Chuuk State Health Care Plan

(A Component Unit of the State of Chuuk)

Financial Statements, Required Supplementary Information and Compliance and Internal Control With Report of Independent Auditors

September 30, 2024

Hiromi Shinoda
CERTIFIED PUBLIC ACCOUNTANT

Chuuk State Health Care Plan
(A Component Unit of the State of Chuuk)

Financial Statements and Required Supplementary Information
Year ended September 30, 2024

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Report of Independent Auditors

The Board of Trustees
Chuuk State Health Care Plan

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of Chuuk State Health Care Plan (the Plan), which comprise the statement of net position as of September 30, 2024 and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements (collectively referred to as the "financial statements").

We do not express an opinion on the accompanying financial statements of the Plan. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

The Plan did not perform reconciliations or maintain subsidiary ledgers for a substantial portion of the account balances reported in its September 30, 2024 statement of net position. As of the date of our audit report, management was still in the process of performing such procedures to determine the adjustments necessary to correct the financial statements as of and for the year ended September 30, 2024. We were unable to confirm or verify the recorded balances in the financial statements through alternative audit procedures. Consequently, we were unable to determine the extent of adjustments required for recorded or unrecorded balances in the financial statements.

Other Matters

The financial statements of the Plan for the year ended September 30, 2023 were audited by another auditor who expressed an unmodified opinion on those financial statements on May 15, 2025.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the Plan's financial statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 26, 2026, on our consideration of the Plan'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 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 Plan’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 Plan’s internal control over financial reporting and compliance.

Shinoda CPA

Pohnpei, FSM
June 26, 2026

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The following Management's Discussion and Analysis of the Chuuk State Health Care Plan's (the Plan) activities and financial performance provides the reader with an introduction and overview to the financial statements as of and for the fiscal year ended September 30, 2024.

The U.S. Government Accounting Standards Board (GASB) Statement 34 requires that financial statements must contain a management's discussion and analysis. This section of the Plan's annual report presents management's discussion of the Plan's performance for years ended September 30, 2024 and 2023. It should be read in conjunction with the financial statements that follow this section.

This analysis, prepared by the management of the Chuuk State Health Care Plan (the "Plan"), offers readers a narrative overview of the activities of the Plan for the fiscal year (FY) ended September 30, 2024. We encourage readers to consider this information in conjunction with the Plan's financial statements, which follow. FY 2024 and 2023 comparative information has been included, where appropriate. This information is required by the Governmental Accounting Standards Board (GASB), which provides guidelines on what must be included and excluded from the analysis.

There are three financial statements presented: the Statements of Net Position; the Statements of Revenues, Expenses, and Changes in Net Position; and the Statements of Cash Flows.

FINANCIAL HIGHLIGHTS

- For the FYE September 30, 2024, the Plan's net position increased by $0.176 million, from $3.766 million in the prior year to $3.942 million. Due to increase of premium collection and investment income our net position increased this year.
- During FY 2024, the Plan had premium revenues of $1.896 million compared to $1.746 million in FY 2023. The $0.150 million increase (or 8%) was the result of premium collection from the public and private sectors. Medical claim expenses of $1.728 million in FY24 increased by $0.046 million (or 3%) from $1.682 million in the prior year. The increase in medical expenses was due to the increase of patients.
- In FY 2024, the Plan had a net income of $0.176 million compared with the net loss of $0.202 million in FY 2023. The Plan had a higher medical expense in FY 2024 compared to FY 2023.

STATEMENT OF NET POSITION

The Statement of Net Position presents the assets, liabilities and net position of the Plan as of the fiscal year end and represents a "snapshot" financial statement. The Statement of Net Position presents end-of-year data concerning assets (current and non-current), liabilities (current), and net position (assets minus liabilities). The difference between assets and liabilities will be discussed in the footnotes to the financial statements.

From the data presented, readers of the Statement of Net Position are able to determine the available assets to continue the operations of the Plan. They are also able to determine how much the Plan owes vendors and others. Finally, the Statement of Net Position provides a picture of the net position (assets minus liabilities) available for future expenses by the Plan.

Net position is divided into two major categories. The first category, net investment in capital assets, provides the institution's equity in property, plant and equipment owned by the Plan. The next net position category is restricted net position, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted net position is only available for investment purposes; the Plan has no nonexpendable restricted net position. Expendable restricted net position is available for expenditures by the Plan but must be spent for purposes determined by donors and/or external entities that have a place, time or purpose restrictions on the use of the assets. All Plan assets that are not otherwise invested in capital assets are restricted by law to be used for health care services.

SUMMARY STATEMENT OF NET POSITION

(In '000's)

	2024	2023
Assets:		
Current and other assets	3,929	3,769
Capital assets, net	63	63
Total assets	**3,992**	**3,832**
Liabilities:		
Current liabilities	50	66
Total liabilities	**50**	**66**
Net position:		
Net investment in capital assets	63	63
Restricted	3,879	3,703
Total net position	**3,942**	**3,766**
Total liabilities and net position	**3,992**	**3,832**

The total assets at the end of fiscal year 2024 of $3.992 million exceeds the total liabilities of $0.050 million, resulting in net position of $3.942 million. Of the total assets, $3.405 million are held in cash, cash equivalents or short-term investments. Another $0.519 million are in the form of accounts receivable. This contrasts to fiscal year 2023 when $3.832 million of the total assets were held in cash, cash equivalents or short-term investments and accounts receivables were $0.279 million. Liabilities of $0.050 million in fiscal year 2024 compare with the $0.066 million in fiscal year 2023; decreased by $0.016 million (or 24%).

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Changes in total net position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present the revenues received by the Plan, both operating and non-operating, and the expenses paid by the Plan, operating and non-operating.

Generally speaking, operating revenues are received from income provided by collecting health care premiums from Plan members. Other non-operating revenues are for interest income earned from short-term investments of the Plan assets. Operating expenses can be classified into two types: (i) medical service expenditures provided to eligible enrollees by accredited health care providers, and (ii) other operating expenses necessary to administer the Plan.

SUMMARY STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

(In '000's)

	2024	2023
Revenues:		
Premiums	1,896	1,745
Other revenues	183	15
Provisions for premium losses	0	0
Claims expenses	(1,728)	(1,681)
Total net revenues	**351**	**79**
Expenses:		
Other operating expenses	358	404
Operating earnings	**(7)**	**(325)**
Non-operating revenues:		
Net investment income (loss)	163	103
Other income	20	20
Earnings before capital contributions	**176**	**(202)**
Capital contribution from FSM National Government	0	0
Change in net position	**176**	**(202)**
Net position at beginning of the year	3,766	3,968
Net position at end of the year	**3,942**	**3,766**

In fiscal year 2024, the Plan showed a positive net position in the aspects of its financial operations. The Statement of Revenues, Expenses, and Changes in Net Position reflects $3.942 million in net position, with an overall $0.176 million increase (or 5%) in net position from the prior year.

Some highlights of the information presented on the Statement of Revenues, Expenses, and Changes in Net Position are as follows:

Premium revenues represent receipts from Plan enrollees. The following table indicates premium revenue activity for fiscal years 2024 and 2023 for both public and private sector enrollees:

MEMBER COMPOSITION	Number Enrolled at 9/30/24	Premiums Paid (000's)	Number Enrolled at 9/30/23	Premiums Paid (000's)
Public Sector	4,805	1,234	4,854	1,165
Private Sector	3,489	662	3,548	580
TOTALS	**8,294**	**1,896**	**8,402**	**1,745**

The chart reflects a decrease in public sector enrollees in FY 2024 from 4,854 in fiscal year 2023 to 4,805 (or 1%) in fiscal year 2024. The private sector enrollees decreased from 3,548 in fiscal year 2023 to 3,489 in fiscal year 2024. Locals would want to work outside of Chuuk.

Management's control of claim expenses is still there. Our medical cost and airfare is getting higher this fiscal year 2024. The recurring problem from prior years — medical claim expenses comprising a larger ratio of Plan premiums, leaving leftover to cover general and administrative expenses — is shown in this table reflecting ten years of Plan operation:

Fiscal Year	Premiums	Claims Expense	Claims as a % of Premium
2024	1,896,056	1,728,383	91%
2023	1,745,849	1,681,760	96%
2022	1,738,063	427,557	25%
2021	1,708,624	317,084	18%
2020	1,699,751	845,849	48%
2019	1,581,356	1,416,343	89%
2018	1,574,595	1,377,257	87%
2017	1,644,444	1,273,393	77%
2016	1,505,119	1,124,401	75%
2015	1,500,627	1,139,526	76%

In fiscal year 2024, operating expenses of $0.358 million represents a decrease from $0.404 million incurred in the prior year.

STATEMENT OF CASH FLOWS

The final statement presented by the Chuuk State Health Care Plan is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity during the year. The Statement is divided into five parts. The first part deals with operating cash flows from operations of the Plan. The second section deals with noncapital financing activities of the Plan. The third section reflects cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds and interest received from investing activities. The fifth section reconciles the net cash used in operating activities to operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

SUMMARY STATEMENTS OF CASH FLOWS

(In '000's)

	2024	2023
Cash (used in) provided by:		
Operating activities	(55)	(312)
Capital and noncapital related financing activities	0	(38)
Investing activities	(71)	36
Net change in cash and cash equivalents	**(126)**	**(314)**
Cash and cash equivalents, beginning of year	2,292	2,606
Cash and cash equivalents, end of year	**2,166**	**2,292**

The table indicates that the cash and cash equivalents decreased $0.126 million in fiscal year 2024, from $2.292 million in fiscal 2023 to $2.166 million in the current year. Notably, operating activities provided negative cash flow.

CAPITAL ASSET AND DEBT ADMINISTRATION

The Plan's net investment in capital assets of $63 thousand at fiscal 2024 year end is the same as from fiscal year 2023 of $63 thousand. Further information on the Plan's capital assets can be found in note 4 to the financial statements.

The Plan has no debt and there are no foreseen circumstances that would affect the Plan's access to future capital financing.

ECONOMIC OUTLOOK

In fiscal year 2025, Plan management will continue its focus on collecting accounts receivables, increasing Plan enrollments, and controlling medical claim and other operating expenses. Plan management will continue collecting multi-year delinquent past due premiums from a 1% premium increase, including the missing premium from government sectors, as the entity takes steps to rationalize its operations. Additionally, the Plan will continue to do the payroll inspection on private sector firms to make sure they are reporting all their employees to the Plan accordingly in fiscal 2025.

CONTACTING the Plan's FINANCIAL MANAGEMENT

Management's Discussion and Analysis for the year ended September 30, 2023, is set forth in the report on the audit of the Plan's financial statements, which is dated May 15, 2025, and that Discussion and Analysis explains the major factors impacting the 2023 financial statements and can be viewed at the Office of the Public Auditor's website at www.fsmopa.fm.

For additional information about this report, please contact the Executive Director, Chuuk State Health Care Plan; P.O Box 1679; Weno, Chuuk; FM 96942.

Chuuk State Health Care Plan
(A Component Unit of the State of Chuuk)

Statement of Net Position
September 30, 2024

Assets:		
Current assets:		
Cash and cash equivalents	$	2,165,481
Time certificates of deposit		100,000
Investments		1,139,681
Premiums receivable, net of an allowance for doubtful premiums of $194,654		319,188
Total current assets		3,724,350
Advances receivable		200,000
Property and equipment, net		63,254
Intangible asset, net		4,250
Total assets	$	3,991,854
Liabilities and Net Position:		
Current liabilities:		
Medical claims and benefits payable	$	23,068
Accounts payable and accrued expenses		26,659
Total liabilities		49,727
Contingencies		
Net position:		
Net investment in capital assets		63,254
Restricted		3,878,873
Total net position		3,942,127
Total liabilities and net position	$	3,991,854

See accompanying notes to the financial statements.

Chuuk State Health Care Plan
(A Component Unit of the State of Chuuk)

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

Operating revenues:		
Premiums	$	1,896,056
Others		183,164
Total net operating revenues		2,079,220
Benefits paid:		
Claims expenses		1,728,383
Total net revenues		350,837
Other operating expenses:		
Salaries, wages and other benefits		111,750
Coordinator's fee		93,600
Travel		39,491
Legal fees		23,346
Meetings and board allowances		16,338
Office and computer supplies		16,094
Social security tax		11,360
Rent		7,200
Emergency relief		3,734
Gasoline and fuel		2,669
Communication		2,454
Repair and maintenance		1,714
Miscellaneous		28,312
Total other operating expenses		358,062
Loss from operations		(7,225)
Nonoperating income:		
Interest income		20,200
Net investments income		163,133
Total nonoperating income, net		183,333
Change in net position		176,108
Net position at the beginning of year		3,766,019
Net position at the end of year	$	3,942,127

See accompanying notes to the financial statements.

Chuuk State Health Care Plan
(A Component Unit of the State of Chuuk)

Statement of Cash Flows
Year Ended September 30, 2024

Cash flows from operating activities:	
Premiums received	$ 2,054,846
Medical claims and benefits paid	(1,751,932)
Cash paid to suppliers for goods and services	(246,312)
Cash paid to employees	(111,750)
Net cash used in operating activities	(55,148)
Cash flows from investing activities:	
Interest income	20,200
Purchases of investments	(91,525)
Net cash used in investing activities	(71,325)
Net change in cash	(126,473)
Cash and cash equivalents at the beginning of year	2,291,954
Cash and cash equivalents at the end of year	$ 2,165,481
Reconciliation of loss from operations to net cash used in operating activities:	
Loss from operations	(7,225)
Adjustments to reconcile loss from operations to net cash used in operating activities:	
Depreciation and amortization	-
(Increase) decrease in assets:	
Premiums receivable	(31,597)
Other receivables	-
(Decrease) increase in liabilities:	
Medical claims and benefits payable	(23,549)
Accounts payable and accrued expenses	7,223
Net cash used in operating activities	$ (55,148)

See accompanying notes to the financial statements.

1. Organization

Chuuk State Health Care Plan (the Plan or CSHCP), a component unit of the State of Chuuk, was originally established under the Chuuk Health Care Plan Act of 1994 to provide eligible residents of Chuuk State with quality health care. The Plan commenced operations in September 2003 after final approval from the Board of Trustees, with Chuuk State Hospital (CSH) as the primary health care provider. The Board of Trustees is comprised of five voting members appointed by the Governor of Chuuk, with the advice and consent of the Chuuk State Legislature, and the Executive Director as a non-voting member.

As per Chuuk State Law No. 2-94-06 (Act No: 2-25), the Plan is dedicated to serve as a financial system to provide universal coverage of an essential level of health care for all eligible enrollees by collecting health care premiums under a plan and ensuring medical services to all members through its accredited health care providers.

Aside from CSH being its primary health provider, the Plan has also accredited three medical clinics in Chuuk – Family Clinic and Pharmacy, Genesis Pharmacy Clinic and Global Pharmacy, and seven hospitals in the Philippines – Cardinal Santos Medical Center, the Medical City, Manila Doctors Hospital, Delos Santos Hospital, Chong Hua Hospital, St. Luke's Medical Center – Global and St. Luke's Medical Center – Quezon City to provide medical services to members of the Plan.

The Plan enables all eligible government employees to be members by contributing health premiums (50% employee share and 50% employer share) so as to claim medical benefits through the accredited health care providers. The Plan has also been extended to private sector employers and employees.

2. Summary of Significant Accounting Policies

Governmental Accounting Standards Board (GASB) establishes financial reporting standards for governmental entities, which require that management's discussion and analysis of the financial activities be included with the basic financial statements and notes and modifies certain other financial statement disclosure requirements.

To conform to the requirements of GASB, equity is presented in the following net position categories:

- Net investment in capital assets - capital assets, net of accumulated depreciation, plus construction or improvement of those assets, net of related debts.

- Restricted: Nonexpendable - net position subject to externally imposed stipulations that requires the Plan to maintain such permanently. At September 30, 2024, the Plan does not have nonexpendable net position. Expendable - net position whose use by the Plan is subject to externally imposed stipulations that can be fulfilled by actions of the Plan pursuant to those stipulations or that expire by the passage of time.

2. Summary of Significant Accounting Policies, Continued

- Unrestricted - net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

  All of the Plan's net position that is not otherwise invested in capital assets is restricted by law to be used for health care services.

Basis of Accounting

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources, and liabilities and deferred inflows of resources associated with the operation of the fund are included in the statements of net position. Proprietary fund operating statements present increases and decreases in net position.

The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Accounting Estimates

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

Cash and Cash Equivalents and Time Certificates of Deposit

For purposes of the statements of net position and cash flows, cash and cash equivalents are defined as amounts in bank deposit accounts as well as short-term investments maturing within three months or less of the date acquired. Time certificates of deposits with original maturity terms greater than three months are separately classified.

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

2. Summary of Significant Accounting Policies, Continued

Cash and Cash Equivalents and Time Certificates of Deposit, Continued

As of September 30, 2024, the carrying amount of the Plan's cash and cash equivalents and time certificates of deposit was $2,265,481 and the corresponding bank balances was $2,392,126. $736,077 of the corresponding bank balance is maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2024, bank deposits of $500,000 were subject to FDIC insurance coverage. The Plan does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

Investments

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

Premiums Receivable and Allowance for Uncollectible Accounts

Premiums receivable are primarily due from the Chuuk State Government and the Chuuk Public Utilities Corporation as well as private sector employers operating in Chuuk. These receivables are interest free and uncollateralized. The allowance for uncollectible accounts is stated at an amount which management believes will be adequate to absorb possible losses on accounts receivable that may become uncollectible based on the credit risk of specific customers, historical trends and other information. The allowance is established through a provision for bad debts as a reduction to operating revenue. Bad debts are written off against the allowance on the specific identification method.

Advances Receivable

Advances receivable comprise $200,000 advanced to a Philippine based medical provider in May 2021, due in full after 5 years, unsecured with interest at 10% per annum payable in 5 years.

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method based on the estimated useful lives of the assets. All of the assets have an estimated useful life of five to ten years. The Plan has generally adopted a capitalization policy of equipment purchases of a minimum of $50,000 but recognizes asset acquisitions of lessor value on a case-by-case basis. All vehicles are capitalized regardless of the value of such items. Routine repairs and maintenance costs are expensed as incurred.

2. Summary of Significant Accounting Policies, Continued

Intangible Asset

Intangible asset represents the right to use office space in the Chuuk State General Hospital approved by the Governor of Chuuk, in exchange for the $50,000 receivable from the Chuuk State Government. The exchange transaction was recorded as of September 30, 2015. The right-to-use does not specify an expiration date, and as such the asset is amortized on a straight-line basis over an estimated useful life of 8 years.

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (deduction of net position) until then. As of September 30, 2024, the Plan has no items that qualify for reporting in this category.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (additions to net position) until then. As of September 30, 2024, the Plan has no items that qualify for reporting in this category.

Revenue and Expense Recognition

Health care premiums from enrolled members of the Plan are reported as revenue in the period such become due. The Plan considers health care premium revenues and costs that are directly related to the provision of health care to be operating revenues and expenses. Revenues and expenses related to financing and other activities are reflected as nonoperating.

Medical Claims and Benefits Payable

Medical claims and benefits payable represent the actual liability on claims reported to the Plan. The liabilities for claims are determined based on actual billings received from accredited hospitals and clinics, representing medical procedures performed for members through the financial statement date.

Taxation

The Plan exists and operates solely for the benefit of the public and shall be exempted from any State or Municipal taxes or assessments on any of its property, operations or activities. The Plan shall be liable for employees' contributions to the National Social Security System or other employees' benefits of the State of Chuuk or the Federated States of Micronesia National Government (FSMNG), if any, in such manner as provided by law.

2. Summary of Significant Accounting Policies, Continued

Risk Management

The Plan carries workmen's compensation liability insurance for all employees of the Plan; however, the Plan is substantially self-insured for all other risks. Management is of the opinion that no material losses have been sustained as a result of this practice during the past three years.

Recently Issued and Adopted Accounting Pronouncements

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The requirements of this Statement are to enhance comparability in the application of accounting and financial reporting requirements and to improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied more easily. The comparability of financial statements is also to improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of local government financial statements. The Plan has evaluated the impact that this statement has on its financial statements and has determined the effect is immaterial. The Plan recently adopted GASB Statement No.99.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. 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. The requirements of this Statement are to improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information is provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections. The adoption of GASB Statement No. 100 did not result in a material effect on the accompanying financial statements. The Plan recently adopted GASB Statement No.100.

2. Summary of Significant Accounting Policies, Continued

Recently Issued and Adopted Accounting Pronouncements, Continued

The GASB has issued statements that will become effective in future years. These statements are as follows:

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. The model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences. GASB Statement No. 101 will be effective for fiscal year ending September 30, 2025.

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. GASB Statement No. 102 will be effective for fiscal year ending September 30, 2025.

In April 2024 the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. GASB Statement No. 103 will be effective for fiscal year ending September 30, 2026.

In September 2024 the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement also addresses certain application issues. GASB Statement No. 104 will be effective for fiscal year ending September 30, 2026.

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

3. Investments

Investments recorded at fair value are comprised of the following:

Common stock	$	703,699
Exchange-traded funds		428,308
Real estate and tangibles		7,674
Total investments	$	1,139,681

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, the Plan will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The Plan's investments are held and administered by trustees. Accordingly, these investments are exposed to custodial credit risk. Based on negotiated trust and custody contracts, all of these investments were held in the Plan's name by the Plan's custodial financial institutions at September 30, 2024. For the year ended September 30, 2024, unrealized gain arising from the change in the fair value of the investments amounted to $146,471.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments. The Plan 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 Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure 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.

3. Investments, Continued

The following table set forth by fair value hierarchy level the Plan's assets carried at fair value as of September 30, 2024:

		Level 1	Level 2	Level 3
Investments by fair value level:				
Common stock	$ 703,699	$ 703,699	$ -	$ -
Exchange-traded funds	428,308	428,308	-	-
Real estate and tangibles	7,674	-	-	7,674
Total investments	$ 1,139,681	$ 1,132,007	$ -	$ 7,674

4. Property and Equipment

A summary of the Plan's property and equipment at September 30, 2024, is as follows:

	Estimated Useful Lives	Balance at October 1, 2023	Transfers and Additions	Balance at September 30, 2024
Office furniture and equipment	5 - 10 years	$ 94,421	$ -	$ 94,421
Building improvement	5 - 10 years	27,579	-	27,579
Vehicles	5 years	116,836	-	116,836
		238,836	-	238,836
Less accumulated depreciation		(175,582)	-	(175,582)
Property and equipment, net		$ 63,254	$ -	$ 63,254

5. Related Party Transactions

As of September 30, 2024, premiums receivable from the Chuuk State Government (CSG) amounted to $353,273, and related premium revenue earned from that entity for the year then ended amounted to $1,234,220. Of the $353,273 of premiums receivable, $341,159 relates to court judgments against CSG. The judgments have been obtained but funding for repayment of the receivables depends on future Chuuk State appropriations. The Plan believes that the judgment is ultimately recoverable and as such, has not recorded an allowance for doubtful account for the related balance.

6. Contingencies

The Plan is involved in certain legal actions and claims against other governmental or private businesses operating in the State of Chuuk for the recovery of premiums that are in various stages of court proceedings or settlement discussions. No gains or recoveries are recorded in the accompanying statements of change in net position during the year ended September 30, 2024.

Hiromi Shinoda
CERTIFIED PUBLIC ACCOUNTANT

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Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on An Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Management and the Board of Trustees
Chuuk State Health Care Plan

We were engaged to audit, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (Government Auditing Standards), the financial statements of Chuuk State Health Care Plan (the Plan), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements and have issued our report thereon dated June 26, 2026. Our report disclaims an opinion on such financial statements because the Plan did not perform reconciliation or maintain subsidiary ledgers for a significant portion of account balances on its September 30, 2024 statement of net position. As of the date of our audit report, management was still in the process of performing such procedures to determine adjustments necessary to correct the financial statements as of and for the year ended September 30, 2024.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as item 2024-001 and 2024-02, which we consider to be a significant deficiency and material weakness, respectively.

Compliance and Other Matters

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

The Plan's Responses to Findings

The Plan's responses to the findings identified in our audit are described in accompanying Corrective Action Plan. The Plan's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly; we express no opinion on them.

Purpose of this Report

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

Shinoda CPA

June 26, 2026

Finding No. 2024-001

Board Compensation

Criteria: Board compensation should be reasonable and be in accordance with guidelines set forth by law.

Condition: The Board met frequently (often bi-weekly) during the year at a rate of $200 per meeting. It does not appear as if the Board payments (as well as certain payments to management) were subject to FSM withholding taxes or to social security withholdings. We could not determine if the totality of these payments was envisioned or was authorized by the Chuuk State Legislature.

Cause: The cause of this condition appears to be payments that may not align with approved requirements.

Effect: The effect of this condition is that uncertainty exists with respect to the appropriateness of total Board compensation and if potential tax withholdings result.

Recommendation: We recommend that the Chuuk State Legislature direct the Chuuk State Public auditor to perform an audit of Board compensation and advise the Legislature of matters required for their actions.

Finding No.: 2024-002

Timeliness of Record Maintenance and Financial Statement Preparation

Criteria: An adequate internal control structure requires that the general ledger be reconciled to detailed schedules or analysis on a regular basis and that financial statements be prepared monthly in a timely and accurate manner, supported by appropriate documentation.

Condition: The Plan did not perform periodic or year-end reconciliations of the general ledger, and essential source documents supporting recorded transactions were not available for audit examination. A preliminary trial balance for the year ended September 30, 2024 was initially submitted in February 2026, and a corrected trial balance reflecting significant adjustments was submitted in May 2026. Certain supporting schedules were provided in February and May 2025. However, the updated trial balance remains incomplete and does not include all transactions or adjustments for several significant accounts, including investments, capital assets, advances, accounts payable, and accrued expenses. As a result, the necessary adjustments to these balances could not be determined. Furthermore, the Plan was unable to provide subsidiary ledgers and related schedules, preventing auditors from performing sufficient alternative procedures to assess the potential extent of misstatements in these accounts.

Cause: This condition resulted from the absence of routine general ledger reconciliations and the lack of timely and appropriate analysis of key balance sheet accounts.

Effect: Due to this condition, the financial statements contain material misstatements, and there is an increased risk that the Plan's funds may have been disbursed for transactions without adequate supporting documentation. As a result, the auditors were unable to express an opinion on the Plan's 2024 financial statements.

Recommendation: Management should implement formal policies and procedures to ensure the proper maintenance, organization, and retention of source documents that substantiate the validity and occurrence of transactions.

Chuuk State Health Care Plan
(A Component Unit of the State of Chuuk)

Unresolved Prior Year Findings

September 30, 2024

Summary Schedule of Prior Audit Findings

Finding Number	Finding Title	Status
2023-001	Board Compensation	Not Corrected or Resolved.