balance Sheet
Governmental Funds
Year Ended September 30, 2023

		Special Revenue	Permanent	Other Governmental Funds	Total
	General	Grants Assistance	Compact Trust		
ASSETS					
Cash and cash equivalents	\$ 7,388,402	\$ -	\$ -	\$ 43,813	\$ 7,432,215
Investments	20,107,045	-	-	-	20,107,045
Receivables, net:					
General	173,358	-	-	25,761	199,119
Taxes	4,695,631	-	-	-	4,695,631
Due from FSM National Government	-	2,260,007	-	-	2,260,007
Due from grantor agencies - Direct	-	-	-	-	-
Other	933,868	568	-	-	934,436
Lease receivable, net	80,090	-	-	11,945	92,035
Due from other funds	1,562,600	4,384,105	-	7,906,681	13,853,386
Advances	215,962	278,962	-	32,843	527,767
Other assets	1,300,000	-	-	-	1,300,000
Restricted assets:					
Cash and cash equivalents	8,041,177	7,700	-	-	8,048,877
Investments	4,735,538	-	23,080,595	-	27,816,133
Lease receivable, net of current portion	3,106,818	-	-	180,481	3,287,299
Total assets	<u>\$ 52,340,489</u>	<u>\$ 6,931,342</u>	<u>\$ 23,080,595</u>	<u>\$ 8,201,524</u>	<u>\$ 90,553,950</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 1,001,389	\$ 2,335,134	\$ -	\$ 622,434	\$ 3,958,957
Other liabilities and accruals	687,600	498,910	-	5,258	1,191,768
Unearned revenues	-	2,862,193	-	-	2,862,193
Due to other funds	12,290,786	1,533,630	-	28,970	13,853,386
Total liabilities	<u>13,979,775</u>	<u>7,229,867</u>	<u>-</u>	<u>656,662</u>	<u>21,866,304</u>
Deferred inflows of resources	<u>2,652,740</u>	<u>-</u>	<u>-</u>	<u>203,395</u>	<u>2,856,135</u>
Fund balances:					
Non-spendable	19,230,117	-	23,080,595	24,463	42,335,175
Restricted	12,784,415	(298,525)	-	-	12,485,890
Committed	414,074	-	-	7,317,004	7,731,078
Assigned	745,195	-	-	-	745,195
Unassigned:					
General Fund	2,534,173	-	-	-	2,534,173
Total Fund balance	<u>35,707,974</u>	<u>(298,525)</u>	<u>23,080,595</u>	<u>7,341,467</u>	<u>65,831,511</u>
Total liabilities and fund balances	<u>\$ 52,340,489</u>	<u>\$ 6,931,342</u>	<u>\$ 23,080,595</u>	<u>\$ 8,201,524</u>	<u>\$ 90,553,950</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.

18,143,070
50,245

Right of use assets

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	(2,811,842)
Long-term lease payable	(50,245)
Compensated absence payable	(557,288)
Claims and judgements payable	(210,968)
Other government-wide liabilities	(68,400)

(3,698,743)

Net position of governmental activities

\$ 80,326,083

See accompanying notes to financial statements.

STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA

Statements of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2023

		Special Revenue	Permanent	Other Governmental Funds	Total
	General	Grants Assistance	Compact Trust		
Revenues:					
Compact funding	\$ -	\$ 20,015,343	\$ -	\$ -	\$ 20,015,343
Net change in the fair value of investments	866,385	-	2,001,420	-	2,867,805
CFSM grants	-	288,048	-	-	288,048
Federal contributions and other grants	-	3,659,970	-	-	3,659,970
FSM revenue sharing	14,351,080	-	-	-	14,351,080
State taxes	4,436,120	-	-	933,341	5,369,461
Fees and charges	314,551	-	-	2,146,631	2,461,182
Lease revenue	130,621	-	-	42,501	173,122
Lease interest revenue	103,305	-	-	51,725	155,030
Other	(251,938)	-	-	-	(251,938)
Total revenues	<u>19,950,124</u>	<u>23,963,361</u>	<u>2,001,420</u>	<u>3,174,198</u>	<u>49,089,103</u>
Expenditures:					
Current:					
General government	6,760,684	1,246,350	-	2,195,273	10,202,307
Land and natural resources	621,808	102,919	-	-	724,727
Education	1,602,585	12,233,486	-	-	13,836,071
Health services	707,769	8,557,236	-	1,193,267	10,458,272
Public safety	2,111,131	-	-	-	2,111,131
Office of the Attorney-General	559,197	-	-	-	559,197
Public works	479,421	-	-	-	479,421
Department of resources and development	807,470	-	-	-	807,470
Payments to non-governmental agencies	246,741	-	-	-	246,741
Boards, commissions and other	1,863,807	-	-	-	1,863,807
Local revenue share payments to municipal governments	4,487,174	-	-	-	4,487,174
Capital projects	-	1,230,004	-	-	1,230,004
Debt service	124,160	-	-	-	124,160
Total expenditures	<u>20,371,947</u>	<u>23,369,995</u>	<u>-</u>	<u>3,388,540</u>	<u>47,130,482</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(421,823)</u>	<u>593,366</u>	<u>2,001,420</u>	<u>(214,342)</u>	<u>1,958,621</u>
Special items:					
Operating transfer-in (out)	415,662	(415,662)	-	-	-
Escrow account payments for defaulted FHA Housing Loan	191,323	-	-	-	191,323
Net change in fund balances	<u>185,162</u>	<u>177,704</u>	<u>2,001,420</u>	<u>(214,342)</u>	<u>2,149,944</u>
Fund balances at the beginning of the year	37,398,267	(130,265)	21,079,175	7,555,809	65,902,986
Prior period adjustment	(1,875,455)	(345,964)	-	-	(2,221,419)
Fund balances at the beginning of the year, restated	<u>35,522,812</u>	<u>(476,229)</u>	<u>21,079,175</u>	<u>7,555,809</u>	<u>63,681,567</u>
Fund balances at the end of the year	<u>\$ 35,707,974</u>	<u>\$ (298,525)</u>	<u>\$ 23,080,595</u>	<u>\$ 7,341,467</u>	<u>\$ 65,831,511</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, 2023

Amount 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	\$ 2,149,944
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which depreciation and amortization \$1,999,512 exceeded capital outlays of \$1,014,042 in the current period and prior period adjustment of \$23,338	(962,132)
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.	205,567
SDR foreign exchange adjustment	(81,407)
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 operating lease liabilities	(29,843)
Net change in compensated absence payable	<u>(27,695)</u>
Change in net position of governmental activities	<u>\$ 1,254,434</u>

See accompanying notes to financial statements.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Combining Statements of Net Position
Component Units
September 30, 2023

	Pohnpei Utilities Corporation	Pohnpei Port Authority	Pohnpei Transportation Authority	Small Business Guarantee and Finance Corporation	Pohnpei State Housing Authority	Total
<u>ASSETS</u>						
Current assets:						
Cash and cash equivalents	\$ 2,136,284	\$ 7,888,968	\$ -	\$ 500	\$ 552,556	\$ 10,578,308
Time certificate of deposit	235,272	-	-	-	-	235,272
Accounts receivable, net	1,363,593	325,827	168,098	60,159	3,526,528	5,444,205
Lease receivable, net	-	203,068	-	-	-	203,068
Advances	938,747	28,365	2,738	4,424	8,205	982,479
Inventories	914,365	-	118,984	-	-	1,033,349
Other current assets	-	9,076	-	-	-	9,076
Restricted assets:						
Cash and cash equivalents	-	-	-	513,733	-	513,733
Total current assets	<u>5,588,261</u>	<u>8,455,304</u>	<u>289,820</u>	<u>578,816</u>	<u>4,087,289</u>	<u>18,999,490</u>
Noncurrent assets:						
Receivables, net	-	-	-	2,115,393	-	2,115,393
Investments	-	265,700	-	-	-	265,700
Deposits	1,620,913	-	-	-	-	1,620,913
Right-To-Use assets, net	165,980	-	-	-	-	165,980
Lease receivable, net of current portion	-	2,187,055	-	-	-	2,187,055
Capital assets:						
Non-depreciable capital assets	265,829	2,776,034	-	-	-	3,041,863
Capital assets, net of accumulated depreciation	28,316,493	4,745,273	1,800,304	19,187	34,464	34,915,721
Due from primary government	-	-	-	-	57,866	57,866
Restricted assets:						
Cash and cash equivalents	817,936	-	-	-	-	817,936
Total non-current assets	<u>31,187,151</u>	<u>9,974,062</u>	<u>1,800,304</u>	<u>2,134,580</u>	<u>92,330</u>	<u>45,188,427</u>
Total assets	<u>\$ 36,775,412</u>	<u>\$ 18,429,366</u>	<u>\$ 2,090,124</u>	<u>\$ 2,713,396</u>	<u>\$ 4,179,619</u>	<u>\$ 64,187,917</u>
<u>LIABILITIES</u>						
Current liabilities:						
Short-term debt	\$ 256,071	\$ -	\$ -	\$ -	\$ -	\$ 256,071
Current portion of long-term obligation	473,060	-	-	-	-	473,060
Lease liability, current portion	25,179	-	-	-	-	25,179
Accounts payable	827,291	174,505	142,751	22,028	39,543	1,206,118
Other liabilities and accruals	835,509	194,661	21,068	7,131	-	1,058,369
Due to primary government	4,518,625	-	1,907,059	-	134,567	6,560,251
Unearned revenues	643,336	-	3,174	-	-	646,510
Total current liabilities	<u>7,579,071</u>	<u>369,166</u>	<u>2,074,052</u>	<u>29,159</u>	<u>174,110</u>	<u>10,225,558</u>
Deferred inflows of resources from leases	-	2,070,267	-	-	-	2,070,267
Non-current liabilities						
Non-current portion of long-term debt	5,184,620	-	-	-	-	5,184,620
Lease liability, non-current	140,801	-	-	-	-	140,801
Total non-current liabilities	<u>5,325,421</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,325,421</u>
Total liabilities	<u>12,904,492</u>	<u>2,439,433</u>	<u>2,074,052</u>	<u>29,159</u>	<u>174,110</u>	<u>17,621,246</u>
<u>NET POSITION</u>						
Net investment in capital assets	22,924,642	7,521,307	1,800,304	19,187	34,464	32,299,904
Restricted	1,388,150	-	883,670	2,629,126	3,971,045	8,871,991
Unrestricted	(441,872)	8,468,626	(2,667,902)	35,924	-	5,394,776
Total net position	<u>23,870,920</u>	<u>15,989,933</u>	<u>16,072</u>	<u>2,684,237</u>	<u>4,005,509</u>	<u>46,566,671</u>
Total liabilities and net position	<u>\$ 36,775,412</u>	<u>\$ 18,429,366</u>	<u>\$ 2,090,124</u>	<u>\$ 2,713,396</u>	<u>\$ 4,179,619</u>	<u>\$ 64,187,917</u>

See accompanying notes to financial statements.

STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA

Combining Statements of Revenues, Expenditures, and Changes in Fund Balances
Component Units
Year Ended September 30, 2023

	Pohnpei Utilities Corporation	Pohnpei Port Authority	Pohnpei Transportation Authority	Small Business Guarantee and Finance Corporation	Pohnpei State Housing Authority	Total
Operating Revenues:						
Charges for services	\$ 15,962,244	\$ 4,689,436	\$ 1,872,627	\$ 223,653	\$ 391,343	\$ 23,139,303
Total operating revenues	<u>15,962,244</u>	<u>4,689,436</u>	<u>1,872,627</u>	<u>223,653</u>	<u>391,343</u>	<u>23,139,303</u>
Operating Expenses:						
Cost of services	12,771,844	-	-	-	-	12,771,844
Administration costs	2,511,109	2,788,624	2,014,606	227,836	165,690	7,707,865
Depreciation and amortization	<u>2,191,095</u>	<u>598,155</u>	<u>330,916</u>	<u>14,499</u>	<u>7,771</u>	<u>3,142,436</u>
Total operating expenses	<u>17,474,048</u>	<u>3,386,779</u>	<u>2,345,522</u>	<u>242,335</u>	<u>173,461</u>	<u>23,622,145</u>
Operating income (loss)	<u>(1,511,804)</u>	<u>1,302,657</u>	<u>(472,895)</u>	<u>(18,682)</u>	<u>217,882</u>	<u>(482,842)</u>
Nonoperating revenue (expenses):						
Contributions from the primary government	815,795	1,858,602	-	322,910	191,374	3,188,681
Interest income (expense)	(305,625)	34,427	-	1,926	-	(269,272)
Loss on disposal of fixed assets	(452,083)	-	-	-	-	(452,083)
Unrealized gain (loss) on investment	-	27,200	-	-	-	27,200
Other	<u>31,130</u>	<u>-</u>	<u>-</u>	<u>179</u>	<u>-</u>	<u>31,309</u>
Total nonoperating revenues, net	<u>89,217</u>	<u>1,920,229</u>	<u>-</u>	<u>325,015</u>	<u>191,374</u>	<u>2,525,835</u>
Net income (loss) before capital contribution	(1,422,587)	3,222,886	(472,895)	306,333	409,256	2,042,993
Capital contribution	<u>1,142,491</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,142,491</u>
Change in net position	(280,096)	3,222,886	(472,895)	306,333	409,256	3,185,484
Net position at the beginning of the year	<u>24,151,016</u>	<u>12,767,047</u>	<u>488,967</u>	<u>2,377,904</u>	<u>3,596,253</u>	<u>43,381,187</u>
Net position at the end of the year	<u>\$ 23,870,920</u>	<u>\$ 15,989,933</u>	<u>\$ 16,072</u>	<u>\$ 2,684,237</u>	<u>\$ 4,005,509</u>	<u>\$ 46,566,671</u>

See accompanying notes to financial statements.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2023

(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, 2023

(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.

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.

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.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2023

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, continued

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.

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, 2023

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

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.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2023

(1) Summary of Significant Accounting Policies, Continued

B. Government-Wide Financial Statements, continued

- *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.

The government-wide Statement of Net Position reports \$35,187,100 of restricted net position, of which \$7,640,420 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.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2023

(1) Summary of Significant Accounting Policies, Continued

D. Measurement Focus and Basis of Accounting

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.

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.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2023

(1) Summary of Significant Accounting Policies, Continued

D. Measurement Focus and Basis of Accounting, continued

Fund Accounting:

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

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

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.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2023

(1) Summary of Significant Accounting Policies, Continued

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 Statement No. 87, 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.

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

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2023

(1) Summary of Significant Accounting Policies, Continued

H. Receivables, continued

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. 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 \$4,735,538 for the Pohnpei State Early Retirement Scheme. Furthermore, investments recorded in the Compact Trust Fund of \$23,080,595 are restricted in that they are not available to be used in current operations.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2023

(1) Summary of Significant Accounting Policies, Continued

L. Restricted Assets, continued

As of September 30, 2023, 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	\$ 2,331,905
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State Hospital's Honolulu imprest fund	7,700
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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	351,415
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Compact Sector Grants	5,274,877
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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.	82,980
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\$ 8,048,877

Discretely Presented Component Units:

Pohnpei Utilities Corporation:

Deposit accounts collateralizing loans payable to the FSM Development Bank and the Bank of FSM	\$ 817,936
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Small Business Guarantee and Finance Corporation:

Deposits restricted for various operations of the small Business Guarantee and Finance Corporation	513,733
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\$ 1,331,669

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2023

(1) Summary of Significant Accounting Policies, Continued

M. Other Assets

The State holds approximately 9% of the outstanding shares of Pacific Islands Development Bank with a carrying value of \$1,300,000. 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.

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.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2023

(1) Summary of Significant Accounting Policies, Continued

O. Capital Assets, continued

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.

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.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2023

(1) Summary of Significant Accounting Policies, Continued

R. Deferred Inflows of Resources, continued

The implementation of GASB 87 in FY 2022 has had an impact on the State's lease-related non-current liabilities. As of September 30, 2023, deferred inflows of resources from leases are valued at \$2,856,135.

S. 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.

T. Fund Balance

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

- Non-spendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority 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.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2023

(1) Summary of Significant Accounting Policies, Continued

T. Fund Balance, continued

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.

U. 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.

V. Recently Adopted Accounting Standards

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

- In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objective of this statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation, establishing that conduit debt obligation is not a liability of the issuer, establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.
- In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This statement also provides guidance for accounting and financial reporting for availability payment arrangements.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2023

(1) Summary of Significant Accounting Policies, Continued

V. Recently Adopted Accounting Standards, continued

- In May 2020, the GASB issued Statement No. 96, *Subscription – Based Information Technology Arrangements*. The primary objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This statement (1) defines a SBITA; (2) establishes that SBITA's result in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA.
- In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. This Statement contains guidance that clarifies the provisions of various GASB statements previously issued. Certain provisions of Statement No. 99 are applicable to future periods, guidance applicable to the current period relate to:
 - 1) Clarification on provisions in GASB Statement No. 87 related to the determination of lease terms, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
 - 2) Clarification on the provisions in GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
 - 3) Clarification on the provisions in GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.
 - 4) Modifications to the accounting and reporting guidance in GASB Statement No. 53 *Accounting and Financial Reporting for Derivative Instruments*, relating to the termination of hedges.

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

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2023

(1) Summary of Significant Accounting Policies, Continued

W. Upcoming Accounting Standards

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

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

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

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*, to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2023

(1) Summary of Significant Accounting Policies, Continued

W. Upcoming Accounting Standards, continued

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. GASB Statement No. 101 will be effective for fiscal year ending September 30, 2025.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*, to provide users of government financial statements with essential information about risks related to certain concentrations or constraints. The Statement defines a *concentration* as a lack of diversity related to an aspect of a significant inflow or outflow of resources. A *constraint* is a limitation imposed on a government by an external party or by formal action of the government highest level of decision-making authority.

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

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

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2023

(1) Summary of Significant Accounting Policies, Continued

X. 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.

During the fiscal year ended September 30, 2023, the State recognized a foreign currency exchange loss of \$81,407 resulting from changes in the SDR-to-U.S. dollar exchange rate applicable to its outstanding SDR-denominated loan obligations.

Y. 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.

Z. 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.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2023

(1) Summary of Significant Accounting Policies, Continued

AA. 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.

(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. Deposits in smaller institutions are acceptable, but must not exceed the amount of the insurance, unless collateralized by U.S. Treasury obligations at 102%.
- ii. Stocks - A "6" rating by a national rating service. Non-rated stocks, such as banks or insurance companies, must be equal in quality or higher.
- iii. Bonds - Confined to issues rated "A" or higher by a national rating service, except in the case of U.S. Treasury or government agency obligations which are not rated.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2023

(2) Deposits and Investments, Continued

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. 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.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2023

(2) Deposits and Investments, Continued

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.

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.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2023

(2) Deposits and Investments, Continued

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. 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.

A. Deposits

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

As of September 30, 2023, the carrying amount of the primary government's total cash and cash equivalents was \$15,481,092 and the corresponding bank balances were \$16,293,059, which are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2023, bank deposits in the amount of \$500,000 were FDIC insured.

As of September 30, 2023, the carrying amount of the discretely presented component units' total cash and cash equivalents and time certificates of deposit was \$10,813,580 and the corresponding bank balances were \$11,364,995 which were maintained in financial institutions subject to FDIC insurance. As of September 30, 2023, bank deposits in the amount of \$1,526,154 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, 2023

(2) Deposits and Investments, Continued

B. Investments

Primary Government:

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

General Fund:

Fixed income	\$ 2,989,487
Domestic equities	16,851,568
Common equities	4,240,579
International equities	323,712
Cash management account	<u>437,237</u>
	<u>24,842,583</u>

Compact Trust Fund:

Common trust funds:

Domestic equity	5,071,817
International equity	2,102,292
Global equity	4,714,029
Private equity	2,992,936
Fixed income	4,626,262
Hedge Fund	1,263,676
Real Estate	2,307,223
Money Market Funds	<u>2,360</u>
	<u>23,080,595</u>
	<u>\$ 47,923,178</u>

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2023

(2) Deposits and Investments, Continued

B. Investments, continued

Primary Government, Continued:

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

Investment Type	Moody's Rating	Investment Maturities (In Years)				
		Market Value	Current	1-5	6-10	Over 10
U.S Treasury Notes and Bonds	Aaa	\$ 418,075	\$ -	\$ 151,862	\$ 105,917	\$ 160,296
U.S Government Agencies Obligations:						
Federal Farm Credit Bank	Aaa	40,168	-	16,981	-	23,187
Federal Home Loan Bank	Aaa	95,150	-	60,241	34,909	-
Federal Home Loan Mortgage Corporation	Aaa	8,115	668	5,930	1,517	-
Federal National Mortgage Association	Aaa	768	-	-	-	768
Overseas Private Investment Corporation	Aaa	31,611	-	31,611	-	-
Tennessee Valley Authority	Aaa	122,744	-	-	-	122,744
Municipal Obligations	A1	40,492	-	26,976	13,516	-
Municipal Obligations	Aa2	78,448	-	-	21,510	56,938
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>\$ 1,320,220</u>	<u>\$ 7,349</u>	<u>\$ 526,880</u>	<u>\$ 244,645</u>	<u>\$ 541,346</u>

Investment Type (no aging schedule)	Credit Ratings	Fair Value
Government Securities:		
U.S. Treasury	Aaa	\$ 339,243
U.S. Agency	Aa3	21,298
Securitized:		
Mortgage-Backed	Aa1	584,385
Asset-Backed	B3	132,872
Corporate Securities:		
Industrial	Baa1	203,090
Financial	A3	201,541
Yankee Bond	Baa1	18,587
Utilities	Baa1	43,953
Other	A1	124,298
		<u>\$ 1,669,267</u>

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2023

(2) Deposits and Investments, Continued

B. Investments, continued

Primary Government, Continued:

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

General Fund:	Fair Value Measurements Using			
	Total	Level 1	Level 2	Level 3
Investment by fair value level:				
Fixed income:				
U.S Treasury Obligation	\$ 418,075	\$ -	\$ 418,075	\$ -
U.S Government agencies	239,303	-	239,303	-
Municipal obligation	118,940	-	118,940	-
Corporate notes	<u>484,650</u>	<u>-</u>	<u>484,650</u>	<u>-</u>
	1,260,968	-	1,260,968	-
Equity securities:				
U.S equities	5,969,098	3,759,599	-	-
Non U.S equities	<u>323,712</u>	<u>296,239</u>	<u>-</u>	<u>-</u>
Total Investment at fair value	<u>7,553,778</u>	<u>\$ 4,055,838</u>	<u>\$ 1,260,968</u>	<u>\$ -</u>
Investment measured at NAV:				
Real estate	161,869			
Equity investment in Bank of the FSM	1,328,060			
Equity investment in Caroline Fisheries Corp.	<u>15,361,639</u>			
	16,851,568			
Investment measured at amortized cost:				
Cash management account	<u>437,237</u>			
	<u>\$ 24,842,583</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	\$ 5,071,817	\$ 5,071,817	\$ -	\$ -
International Equity	2,102,292	2,102,292	-	-
Global Equity	4,714,029	4,714,029	-	-
Private Equity	2,992,936	-	-	2,992,936
Fixed Income	<u>4,626,262</u>	<u>4,626,262</u>	<u>-</u>	<u>-</u>
Total Investment at fair value	<u>\$ 19,507,336</u>	<u>\$ 16,514,400</u>	<u>\$ -</u>	<u>\$ 2,992,936</u>
Investment measured at NAV:				
Hedge Fund	1,263,676			
Real Estate	2,307,223			
Investment measured at amortized cost:				
Money Market Funds	<u>2,360</u>			
	<u>\$ 23,080,595</u>			

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2023

(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, 2023.

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

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

The State owns 50,000 shares of the outstanding common stock of the Bank of the Federated States of Micronesia, which engages in commercial banking services in the FSM. An equity investment in the common stock of the Bank of the Federated States of Micronesia (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.

The State owns 41% or 2,886,000 shares of the outstanding common stock of the Carolines Fisheries Corporation, which is principally an operator of purse seiners dealing in the tuna fish market. An equity investment in the common stock of the Carolines Fisheries Corporation (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, 2023

(2) Deposits and Investments, Continued

B. Investments, continued

Discretely Presented Component Units:

Investments of the discretely presented component units are as follows:

Pohnpei Port Authority:	
Domestic equities	\$ 265,700
Investments measured in NAV:	
Equity investment in Bank of the FSM	\$ 265,700

(3) Receivables

Primary Government:

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

	General	Grants Assistance	Compact Trust	Other Government Funds	Total
Receivables:					
General	\$ 2,302,068	\$ -	\$ -	\$ 25,761	\$ 2,327,829
Taxes	4,859,030	-	-	-	4,859,030
Due from Component Units	6,734,238	-	-	-	6,734,238
Due from FSM National Government	-	3,894,524	-	-	3,894,524
Other	-	12,115	-	-	12,115
	13,895,336	3,906,639	-	25,761	17,827,736
Allowance for uncollectible accounts	(8,092,479)	(1,646,064)	-	-	(9,738,543)
	<u>\$ 5,802,857</u>	<u>\$ 2,260,575</u>	<u>\$ -</u>	<u>\$ 25,761</u>	<u>\$ 8,089,193</u>

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 2023 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.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2023

(3) Receivables, Continued

Discretely Presented Component Units:

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

	Pohnpei Utilities Corporation	Pohnpei Port Authority	Pohnpei Transportation Authority	Small Business Guarantee and Finance Corporation	Pohnpei State Housing	Total
Receivables:						
General	\$9,214,480	\$ 428,702	\$ 168,098	\$ 60,159	\$ 18,526	\$ 9,889,965
Loans	-	-	-	2,664,973	8,763,452	11,428,425
	9,214,480	428,702	168,098	2,725,132	8,781,978	21,318,390
Less: Allowance for uncollectible accounts	(7,850,887)	(102,875)	-	(549,580)	(5,255,450)	(13,758,792)
	<u>\$1,363,593</u>	<u>\$ 325,827</u>	<u>\$ 168,098</u>	<u>\$ 2,175,552</u>	<u>\$3,526,528</u>	<u>\$ 7,559,598</u>

Loans receivable consist of the following:

Small Business Guarantee and Finance Corporation

Loans to qualified business under Micro Loan and Loan Guarantee Programs, net with interest at 9% per annum. \$ 2,115,393

Pohnpei State Housing Authority (PSHA)

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. 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
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2023

(3) Receivables, Continued

Pohnpei State Housing Authority (PSHA), continued

A summary of loans receivable as of September 30, 2023, are presented below:

Pohnpei State Housing Authority loans	\$ 6,951,736
HPG Loans	327,022
Small Loans	165,000
USDA Rural Development loans	<u>1,319,694</u>
	<u><u>\$ 8,763,452</u></u>

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.

(4) Interfund Receivables and Payables

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

<u>Receivable fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Grants Assistance	General	\$ 4,384,105
Non Major	General	7,906,681
General	Grants Assistance	<u>1,562,600</u>
		<u><u>\$ 13,853,386</u></u>

The amount recorded as due from component units of the primary government \$6,734,238 does not equal the corresponding due to primary government of the discretely presented component units of \$6,560,251 due to unresolved reconciling differences between the primary government and the PTA pertaining to operational advances.

Those differences are subject to ongoing resolution and settlement between the primary government and PTA. See Note 12, Related Party Transactions, for further discussion of these matters.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2023

(5) Capital Assets

Capital asset activity for the year ended September 30, 2023, are as follows:

	Balance October 1, 2022	Additions	Retirements	Balance September 30, 2023
Governmental activities				
Capital assets being depreciated:				
Buildings	\$ 24,841,744	\$ -	\$ -	\$ 24,841,744
Machinery, equipment, others	28,448,839	987,343	-	29,436,182
Infrastructure	<u>53,690,078</u>	<u>-</u>	<u>-</u>	<u>53,690,078</u>
	106,980,661	987,343	-	107,968,004
Less accumulated depreciation for:				
Buildings	9,031,989	406,691	-	9,438,680
Machinery, equipment, others	27,357,393	683,087	-	28,040,480
Infrastructure	<u>51,465,883</u>	<u>879,891</u>	<u>-</u>	<u>52,345,774</u>
	<u>87,855,265</u>	<u>1,969,669</u>	<u>-</u>	<u>89,824,934</u>
Governmental activities capital assets, net	<u>\$ 19,125,396</u>	<u>\$ (982,326)</u>	<u>\$ -</u>	<u>\$ 18,143,070</u>

Primary Government:

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

General government	\$ 250,443
Land and natural resources	27,871
Education	445,903
Health services	166,295
Public safety	269,768
Boards, commissions and others	<u>809,389</u>
	<u>\$ 1,969,669</u>

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2023

(5) Capital Assets, Continued

Discretely Presented Component Units:

	Balance October 1, 2022	Additions	Retirements	Balance September 30, 2023
Depreciable assets				
Buildings	\$ 18,590,226	\$ 14,030	\$ -	\$ 18,604,256
Utility plants	72,906,851	3,469,491	(131,190)	76,245,152
Machinery, equipment, and others	8,610,127	1,944,934	(85,282)	10,469,779
Total capital assets, being depreciated	100,107,204	5,428,455	(216,472)	105,319,187
Less accumulated depreciation	(67,017,332)	(3,593,587)	207,453	(70,403,466)
	33,089,872	1,834,868	(9,019)	34,915,721
Nondepreciable assets:				
Land	2,776,034	-	-	2,776,034
Construction work-in-progress	528,322	287,009	(549,502)	265,829
	3,304,356	287,009	(549,502)	3,041,863
	<u>\$ 36,394,228</u>	<u>\$ 2,121,877</u>	<u>\$ (558,521)</u>	<u>\$ 37,957,584</u>

(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 at 5% over the TCD rate (effective rate of 5.01% at September 30, 2023) currently expiring in July 2023. The agreement restricts 100% of the LOC and as such the \$370,000 is reflected as a component of restricted cash in the accompanying Component Units Combining Statement of Net Position as of September 30, 2023.

Short-term activity for the year ended September 30, 2023, was as follows:

	Outstanding October 1, 2022	Increases	Decreases	Outstanding September 30, 2023
Notes Payable to:				
BFSM	<u>\$ 283,767</u>	<u>\$ -</u>	<u>\$ (27,696)</u>	<u>\$ 256,071</u>

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2023

(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 FSM National Government, the State is required to deposit into the ERS Trust account held in the name of the State within the FSM National Government investment portfolio, 100% of the outstanding principal balance by September 30, 2002.

Funds for the repayment of the ADB loan are expected to be derived from the annual appropriations for salaries and wages earmarked for the positions abolished under the Early Retirement Scheme. The Financing Agreement requires the State to continue to appropriate salaries for the abolished positions and deposit the 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, \$4,735,538 is deposited in an investment account held jointly with the FSM National Government.

That investment account is restricted for the repayment of this debt. As of September 30, 2023, the balance payable on this loan amounted to \$2,284,045.

The State also entered into an agreement with the FSM National Government to borrow a portion of the proceeds of the FSM National Government Program Loans with the ADB (Loan Number 1873 (SF) and Loan Number 1874 FSM (SF)) for the purpose of promoting private sector development in 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, 2023, the balances payable on these loans amounted to \$61,097 and \$466,700 respectively.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2023

(7) Long-Term Obligations, 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
2024	\$ 232,049	\$ 23,390	\$ 255,439
2025	232,049	21,363	253,412
2026	219,828	19,337	239,165
2027	207,610	17,450	225,060
2028	207,610	15,702	223,312
2029-2033	1,038,049	52,292	1,090,341
2034-2038	674,647	12,655	687,302
	<u>\$2,811,842</u>	<u>\$ 162,189</u>	<u>\$2,974,031</u>

Discretely Presented Component Units:

Pohnpei Utilities Corporation (PUC)

Long-term debt consists of the following at September 30, 2023:

Payable on ADB loan no. 1459, administered by FSMNG. Repayments as allocated by FSMNG indicate annual payments of principal and interest of \$95,315 through FY2017 and \$98,297 for FY 2018 through FY2036, plus interest at 1.0%.

\$ 1,189,803

Payable on ADB loan no. 2099, administered by FSMNG. Repayments as allocated by FSMNG indicate annual principal and interest 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.

2,759,907

Payable on ADB loan no. 2100, administered by FSMNG, principal and interest 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, 2023). Proceeds are used for infrastructure projects to overhaul sewage pumps, extend sewage lines, and for treatment plants.

869,002

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Notes to Financial Statements
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(7) Long-Term Obligations, Continued

Pohnpei Utilities Corporation (PUC), continued

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%.

425,203

Loan payable to Bank of Guam (BOG), original amount of \$830,000, interest at 7% 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 has been 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.

413,765

5,657,680

Less: current portion of long-term debt

473,060

Total long-term debt, net of current portion

\$ 5,184,620

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

Year Ending September 30	Principal	Interest	Total
2024	\$ 473,060	\$ 133,582	\$ 606,642
2025	490,216	121,187	611,403
2026	508,793	108,025	616,818
2027	529,694	93,833	623,527
2028	552,207	79,247	631,454
2029-2033	1,929,320	212,761	2,142,081
2034-2038	1,024,296	70,452	1,094,748
2039-2043	141,362	24,087	165,449
2044-2048	<u>8,732</u>	<u>1,005</u>	<u>9,737</u>
	<u><u>\$ 5,657,680</u></u>	<u><u>\$ 844,179</u></u>	<u><u>\$ 6,501,859</u></u>

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Notes to Financial Statements
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(8) Change in Long-term Obligations

Primary Government:

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

	Balance October 1, 2021	Increases	Decreases	SDR	Balance September 30, 2023	Current	Noncurrent
Loans payable:							
ADB loans							
Loan 1520	\$ 2,367,555	\$ -	\$ (154,172)	\$ 70,662	\$ 2,284,045	\$ 163,162	\$ 2,120,883
Loan 1873	88,495	-	(30,989)	3,591	61,097	24,440	36,657
Loan 1874	<u>479,952</u>	<u>-</u>	<u>(20,406)</u>	<u>7,154</u>	<u>466,700</u>	<u>44,448</u>	<u>422,252</u>
	2,936,002	-	(205,567)	81,407	2,811,842	232,050	2,579,792
Other							
Compensated absences	584,983	345,581	(373,276)	-	557,288	557,288	-
Claims and judgements	<u>210,968</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>210,968</u>	<u>-</u>	<u>210,968</u>
	<u>\$ 3,731,953</u>	<u>\$ 345,581</u>	<u>\$ (578,843)</u>	<u>\$ 81,407</u>	<u>\$ 3,580,098</u>	<u>\$ 789,338</u>	<u>\$ 2,790,760</u>

When the ADB extends credit to a particular country, the loan is booked in Special Drawing Rights (SDRs), but the actual loan is delivered in the currency of the borrower, at the current exchange rate between the currency and the SDR. The value of the SDR is subject to periodic review by the International Monetary Fund, which may result in the recognition of a foreign exchange gain or loss. During the year ended September 30, 2023, the State recognized a foreign exchange loss of \$81,407 associated with valuation of the SDR, which is presented as a special item in the accompanying financial statements, and which results in a reduction in ADB loans payable.

Discretely Presented Component Units:

During the year ended September 30, 2023, the following changes occurred in long-term obligations of the discretely presented component units:

	Balance October 1, 2022	Additions	Reductions	Balance September 30, 2023	Due within One Year
Loans payable:					
Pohnpei Utilities Corporation	<u>\$ 6,036,775</u>	<u>\$ 126,247</u>	<u>\$ (505,342)</u>	<u>\$ 5,657,680</u>	<u>\$ 473,060</u>

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Notes to Financial Statements
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(9) Leases

Pohnpei State Government – as 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 current position of management that additional extensions for a term under a year may be negotiated. 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	\$ 80,088
Accumulated amortization	<u>(29,843)</u>
Right to use the leased asset, net	<u>\$ 50,245</u>
Lease liability, current	\$ 32,720
Lease liability, non-current	<u>17,525</u>
Total lease liability	<u>\$ 50,245</u>

Supplemental information related to PSG's lease is as follows:

Remaining lease term	2 years
Discount rate	9.24%

The future lease obligations are as follows:

Years ending September 30:	<u>Payments</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 36,000	\$ 32,720	\$ 3,280
2025	<u>18,000</u>	<u>17,525</u>	<u>475</u>
	<u>\$ 54,000</u>	<u>\$ 50,245</u>	<u>\$ 3,755</u>

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(9) Leases, Continued

Component Unit – as Lessee

Pohnpei Utilities Corporation (PUC) entered into a lease agreement for its Finance Office on April 1, 2019. The lease is for five years with an option to renew for another five years. The lease agreement payments are \$36,000 annually, payable at the beginning of each month for both the initial and extended term if no price is negotiated after the end of the initial term. The discount rate used is 7%, which was the rate for the Bank of Guam loan presented during the year of implementation.

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

Year ending September 30,	<u>Payments</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 36,000	\$ 25,179	\$ 10,821
2025	36,000	26,999	9,001
2026	36,000	28,951	7,049
2027	36,000	31,044	4,956
2028	36,000	33,288	2,712
2029	21,000	20,519	482
Total	<u>\$201,000</u>	<u>\$ 165,980</u>	<u>\$ 35,021</u>

Information related to right-to-use leased assets and lease liabilities for the year then ended September 30, 2023, are as follows:

Right to use the leased asset	\$258,379
Accumulated amortization	<u>(92,399)</u>
Right to use the leased asset, net	<u>\$ 165,980</u>
Lease liability, current	\$ 25,179
Lease liability, non-current	<u>140,801</u>
Total lease liability	<u>\$ 165,980</u>

Supplemental information related to PUC's lease for the year then ended September 30, 2023, are as follows:

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

**STATE OF POHNPEI
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Notes to Financial Statements
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(9) Leases, Continued

Pohnpei State Government – as Lessor

Lease-related amounts, with the exception of short-term leases, are recognized at the inception of leases in which the State is the lessor. The deferred inflow of resources is recorded in the amount equal to the corresponding lease receivable plus certain additional amounts 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 inflow of resources is recognized in a systematic and rational manner over the term of the lease.

The State, as a lessor, entered into land lease agreements with third parties that expire on various dates through 2042. General fund lessor arrangements relate to the leasing of lots that were previously held by now extinguished 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 used for commercial purposes.

A summary of changes in lease receivable for the year ended September 30, 2023, is as follows:

	Beginning	Increases	Decreases	Ending	Current	Noncurrent
PFC & EDA Lot	\$ 2,903,820	\$ 283,088	\$ -	\$ 3,186,908	\$ 80,090	\$ 3,106,818
PPLT	206,300	23,632	(37,506)	\$ 192,426	11,945	180,481
	<u>\$ 3,110,120</u>	<u>\$ 306,720</u>	<u>\$ (37,506)</u>	<u>\$ 3,379,334</u>	<u>\$ 92,035</u>	<u>\$ 3,287,299</u>

Future minimum payments that are included in the measurement of the lease receivable as of September 30, 2023, are as follows:

Year ending September 30,	Principal	Interest	Total
2024	\$ 92,035	\$ 141,426	\$ 233,461
2025	94,598	138,454	233,052
2026	96,690	134,276	230,966
2027	104,921	130,745	235,666
2028	106,597	126,135	232,732
2029 - 2033	577,450	570,713	1,148,163
2034 - 2038	682,861	466,092	1,148,953
2039 - 2043	842,091	292,696	1,134,787
2044 - 2049	782,091	47,901	829,992
Total	<u>\$3,379,334</u>	<u>\$2,048,438</u>	<u>\$5,427,772</u>

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

(9) Leases, Continued

Component Unit – as Lessor

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

A summary changes in PPA's lease receivable for the year ended September 30, 2023, is as follows:

Balance October 1, 2022	<u>Increases</u>	<u>Decreases</u>	Balance September 30, 2023	<u>Current</u>	<u>Noncurrent</u>
\$2,695,763	\$ 61,996	\$ (367,636)	\$2,390,123	\$203,068	\$ 2,187,055

Future minimum payments that are included in the measurement of the PPA's lease receivable as of September 30, 2023, are as follows:

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

(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.

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(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, 2023, the State has significant encumbrances summarized as follows:

General	\$ 745,195
Grants Assistance	10,457,867
Nonmajor	<u>1,592,294</u>
	<u>\$ 12,795,356</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, 2023.

In addition, the State is considered to have responsibility for any questioned costs that may result from Single Audits of subgrantees who have not satisfied the audit requirements of the Uniform Guidance. The ultimate disposition of these questioned costs can be determined only by final action of the respective grantor agencies. Therefore, no provision for any liability that may result upon resolution of this matter has been made in the accompanying financial statements.

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.

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(10) Contingencies and Commitments, 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, 2023, 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, an amendment was made to the original enabling legislation for Pohnpei Utilities Corporation (PUC) establishing a self-insurance fund to defray costs of any unforeseen accidents or disasters. The funds are accumulated in a restricted self-insurance fund, held by a trustee, in the name of PUC. No other insurance is maintained by PUC.

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Notes to Financial Statements
September 30, 2023

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

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 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.

(12) Related Party Transactions

At September 30, 2023, the State has various related party transactions with its component units:

The State has guaranteed certain loan obligations of PUC which are subsidiary loans of the FSMNG payable to the ADB. The loans require annual principal and interest payments through September 30, 2036. As a result of prior default by PUC in remitting loan payments to the FSMNG, the FSMNG has withheld certain revenue shares owed to the State. During the year ended September 30, 2023, the FSMNG withheld revenue share in the amount of \$551,850 associated with this guarantee. The State has not made the determination whether it is more likely than not that the State would be required to pay the remaining portion of PUC's debt service payments based on this guarantee. Accordingly, the State has not recognized a liability for the discounted present value of future outflows expected to be incurred as a result.

PUC has recorded the cumulative amount of reductions made from the State's revenue share as a noninterest bearing advance which at September 30, 2023 totaled \$4,518,625 and is recorded as a liability in the combining statements of net position – component units. The State recorded a receivable due from PUC for this same amount, which is included as a component of general receivables, net in the balance sheet – governmental funds.

PTA has noninterest bearing advances from the State of Pohnpei. The PTA reports an accumulated advance total of \$1,907,059 which is recorded as a liability in the accompanying combining statements of net position – component units. The State has recorded a receivable due from PTA of \$2,081,046, which is included as a component of general receivables, net in the balance sheet – governmental funds. The difference is subject to ongoing discussion and settlement between the State and the PTA.

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Notes to Financial Statements
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(12) Related Party Transactions, Continued

PSHA has recorded \$134,567 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.

A summary of these amounts is as follows:

Component Units:

Due to primary government

PUC payable to primary government for ADB loan deductions	\$ 4,518,625
PTA payable to primary government for operational advances	1,907,059
PSHA payable to primary government for escrow collections	<u>134,567</u>
	<u>\$ 6,560,251</u>

Primary government:

Due from component units

Due from component units, gross	\$ 6,734,238
Less: interfund advance differences	<u>(173,987)</u>
	<u>\$ 6,560,251</u>

PSHA has recorded \$57,866 as 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.

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Notes to Financial Statements
September 30, 2023

(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
Non-Spendable:					
General Government	\$ 1,240,446	\$ -	\$ -	\$ -	\$ 1,240,446
Economic Development	-	-	-	24,463	24,463
Pacific Islands Development Bank	1,300,000	-	-	-	1,300,000
Bank of the FSM	1,328,031	-	-	-	1,328,031
Permanent Fund Principal	-	-	23,080,595	-	23,080,595
CFC Equity Shares	<u>15,361,640</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,361,640</u>
	<u>19,230,117</u>	<u>-</u>	<u>23,080,595</u>	<u>24,463</u>	<u>42,335,175</u>
Restricted for:					
General Government	5,633,992	(29,072)	-	-	5,604,920
Debt Service	4,735,538	-	-	-	4,735,538
USDA Development Loans	82,980	-	-	-	82,980
Capital projects	-	(269,453)	-	-	(269,453)
Health Services	<u>2,331,905</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,331,905</u>
	<u>12,784,415</u>	<u>(298,525)</u>	<u>-</u>	<u>-</u>	<u>12,485,890</u>
Committed:					
General Government	414,074	-	-	2,711,851	3,125,925
Economic Development	-	-	-	974,487	974,487
Health Services	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,630,666</u>	<u>3,630,666</u>
	<u>414,074</u>	<u>-</u>	<u>-</u>	<u>7,317,004</u>	<u>7,731,078</u>
Assigned	745,195	-	-	-	745,195
Unassigned	<u>2,534,173</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,534,173</u>
	<u>\$ 35,707,974</u>	<u>\$ (298,525)</u>	<u>\$ 23,080,595</u>	<u>\$ 7,341,467</u>	<u>\$ 65,831,511</u>

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Notes to Financial Statements
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(14) Budgetary Compliance

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

General Government	\$ 2,110,542
Land and Natural Resources	22,718
Public Safety	62,640
Resource and Development	37,886
Boards, Commissions and Others	88,099
Local revenue share to municipal governments	<u>80,914</u>
	<u>\$ 2,402,799</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 \$2,198,081 for the primary government and \$927,459 for the State's component units. The restatement is comprised of the following:

Primary government:

The opening balance of General Fund net position was restated in the amount of \$1,875,455 to correct prior period taxes receivable, year-end accrual accounts, and revenue sharing. The opening balance of Grants Assistance Fund net position was restated in the net amount of \$345,964 to correct understatements in due from FSMNG of \$1,315,758, unearned revenue of \$405,187, and overstatements of prior year compact fund balances totaling \$1,256,535. For the Government wide financial statements, the opening balance of Government wide net position was restated in the amount of \$23,338. A review of prior period accounting records revealed that accumulated depreciation, depreciation expense, and capital outlays were overstated. Accumulated depreciation and depreciation expense are reduced by \$26,699. Capital outlays are reduced by \$3,361.

Discretely presented component units:

During the year ended September 30, 2023, PUC recorded a prior period adjustment to properly reflect the acquisition of two donated generators, related capital improvements and prior period depreciation. These adjustments were made to comply with GASB Statement No. 33 Accounting and Financial Reporting for Nonexchange Transactions, and to ensure the accurate recognition of donated assets and to adjust for their cumulative effects in the financial statements.

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Notes to Financial Statements
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(15) Restatement, Continued

Discretely presented component units, continued:

The key components of the prior period adjustments are as follows:

A prior period adjustment was made to recognize the receipt of two donated generators to FY16 with an estimated historical cost of \$1,390,000. The estimate was based on the purchase price of similar generators purchased in 2016. Additionally, capitalized improvements related to these generators totaling \$86,264 were also recognized. The adjustment resulted in the following restatements. A prior period adjustment was made to FY22 to recognize capitalized engine repairs and maintenance on one of the donated generators totaling \$217,595. The total increase in the opening balances of electric plant in service as a result of the restatement was \$1,693,859.

PUC recorded prior period depreciation for the donated generators and their related capital improvements. These depreciation adjustments reflect the period during which the generators were in service but had not been previously recorded in the financial statements. Depreciation was calculated from the date of acquisition in FY16 through the end of FY22 in accordance with PUC's established depreciation policy. The adjustments resulted in a decrease in net position and a corresponding increase in accumulated depreciation totaling \$462,541.

The changes for the year ended September 30, 2022, are as follows:

	As Previously Reported	Adjustments	As Restated
Restatements due to the correction of an accounting error:			
<u>Primary Government</u>			
Statement of net position			
Receivables taxes, net	\$ 3,119,753	\$(1,875,455)	\$ 1,244,298
Due from FSM National Government	\$ 5,168,313	\$ 1,315,758	\$ 6,484,071
Unearned revenues	\$ (796,925)	\$ (405,187)	\$ (1,202,112)
Capital assets	\$ 19,098,697	\$ (3,361)	\$ 19,095,336
Accumulated Depreciation	\$(87,881,964)	\$ 26,699	\$(87,855,265)
Change in total assets and liabilities	\$ 91,789,865	\$ (941,546)	\$ 90,848,319
Statement of activities			
FSM revenue sharing	\$ 14,889,578	\$(1,875,455)	\$ 13,014,123
Function/Program activities	\$(20,452,349)	\$ 910,571	\$(19,541,778)

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(15) Restatement, Continued

	As Previously Reported	Adjustments	As Restated
<u>Primary Government, continued</u>			
Statement of activities, continued			
Depreciation and amortization	\$ (2,084,788)	\$ 26,699	\$ (2,058,089)
Capital outlays	\$ 598,856	\$ (3,361)	\$ 595,495
Change in net position	\$ (3,403,411)	\$ (941,546)	\$ (4,344,957)
Prior period adjustment	\$ 16,773,821	\$ (1,256,535)	\$ 15,517,286
Net position at beginning of year, restated	\$ 84,673,141	\$ (1,256,535)	\$ 83,416,606
Net position at end of year	\$ 81,269,730	\$ (2,198,081)	\$ 79,071,649
<u>Component units</u>			
Statement of net position			
Prepayments	\$ 708,649	\$ (110,386)	\$ 598,263
Electric plant in service	\$ 39,515,571	\$ 1,693,859	\$ 41,209,430
Construction work-in-process	\$ 614,586	\$ (86,264)	\$ 528,322
Accumulated Depreciation	\$ (44,954,129)	\$ (462,541)	\$ (45,416,670)
Accounts payable - Operations	\$ (356,459)	\$ (107,209)	\$ (463,668)
Change in total liabilities	\$ (13,003,368)	\$ (107,209)	\$ (13,110,577)
Change in total assets and net position	\$ 36,226,925	\$ 1,034,668	\$ 37,261,593
Statement of activities			
Depreciation	\$ 1,933,475	\$ 75,022	\$ 2,008,497
Change in net position	\$ (564,516)	\$ (75,022)	\$ (639,538)
Net position at beginning of year	\$ 23,788,073	\$ 1,002,481	\$ 24,790,554
Net position at end of year	\$ 23,223,557	\$ 927,459	\$ 24,151,016
Change in net position (Primary government)	\$ 81,269,730	\$ (2,198,081)	\$ 79,071,649
Change in net position (Component units)	\$ 42,453,728	\$ 927,459	\$ 43,381,187

(16) Date of Management's Review

In preparing the accompanying financial statements and these footnotes, management has evaluated subsequent events through November 6, 2025, which is the date of the financial statements were available to be issued. There were no such other events requiring disclosure.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

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

YEAR ENDED SEPTEMBER 30, 2023

STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA

Schedule of Revenues, Expenditures by Function and Changes in Fund Balance
Budget and Actual - General Fund
Year Ended September 30, 2023

	Budgetary Amounts		Actual- Budgetary Basis	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
FSM revenue sharing	\$ 9,119,708	\$ 9,119,708	\$ 14,351,080	\$ 5,231,372
State taxes	4,782,877	4,782,877	4,436,120	(346,757)
Fees and charges	664,320	664,320	314,551	(349,769)
Lease revenue	-	-	130,621	130,621
Lease interest revenue	-	-	103,305	103,305
Net change in the fair value of investments	-	-	866,385	866,385
Other	-	-	(251,938)	(251,938)
Total revenues	<u>14,566,905</u>	<u>14,566,905</u>	<u>19,950,124</u>	<u>5,383,219</u>
Expenditures:				
Current:				
General government	5,334,658	5,334,658	7,139,920	(1,805,262)
Department of Land and Natural Resources	629,135	629,135	635,657	(6,522)
Department of Education	1,861,511	1,861,511	1,616,940	244,571
Department of Health Services	836,097	836,097	715,507	120,590
Department of Public Safety	2,149,598	2,149,598	2,189,097	(39,499)
Office of the Attorney-General	804,634	804,634	567,765	236,869
Department of Public Works	567,772	567,772	559,123	8,649
Department of Resources and Development	978,342	978,342	923,503	54,839
Boards, Commissions and Others	1,831,560	1,831,560	1,907,183	(75,623)
Payments to non-governmental agencies	257,050	257,050	251,113	5,937
Local revenue share payments to municipal governments	4,480,004	4,480,004	4,487,174	(7,170)
Debt service:	-	-	124,160	(124,160)
Total expenditures	<u>19,730,361</u>	<u>19,730,361</u>	<u>21,117,142</u>	<u>(1,386,781)</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(5,163,456)</u>	<u>(5,163,456)</u>	<u>(1,167,018)</u>	<u>6,770,000</u>
Special items:				
Operating transfer-in	-	-	415,662	415,662
Escrow account payments for defaulted FHA Housing Loans	-	-	191,323	191,323
Net change in fund balance	(5,163,456)	(5,163,456)	(560,033)	7,376,985
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	-	-	745,195	745,195
	<u>(5,163,456)</u>	<u>(5,163,456)</u>	<u>185,162</u>	<u>8,122,180</u>
Fund balance at the beginning of the year	11,302,846	10,996,405	37,398,267	26,809,934
Prior period adjustment	-	-	(1,875,455)	(1,875,455)
Fund balance at the beginning of the year, restated	<u>11,302,846</u>	<u>10,996,405</u>	<u>35,522,812</u>	<u>24,934,479</u>
Fund balance at the end of the year	<u>\$ 6,139,390</u>	<u>\$ 5,832,949</u>	<u>\$ 35,707,974</u>	<u>\$ 33,056,659</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, 2023

(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 budgetary basis	\$ 21,117,142
Change in Encumbrances	<u>(745,195)</u>
Expenditures on a GAAP basis	<u>\$ 20,371,947</u>

See Accompanying Independent Auditors' report.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

OTHER SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2023

STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA

Combining Schedule of Expenditures by Account
Governmental Funds
Year Ended September 30, 2023

		Special Revenue	988 Permanent	Other Governmental Funds	Total
	General	Grants Assistance	Compact Trust		
Expenditures:					
Salaries and wages:					
Regular	\$ 5,371,940	\$ 10,929,713	\$ -	\$ 116,267	\$ 16,417,920
Overtime	157,245	292,416	-	-	449,661
Fringe benefits	4,326,642	2,631,557	-	57,625	7,015,824
Travel and transportation	684,151	365,982	-	28,824	1,078,957
Books and instructional materials	-	287,069	-	-	287,069
Communications	156,651	247,007	-	6,902	410,560
Entertainment	250	-	-	-	250
Due, membership, and subscription	19,502	14,302	-	-	33,804
Food stuff	372,238	517,261	-	1,750	891,249
Freight and port charges	7,000	35,148	-	3,818	45,966
Non-capitalized equipment	67,227	272,539	-	2,969	342,735
Capital outlays	245,852	1,366,372	-	24,109	1,636,333
Office supplies and materials	512,591	1,636,918	-	100,311	2,249,820
POL	235,486	271,955	-	11,218	518,659
Printing and reproduction	82,482	68,128	-	11,594	162,204
Rental services	56,243	125,952	-	3,441	185,636
Repairs and maintenance	34,933	22,098	-	11,604	68,635
Utilities	342,175	1,316,523	-	63,935	1,722,633
Miscellaneous goods and services	170,840	110,274	-	670,934	952,048
Subsidies and contributions	187,703	-	-	-	187,703
Medical referrals	-	16,423	-	-	16,423
Medical supplies	-	277,653	-	1,171,042	1,448,695
Contractual services	1,041,828	2,071,635	-	1,098,289	4,211,752
Housing allowance	33,100	223,936	-	-	257,036
Nonpayroll compensation	23,799	1,820	-	-	25,619
Court settlement	25,098	-	-	-	25,098
Scholarships and allowances	-	255,659	-	-	255,659
Insurance	17,039	-	-	-	17,039
Office allowance	290,000	-	-	-	290,000
Meeting allowance	2,310	11,675	-	3,908	17,893
Principal repayments	124,160	-	-	-	124,160
Leased housing, buildings, and land	332	-	-	-	332
Payments to municipalities	3,318,600	-	-	-	3,318,600
Bad debt expense	1,363,323	-	-	-	1,363,323
Bank charges	13,337	(20)	-	-	13,317
Miscellaneous	1,087,870	-	-	-	1,087,870
Total expenditures	\$ 20,371,947	\$ 23,369,995	\$ -	\$ 3,388,540	\$ 47,130,482

See accompanying Independent Auditors' Report.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Statements of Revenues, Expenditures by Function and Changes in Fund Balance
General Fund
Year Ended September 30, 2023
(with comparative totals for the year ended September 30, 2022)

Revenues:	2023	2022
FSM revenue sharing:		
Gross revenue sharing	\$ 3,333,621	\$ 2,829,089
Import taxes	4,016,327	4,723,385
Income taxes	3,353,132	2,892,601
20% bgrt and income	611,322	4,178,070
Fishing fees	2,790,270	-
Other taxes	246,408	266,433
	<u>14,351,080</u>	<u>14,889,578</u>
State taxes:		
Sales tax	4,294,348	4,414,159
Hotel tax	141,772	41,986
	<u>4,436,120</u>	<u>4,456,145</u>
Fees and charges:		
License fees	314,551	301,486
Lease revenue	130,621	115,660
Lease interest revenue	103,305	103,462
Net change in the fair value of investments	866,385	(389,677)
Other revenues	(251,938)	142,239
Total revenues	<u>19,950,124</u>	<u>19,618,893</u>
Expenditures:		
Current:		
General government:		
Governor and staff	543,269	366,798
Department of Treasury and Administration	2,663,486	1,542,321
Office of Pohnpei Public Auditor	273,460	288,858
Judiciary Branch	861,350	872,375
Legislative Branch	2,419,119	2,042,180
	<u>6,760,684</u>	<u>5,112,532</u>
Department of Land and Natural Resources:		
Office of the Director	176,191	211,253
Division of Surveying and Mapping	288,998	276,787
Division of Historic Preservation	65,675	66,214
Division of Parks and Recreation	90,944	96,385
	<u>621,808</u>	<u>650,639</u>
Department of Education:		
Division of Primary and Secondary Education	<u>1,602,585</u>	<u>1,381,425</u>
Department of Health:		
Medical Services	589,762	433,264
Office of Social Affairs	118,007	106,946
	<u>707,769</u>	<u>540,210</u>

See accompanying Independent Auditors' Report.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Statements of Revenues, Expenditures by Function and Changes in Fund Balance, Continued
General Fund
Year Ended September 30, 2023
(with comparative totals for the year ended September 30, 2022)

Expenditures, continued:	2023	2022
Department of Public Safety:		
Office of the Director	155,699	166,408
Fish and Wildlife	177,390	114,713
Police Commission	17,583	23,065
Division of Fire and Emergency	389,604	315,707
Division of Police and Security	1,007,558	954,324
Division of Correction and Rehabilitation	363,297	315,372
	<u>2,111,131</u>	<u>1,889,589</u>
Office of the Attorney General	<u>559,197</u>	<u>477,293</u>
Public Works	<u>479,421</u>	<u>420,952</u>
Department of Resources and Development:		
Office of the Director	319,849	119,829
Division of Agriculture	164,366	176,771
Division of Natural Resources	115,588	128,615
Division of Tourism	159,978	115,887
Division of Commerce and Industry	47,689	48,795
	<u>807,470</u>	<u>589,897</u>
Boards, Commissions and Others:		
Election Commissioner's Office	272,069	156,883
Pohnpei Public Broadcasting Corporation	196,439	205,737
Public Land Board	534	1,960
Pohnpei Housing Authority	202,673	154,711
Sports and Recreation	449,781	135,902
Office of Fisheries and Aquaculture	332,506	273,659
Environmental Protection Agency	401,565	348,459
Pohnpei Transportation Authority	8,240	140
	<u>1,863,807</u>	<u>1,277,451</u>
Payments to non-governmental agencies:		
Small Business Guarantee and Finance Corporation	93,090	107,000
Micronesian Legal Services Corporation	60,000	60,000
U.S.D.A. Rural Development	93,651	73,893
	<u>246,741</u>	<u>240,893</u>
Local revenue share payments to municipal governments	<u>4,487,174</u>	<u>5,259,835</u>
Debt service:		
Principal payment	124,160	481,749
Debt interest payments	-	7,121
	<u>124,160</u>	<u>488,870</u>
Total expenditures	<u>20,371,947</u>	<u>18,329,586</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(421,823)</u>	<u>1,289,307</u>

See accompanying Independent Auditors' Report.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Statements of Revenues, Expenditures by Function and Changes in Fund Balance, Continued
General Fund

Year Ended September 30, 2023

(with comparative totals for the year ended September 30, 2022)

	<u>2023</u>	<u>2022</u>
Special items:		
Escrow account payments for defaulted FHA Housing Loans	191,323	94,986
Operating transfer-in	415,662	80,088
Operating transfer-out	<u>-</u>	<u>(80,088)</u>
Net change in fund balance	185,162	1,384,293
Fund balance at the beginning of the year	37,398,267	19,369,993
Prior period adjustment	<u>(1,875,455)</u>	<u>16,643,981</u>
Fund balance at the beginning of the year, restated	35,522,812	36,013,974
Fund balance at the end of the year	<u><u>\$ 35,707,974</u></u>	<u><u>\$ 37,398,267</u></u>

See accompanying Independent Auditors' Report.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Schedule of Revenues, Expenditures by Function and Changes in Fund Balance
Budget and Actual - General Fund
Year Ended September 30, 2023

	Budgetary Amounts		Actual-	Variance with
	Original	Final	Budgetary Basis	Final Budget- Positive (Negative)
Revenues:				
FSM revenue sharing	\$ 9,119,708	\$ 9,119,708	\$ 14,351,080	\$ 5,231,372
State taxes:				
Sales tax	4,679,279	4,679,279	4,294,348	(384,931)
Hotel tax	103,598	103,598	141,772	38,174
	<u>4,782,877</u>	<u>4,782,877</u>	<u>4,436,120</u>	<u>(346,757)</u>
Fees and charges:				
License fees	664,659	664,659	314,551	(350,108)
Lease revenue	-	-	130,621	130,621
Lease interest revenue	-	-	103,305	103,305
Net change in the fair value of investments	-	-	866,385	866,385
Other	-	-	(251,938)	(251,938)
Total revenues	<u>14,567,244</u>	<u>14,567,244</u>	<u>19,950,124</u>	<u>5,382,880</u>
Expenditures:				
Current:				
General government:				
Governor and staff	819,270	819,270	643,899	175,371
Department of Treasury and Administration	803,114	803,114	2,690,024	(1,886,910)
Office of the Pohnpei Auditor	358,501	358,501	279,626	78,875
Judiciary Branch	949,194	949,194	898,160	51,034
Legislative Branch	2,404,579	2,404,579	2,628,211	(223,632)
	<u>5,334,658</u>	<u>5,334,658</u>	<u>7,139,920</u>	<u>(1,805,262)</u>
Department of Land and Natural Resources:				
Office of the Director	164,734	164,734	185,895	(21,161)
Division of Survey and Mapping	297,803	297,803	289,185	8,618
Division of Forestry and Marine Conservation	-	-	1,465	(1,465)
Division of Historic Preservation	73,476	73,476	65,898	7,578
Division of Parks and Recreation	93,122	93,122	93,214	(92)
	<u>629,135</u>	<u>629,135</u>	<u>635,657</u>	<u>(6,522)</u>
Department of Education:				
Divisions of Primary and Secondary Education	1,861,511	1,861,511	1,616,940	244,571
Department of Health Services:				
Division of Medical Services	703,737	703,737	591,577	112,160
Division of Social Service	132,360	132,360	123,930	8,430
	<u>836,097</u>	<u>836,097</u>	<u>715,507</u>	<u>120,590</u>
Department of Public Safety:				
Office of the Director	198,783	198,783	208,276	(9,493)
Fish and Wildlife	179,133	179,133	188,083	(8,950)
Police Commission	26,491	26,491	17,583	8,908
Division of Fire and Emergency	373,837	373,837	395,048	(21,211)
Division of Police and Security	1,028,968	1,028,968	1,014,735	14,233
Division of Correction and Rehabilitation	342,386	342,386	365,372	(22,986)
	<u>2,149,598</u>	<u>2,149,598</u>	<u>2,189,097</u>	<u>(39,499)</u>
Office of the Attorney-General	804,634	804,634	567,765	236,869
Department of Public Works:				
Office of transportation and infrastructure	567,772	567,772	559,123	8,649

See accompanying Independent Auditors' Report.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Schedule of Revenues, Expenditures by Function and Changes in Fund Balance, Continued
Budget and Actual - General Fund
Year Ended September 30, 2023

	Budgetary Amounts		Actual-	Variance with
	Original	Final	Budgetary Basis	Final Budget- Positive (Negative)
Expenditures, continued:				
Department of Resources and Development:				
Office of the Director	339,364	339,364	366,691	(27,327)
Division of Agriculture	189,961	189,961	198,389	(8,428)
Division of Natural Resources	163,008	163,008	126,221	36,787
Economic Affairs Office	-	-	2,131	(2,131)
Division of Tourism	209,094	209,094	174,599	34,495
Division of Commerce and Industry	76,915	76,915	55,472	21,443
	<u>978,342</u>	<u>978,342</u>	<u>923,503</u>	<u>54,839</u>
Boards, Commissions and Others:				
Election Commissioner's Office	262,267	262,267	274,885	(12,618)
Foreign Investment Board	-	-	2,186	(2,186)
Pohnpei Public Broadcasting Corporation	197,125	197,125	198,208	(1,083)
Public Land Board	-	-	792	(792)
Pohnpei Housing Authority	172,298	172,298	205,149	(32,851)
Sports and Recreation	472,647	472,647	460,171	12,476
Office of Fisheries and Aquaculture	340,064	340,064	352,196	(12,132)
Micronesian Games	-	-	1,995	(1,995)
Environmental Protection Agency	387,159	387,159	403,361	(16,202)
Pohnpei Transportation Authority	-	-	8,240	(8,240)
	<u>1,831,560</u>	<u>1,831,560</u>	<u>1,907,183</u>	<u>(75,623)</u>
Payments to non-governmental agencies:				
Small Business Guarantee and Finance Corporation	93,090	93,090	93,090	-
Micronesian Legal Services Corporation	60,000	60,000	60,000	-
U.S.D.A. Rural Development	103,960	103,960	98,023	5,937
	<u>257,050</u>	<u>257,050</u>	<u>251,113</u>	<u>5,937</u>
Local revenue share payments to municipal governments	<u>4,480,004</u>	<u>4,480,004</u>	<u>4,487,174</u>	<u>(7,170)</u>
Debt service:				
Principal repayment	-	-	124,160	(124,160)
	-	-	124,160	(124,160)
Total expenditures	<u>19,730,361</u>	<u>19,730,361</u>	<u>21,117,142</u>	<u>(1,386,781)</u>
Excess (deficiency) of revenue over (under) expenditures:	<u>(5,163,117)</u>	<u>(5,163,117)</u>	<u>(1,167,018)</u>	<u>6,769,661</u>
Special items:				
Operating transfer-in	-	-	415,662	415,662
Escrow account payments for defaulted FHA Housing Loans	-	-	191,323	191,323
Net change in fund balance	<u>(5,163,117)</u>	<u>(5,163,117)</u>	<u>(560,033)</u>	<u>7,376,646</u>
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	-	-	745,195	745,195
	<u>(5,163,117)</u>	<u>(5,163,117)</u>	<u>185,162</u>	<u>8,121,841</u>
Fund balance at the beginning of the year	11,302,846	10,996,405	37,398,267	26,401,862
Prior period adjustment	-	-	(1,875,455)	(1,875,455)
Fund balance at the beginning of the year, restated	<u>11,302,846</u>	<u>10,996,405</u>	<u>35,522,812</u>	<u>24,526,407</u>
Fund balance at the end of the year	<u>\$ 6,139,729</u>	<u>\$ 5,833,288</u>	<u>\$ 35,707,974</u>	<u>\$ 32,648,248</u>

See accompanying Independent Auditors' Report.

STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA

NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS

Combining Balance Sheet
September 30, 2023

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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 43,813	\$ -	\$ 43,813
Due from other funds	524,855	113,993	253,491	631,009	1,300,145	1,471,876	14,846	2,690,097	159,110	11,369	-	735,890	7,906,681
Advances	-	24,463	-	-	-	8,380	-	-	-	-	-	-	32,843
Lease receivable, net	-	-	-	-	-	-	-	-	-	-	-	11,945	11,945
Other assets	-	-	-	-	-	-	-	-	-	-	-	25,761	25,761
Lease receivable, net of current portion	-	-	-	-	-	-	-	-	-	-	-	180,481	180,481
Total assets	<u>\$ 524,855</u>	<u>\$ 138,456</u>	<u>\$ 253,491</u>	<u>\$ 631,009</u>	<u>\$ 1,300,145</u>	<u>\$ 1,480,256</u>	<u>\$ 14,846</u>	<u>\$ 2,690,097</u>	<u>\$ 159,110</u>	<u>\$ 11,369</u>	<u>\$ 43,813</u>	<u>\$ 954,077</u>	<u>\$ 8,201,524</u>
<u>Liabilities and Fund Balances</u>													
Liabilities:													
Accounts payable	\$ -	\$ 4,146	\$ 16,233	\$ 3,627	\$ 18,458	\$ 539,687	\$ 1,589	\$ -	\$ 17,270	\$ -	\$ -	\$ 21,424	\$ 622,434
Other liabilities and accruals	-	-	-	-	-	-	-	-	2,863	-	-	2,395	5,258
Due to other funds	-	-	-	-	-	-	-	-	-	-	28,970	-	28,970
Total liabilities	<u>-</u>	<u>4,146</u>	<u>16,233</u>	<u>3,627</u>	<u>18,458</u>	<u>539,687</u>	<u>1,589</u>	<u>-</u>	<u>20,133</u>	<u>-</u>	<u>28,970</u>	<u>23,819</u>	<u>656,662</u>
Deferred inflows of resources from leases	-	-	-	-	-	-	-	-	-	-	-	203,395	203,395
Fund balances:													
Non-spendable	-	24,463	-	-	-	-	-	-	-	-	-	-	24,463
Committed	524,855	109,847	237,258	627,382	1,281,687	940,569	13,257	2,690,097	138,977	11,369	14,843	726,863	7,317,004
Unassigned	-	-	-	-	-	-	-	-	-	-	-	-	-
Total fund balances	<u>524,855</u>	<u>134,310</u>	<u>237,258</u>	<u>627,382</u>	<u>1,281,687</u>	<u>940,569</u>	<u>13,257</u>	<u>2,690,097</u>	<u>138,977</u>	<u>11,369</u>	<u>14,843</u>	<u>726,863</u>	<u>7,341,467</u>
Total liabilities and fund balances	<u>\$ 524,855</u>	<u>\$ 138,456</u>	<u>\$ 253,491</u>	<u>\$ 631,009</u>	<u>\$ 1,300,145</u>	<u>\$ 1,480,256</u>	<u>\$ 14,846</u>	<u>\$ 2,690,097</u>	<u>\$ 159,110</u>	<u>\$ 11,369</u>	<u>\$ 43,813</u>	<u>\$ 954,077</u>	<u>\$ 8,201,524</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
September 30, 2023

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	\$ -	\$ -	\$ -	\$ -	\$ 556,683	\$ -	\$ -	\$ 376,658	\$ -	\$ -	\$ -	\$ -	\$ 933,341
Fees and charges	44,600	55,274	207,248	638,186	138,853	819,935	19,342	-	125,576	-	10,246	87,371	2,146,631
Lease revenue	-	-	-	-	-	-	-	-	-	-	-	42,501	42,501
Lease interest revenue	-	-	-	-	-	-	-	-	-	-	-	51,725	51,725
Total revenues	<u>44,600</u>	<u>55,274</u>	<u>207,248</u>	<u>638,186</u>	<u>695,536</u>	<u>819,935</u>	<u>19,342</u>	<u>376,658</u>	<u>125,576</u>	<u>-</u>	<u>10,246</u>	<u>181,597</u>	<u>3,174,198</u>
Expenditures:													
Current:													
General government	-	10,943	55,617	734,335	993,630	-	15,388	-	144,749	-	7,805	232,806	2,195,273
Health services	-	-	-	-	-	1,175,267	-	18,000	-	-	-	-	1,193,267
Total expenditures	<u>-</u>	<u>10,943</u>	<u>55,617</u>	<u>734,335</u>	<u>993,630</u>	<u>1,175,267</u>	<u>15,388</u>	<u>18,000</u>	<u>144,749</u>	<u>-</u>	<u>7,805</u>	<u>232,806</u>	<u>3,388,540</u>
Excess (deficiency) of revenues over (under) expenditures	<u>44,600</u>	<u>44,331</u>	<u>151,631</u>	<u>(96,149)</u>	<u>(298,094)</u>	<u>(355,332)</u>	<u>3,954</u>	<u>358,658</u>	<u>(19,173)</u>	<u>-</u>	<u>2,441</u>	<u>(51,209)</u>	<u>(214,342)</u>
Net change in fund balances (deficit)	44,600	44,331	151,631	(96,149)	(298,094)	(355,332)	3,954	358,658	(19,173)	-	2,441	(51,209)	(214,342)
Fund balances at the beginning of the year	480,255	89,979	85,627	723,531	1,579,781	1,295,901	9,303	2,331,439	158,150	11,369	12,402	778,072	7,555,809
Fund balances at the end of the year	<u>\$ 524,855</u>	<u>\$ 134,310</u>	<u>\$ 237,258</u>	<u>\$ 627,382</u>	<u>\$ 1,281,687</u>	<u>\$ 940,569</u>	<u>\$ 13,257</u>	<u>\$ 2,690,097</u>	<u>\$ 138,977</u>	<u>\$ 11,369</u>	<u>\$ 14,843</u>	<u>\$ 726,863</u>	<u>\$ 7,341,467</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
September 30, 2023

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	\$ -	\$ -	\$ -	\$ -	\$ 556,683	\$ -	\$ -	\$ 376,658	\$ -	\$ -	\$ -	\$ -	\$ 933,341
Fees and charges	44,600	55,274	207,248	638,186	138,853	819,935	19,342	-	125,576	-	10,246	87,371	2,146,631
Lease revenue	-	-	-	-	-	-	-	-	-	-	-	42,501	42,501
Lease interest revenue	-	-	-	-	-	-	-	-	-	-	-	51,725	51,725
Total revenues	<u>44,600</u>	<u>55,274</u>	<u>207,248</u>	<u>638,186</u>	<u>695,536</u>	<u>819,935</u>	<u>19,342</u>	<u>376,658</u>	<u>125,576</u>	<u>-</u>	<u>10,246</u>	<u>181,597</u>	<u>3,174,198</u>
Expenditures:													
Salaries and wages													
Regular	-	-	-	-	-	-	-	-	-	-	-	116,267	116,267
Benefits	-	-	-	-	-	-	-	-	-	-	-	57,625	57,625
Travel	-	-	4,150	-	-	-	-	-	-	-	-	24,674	28,824
Communications	-	-	4,033	30	-	-	300	-	2,539	-	-	-	6,902
Food stuffs	-	-	-	-	-	-	784	-	966	-	-	-	1,750
Freight and port charges	-	432	-	3,311	-	-	-	-	75	-	-	-	3,818
Non-capitalized equipment	-	-	-	-	-	-	-	-	1,489	-	-	1,480	2,969
Capital outlay	-	-	3,255	9,010	-	-	-	-	-	-	-	11,844	24,109
Office supplies and materials	-	3,416	5,158	15,426	-	4,000	325	-	57,446	-	-	14,540	100,311
POL	-	-	4,919	4,500	-	-	1,799	-	-	-	-	-	11,218
Printing and reproduction	-	-	-	-	-	-	-	-	9,479	-	-	2,115	11,594
Rental	-	-	200	2,544	-	-	-	-	697	-	-	-	3,441
Repairs and maintenance	-	7,095	-	1,992	-	-	-	-	2,114	-	-	403	11,604
Utilities	-	-	14,907	4,308	-	-	7,200	-	37,520	-	-	-	63,935
Miscellaneous goods and services	-	-	-	630,530	-	225	-	-	32,424	-	7,805	(50)	670,934
Medical supplies	-	-	-	-	-	1,171,042	-	-	-	-	-	-	1,171,042
Insurance	-	-	-	-	-	-	-	-	-	-	-	-	-
Contractual services	-	-	18,995	62,684	993,630	-	4,980	18,000	-	-	-	-	1,098,289
Bank charges	-	-	-	-	-	-	-	-	-	-	-	-	-
Court settlements	-	-	-	-	-	-	-	-	-	-	-	-	-
Meeting allowance	-	-	-	-	-	-	-	-	-	-	-	3,908	3,908
Total expenditures	<u>-</u>	<u>10,943</u>	<u>55,617</u>	<u>734,335</u>	<u>993,630</u>	<u>1,175,267</u>	<u>15,388</u>	<u>18,000</u>	<u>144,749</u>	<u>-</u>	<u>7,805</u>	<u>232,806</u>	<u>3,388,540</u>
Excess (deficiency) of revenues over (under) expenditures	<u>44,600</u>	<u>44,331</u>	<u>151,631</u>	<u>(96,149)</u>	<u>(298,094)</u>	<u>(355,332)</u>	<u>3,954</u>	<u>358,658</u>	<u>(19,173)</u>	<u>-</u>	<u>2,441</u>	<u>(51,209)</u>	<u>(214,342)</u>
Net change in fund balances (deficit)	<u>44,600</u>	<u>44,331</u>	<u>151,631</u>	<u>(96,149)</u>	<u>(298,094)</u>	<u>(355,332)</u>	<u>3,954</u>	<u>358,658</u>	<u>(19,173)</u>	<u>-</u>	<u>2,441</u>	<u>(51,209)</u>	<u>(214,342)</u>
Fund balances at the beginning of the year	<u>480,255</u>	<u>89,979</u>	<u>85,627</u>	<u>723,531</u>	<u>1,579,781</u>	<u>1,295,901</u>	<u>9,303</u>	<u>2,331,439</u>	<u>158,150</u>	<u>11,369</u>	<u>12,402</u>	<u>778,072</u>	<u>7,555,809</u>
Fund balances at the end of the year	<u>\$ 524,855</u>	<u>\$ 134,310</u>	<u>\$ 237,258</u>	<u>\$ 627,382</u>	<u>\$ 1,281,687</u>	<u>\$ 940,569</u>	<u>\$ 13,257</u>	<u>\$ 2,690,097</u>	<u>\$ 138,977</u>	<u>\$ 11,369</u>	<u>\$ 14,843</u>	<u>\$ 726,863</u>	<u>\$ 7,341,467</u>

See accompanying Independent Auditors' Report.

STATE OF POHNPEI FEDERATED STATES OF MICRONESIA

GRANTS ASSISTANCE FUNDS

Combining Balance Sheet
September 30, 2023

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
<u>Assets</u>																	
Receivables:																	
Due from FSM National Government	\$ 954,832	\$ -	\$ -	\$ -	\$ 7,971	\$ -	\$ -	\$ -	\$ -	\$ 664,070	\$ -	\$ -	\$ 621,588	\$ -	\$ 11,546	\$ -	\$ 2,260,007
Due from grantor agencies-Direct	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	568	568
Due from other funds	-	3,051,205	38,344	-	2,397	577,610	228,985	268,683	-	-	44,188	35,588	-	15,519	121,586	-	4,384,105
Advances	2,480	3,471	-	-	-	-	-	18,048	-	4,673	-	-	4,877	267,460	-	(22,047)	278,962
Restricted cash	-	7,700	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,700
Total assets	<u>\$ 957,312</u>	<u>\$ 3,062,376</u>	<u>\$ 38,344</u>	<u>\$ -</u>	<u>\$ 10,368</u>	<u>\$ 577,610</u>	<u>\$ 228,985</u>	<u>\$ 286,731</u>	<u>\$ -</u>	<u>\$ 668,743</u>	<u>\$ 44,188</u>	<u>\$ 35,588</u>	<u>\$ 626,465</u>	<u>\$ 282,979</u>	<u>\$ 133,132</u>	<u>\$ (21,479)</u>	<u>\$ 6,931,342</u>
<u>Liabilities and Fund Balances (Deficit)</u>																	
Liabilities																	
Accounts payable	\$ 523,385	\$ 1,087,914	\$ -	\$ -	\$ 3,040	\$ 234,811	\$ 34,602	\$ 34,145	\$ 18,257	\$ 47,310	\$ -	\$ -	\$ 63,924	\$ 134,042	\$ 11,086	\$ 142,618	\$ 2,335,134
Other liabilities and other accruals	314,000	61,411	(7,372)	-	7,328	28,733	9,043	-	-	(1,793)	-	-	77,977	8,462	1,277	(156)	498,910
Unearned revenue	-	1,913,051	45,716	-	-	314,066	185,340	252,586	-	-	-	-	140,475	10,959	-	-	2,862,193
Due to other funds	119,927	-	-	-	-	-	-	-	251,196	623,226	-	-	484,564	-	-	54,717	1,533,630
Total liabilities	<u>957,312</u>	<u>3,062,376</u>	<u>38,344</u>	<u>-</u>	<u>10,368</u>	<u>577,610</u>	<u>228,985</u>	<u>286,731</u>	<u>269,453</u>	<u>668,743</u>	<u>-</u>	<u>-</u>	<u>626,465</u>	<u>282,979</u>	<u>23,322</u>	<u>197,179</u>	<u>7,229,867</u>
Deferred inflows of resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fund Balances:																	
Restricted (deficit)	-	-	-	-	-	-	-	-	(269,453)	-	44,188	35,588	-	-	109,810	(218,658)	(298,525)
Total fund balances (deficit)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(269,453)</u>	<u>-</u>	<u>44,188</u>	<u>35,588</u>	<u>-</u>	<u>-</u>	<u>109,810</u>	<u>(218,658)</u>	<u>(298,525)</u>
Total liabilities and fund balances	<u>\$ 957,312</u>	<u>\$ 3,062,376</u>	<u>\$ 38,344</u>	<u>\$ -</u>	<u>\$ 10,368</u>	<u>\$ 577,610</u>	<u>\$ 228,985</u>	<u>\$ 286,731</u>	<u>\$ -</u>	<u>\$ 668,743</u>	<u>\$ 44,188</u>	<u>\$ 35,588</u>	<u>\$ 626,465</u>	<u>\$ 282,979</u>	<u>\$ 133,132</u>	<u>\$ (21,479)</u>	<u>\$ 6,931,342</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)
September 30, 2023

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	\$ 8,151,983	\$ 6,442,112	\$ -	\$ -	\$ 136,511	\$ 3,312,026	\$ 440,030	\$ -	\$ -	\$ 1,532,681	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,015,343
CFSM grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	288,048	288,048
Federal contribution and other grants	-	-	-	-	-	-	-	-	-	-	-	-	2,014,084	1,303,155	342,731	-	3,659,970
Total revenues	<u>8,151,983</u>	<u>6,442,112</u>	<u>-</u>	<u>-</u>	<u>136,511</u>	<u>3,312,026</u>	<u>440,030</u>	<u>-</u>	<u>-</u>	<u>1,532,681</u>	<u>-</u>	<u>-</u>	<u>2,014,084</u>	<u>1,303,155</u>	<u>342,731</u>	<u>288,048</u>	<u>23,963,361</u>
Expenditures:																	
Current:																	
General government	-	-	-	-	136,440	-	410,233	74,817	-	-	-	-	10,395	29,010	78,749	506,706	1,246,350
Land and natural resources	-	-	-	-	-	-	-	-	-	-	-	-	41,860	52,859	8,200	-	102,919
Education	8,190,020	-	-	-	-	2,952,264	-	-	-	-	-	-	1,091,202	-	-	-	12,233,486
Health services	-	6,465,322	-	-	-	-	-	-	-	-	-	-	870,627	1,221,287	-	-	8,557,236
Capital projects	-	-	-	-	-	-	-	-	240,760	989,244	-	-	-	-	-	-	1,230,004
Total expenditures	<u>8,190,020</u>	<u>6,465,322</u>	<u>-</u>	<u>-</u>	<u>136,440</u>	<u>2,952,264</u>	<u>410,233</u>	<u>74,817</u>	<u>240,760</u>	<u>989,244</u>	<u>-</u>	<u>-</u>	<u>2,014,084</u>	<u>1,303,156</u>	<u>86,949</u>	<u>506,706</u>	<u>23,369,995</u>
Excess (deficit) of revenues over (under) expenditures	<u>(38,037)</u>	<u>(23,210)</u>	<u>-</u>	<u>-</u>	<u>71</u>	<u>359,762</u>	<u>29,797</u>	<u>(74,817)</u>	<u>(240,760)</u>	<u>543,437</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>255,782</u>	<u>(218,658)</u>	<u>593,366</u>
Other financing sources (uses):																	
Operating transfer-in (out)	(963,072)	1,140,472	20,744	(537)	(12,714)	(527,077)	155,542	327,401	-	(556,421)	-	-	-	-	-	-	(415,662)
Net change in fund balance (deficit)	(1,001,109)	1,117,262	20,744	(537)	(12,643)	(167,315)	185,339	252,584	(240,760)	(12,984)	-	-	-	(1)	255,782	(218,658)	177,704
Fund balance (deficit) at the beginning of the year	(2,880)	(47,605)	-	537	1,183	401	1	2	(28,693)	12,984	44,188	35,588	-	1	(145,972)	-	(130,265)
Prior period adjustment	1,003,989	(1,069,657)	(20,744)	-	11,460	166,914	(185,340)	(252,586)	-	-	-	-	-	-	-	-	(345,964)
Fund balances at the beginning of the year, restated	<u>1,001,109</u>	<u>(1,117,262)</u>	<u>(20,744)</u>	<u>537</u>	<u>12,643</u>	<u>167,315</u>	<u>(185,339)</u>	<u>(252,584)</u>	<u>(28,693)</u>	<u>12,984</u>	<u>44,188</u>	<u>35,588</u>	<u>-</u>	<u>1</u>	<u>(145,972)</u>	<u>-</u>	<u>(476,229)</u>
Fund balances (deficit) at the end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (269,453)</u>	<u>\$ -</u>	<u>\$ 44,188</u>	<u>\$ 35,588</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 109,810</u>	<u>\$ (218,658)</u>	<u>\$ (298,525)</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)
September 30, 2023

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	\$ 8,151,983	\$ 6,442,112	\$ -	\$ -	\$ 136,511	\$ 3,312,026	\$ 440,030	\$ -	\$ -	\$ 1,532,681	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,015,343
CFSM grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	288,048	288,048
Federal contribution and other grants	-	-	-	-	-	-	-	-	-	-	-	-	2,014,084	1,303,155	342,731	-	3,659,970
Total revenues	8,151,983	6,442,112	-	-	136,511	3,312,026	440,030	-	-	1,532,681	-	-	2,014,084	1,303,155	342,731	288,048	23,963,361
Expenditures:																	
Salaries and wages																	
Regular	4,734,187	2,819,470	-	-	-	1,130,762	267,469	-	-	389,140	-	-	1,074,391	452,660	31,263	30,371	10,929,713
Overtime	42	198,577	-	-	-	-	10,029	1,137	-	-	-	-	3,609	79,008	-	14	292,416
Fringe benefits	1,068,148	469,668	-	-	-	291,479	54,585	-	-	30,991	-	-	575,355	121,447	7,754	12,130	2,631,557
Travel	34,785	142,347	-	-	9,954	37,166	807	-	-	7,802	-	-	65,872	42,929	4,000	20,320	365,982
Communications	35,414	76,219	-	-	-	86,558	-	-	-	7,778	-	-	13,575	26,543	320	600	247,007
Dues, membership, and subscriptions	3,625	3,050	-	-	-	2,775	3,375	-	-	-	-	-	-	-	-	1,477	14,302
Food stuffs	43,605	172,046	-	-	-	265,896	-	500	-	30	-	-	503	1,660	9,819	23,202	517,261
Freight and port charges	11,963	12,412	-	-	-	322	-	-	-	-	-	-	631	7,159	-	2,661	35,148
Non-capitalized equipment	117,239	51,030	-	-	-	56,369	3,182	-	-	-	-	-	15,346	6,564	-	22,809	272,539
Capital outlay	590,830	383,646	-	-	-	13,395	6,715	-	-	15,641	-	-	1,250	99,118	1,629	254,148	1,366,372
Office supplies and materials	614,345	448,956	-	-	1,930	289,526	58,314	-	-	31,947	-	-	62,995	31,801	10,141	86,963	1,636,918
Books and instructional supplies	184,129	-	-	-	-	99,968	-	-	-	-	-	-	2,972	-	-	-	287,069
POL	132,744	36,800	-	-	-	55,466	107	-	-	4,159	-	-	39,609	2,421	649	-	271,955
Printing and reproduction	618	39,795	-	-	1,707	1,936	900	-	-	6,826	-	-	9,002	-	7,344	-	68,128
Rental	17,080	55,608	-	-	-	3,593	500	-	-	-	-	-	40,044	1,900	3,048	4,179	125,952
Repairs and maintenance	10,449	6,336	-	-	-	1,136	1,661	-	-	910	-	-	1,120	155	-	331	22,098
Utilities	234,614	900,491	-	-	-	56,177	-	-	-	5,010	-	-	42,228	60,571	-	17,432	1,316,523
Medical referral	-	16,423	-	-	-	-	-	-	-	-	-	-	-	-	-	-	16,423
Medical supplies	-	122,996	-	-	-	-	-	-	-	-	-	-	3,510	151,147	-	-	277,653
Contractual services	94,445	298,501	-	-	120,000	552,293	2,251	73,180	240,760	478,122	-	-	15,151	169,163	1,200	26,569	2,071,635
Scholarships and allowances	255,659	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	255,659
Housing allowance	4,400	199,836	-	-	-	-	-	-	-	8,400	-	-	-	-	-	3,500	223,936
Meeting allowance	1,675	6,700	-	-	-	-	-	-	-	-	-	-	3,300	-	-	-	11,675
Non-payroll compensation	-	-	-	-	-	-	-	-	-	-	-	-	1,820	-	-	-	1,820
Miscellaneous goods and services	24	4,435	-	-	2,849	7,447	338	-	-	2,488	-	-	41,801	41,110	9,782	-	110,274
Bank charges	-	(20)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(20)
Total expenditures	8,190,020	6,465,322	-	-	136,440	2,952,264	410,233	74,817	240,760	989,244	-	-	2,014,084	1,303,156	86,949	506,706	23,369,995
Excess (deficiency) of revenues over (under) exp	(38,037)	(23,210)	-	-	71	359,762	29,797	(74,817)	(240,760)	543,437	-	-	-	(1)	255,782	(218,658)	593,366
Other financing sources (uses):																	
Operating transfer-in (out)	(963,072)	1,140,472	20,744	(537)	(12,714)	(527,077)	155,542	327,401	-	(556,421)	-	-	-	-	-	-	(415,662)
Net change in fund balances (deficit)	(1,001,109)	1,117,262	20,744	(537)	(12,643)	(167,315)	185,339	252,584	(240,760)	(12,984)	-	-	-	(1)	255,782	(218,658)	177,704
Fund balance (deficit) at the beginning of the year	(2,880)	(47,605)	-	537	1,183	401	1	2	(28,693)	12,984	44,188	35,588	-	1	(145,972)	-	(130,265)
Prior period adjustment	1,003,989	(1,069,657)	(20,744)	-	11,460	166,914	(185,340)	(252,586)	-	-	-	-	-	-	-	-	(345,964)
Fund balances at the beginning of the year, restated	1,001,109	(1,117,262)	(20,744)	537	12,643	167,315	(185,339)	(252,584)	(28,693)	12,984	44,188	35,588	-	1	(145,972)	-	(476,229)
Fund balances (deficit) at the end of the year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (269,453)	\$ -	\$ 44,188	\$ 35,588	\$ -	\$ -	\$ 109,810	\$ (218,658)	\$ (298,525)

See accompanying Independent Auditors' Report.