

Financial Statements and Additional Information

**State of Chuuk
Federated States of Micronesia**

*Year Ended September 30, 2024
with Report of Independent Auditors*



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State of Chuuk
Federated States of Micronesia

Financial Statements, Required Supplementary Information,
Supplementary Information
and Other Information

Year Ended September 30, 2024

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Report of Independent Auditors

Honorable Alexander R. Narruhn
Governor, State of Chuuk
Federated States of Micronesia:

Report on the Audit of the Financial Statements

Qualified and Unmodified Opinions

We have audited the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Chuuk (the State), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the State’s basic financial statements as listed in the table of contents (collectively referred to as the “financial statements”).

Summary of Opinions

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

Qualified Opinions on Governmental Activities and General Fund

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 and the general fund of the State as of September 30, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on Aggregate Discretely Presented Component Units, 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 discretely presented component units, grants assistance fund, compact trust fund and the aggregate remaining fund information of the State as of September 30, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Chuuk State Health Care Plan and the Chuuk Public Utility Corporation, which represents 99%, 100%, and 100%, respectively of the assets, net position, and program revenues of the State's discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for Chuuk State Health Care Plan and Chuuk Public Utility Corporation, is based solely on the reports of the other auditors.

Basis for Qualified and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified audit opinions.

Matters Giving Rise to Qualified Opinions on Governmental Activities and General Fund

As discussed in Note 11 to the financial statements, the State has not recorded right-of-use assets and lease liabilities, as required by generally accepted accounting principles, for land leases in the governmental activities and the general fund. The amount by which this departure would affect the liabilities, net position/fund balance and expenses/expenditures of the governmental activities and the general fund is not reasonably determinable. In addition, we were unable to obtain sufficient audit evidence to support \$7,026,251 recorded as land acquisition payable in the State's governmental activities and general fund as of September 30, 2024. Consequently, we were unable to determine whether any adjustments to these amounts were necessary in the governmental activities and the general fund.

Emphasis of Matter-Restatement of 2023 Financial Statements

As discussed in note 12 to the financial statements, the 2023 financial statements of the primary government and Chuuk Public Utility Corporation, have been restated to correct a misstatement. 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 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 State's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the State’s ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund, be presented to supplement the 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State’s financial statements. The information as set forth in Section V of the foregoing table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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, except for the effects on the supplementary information of the matter described in the *Matter Giving Rise to Qualified Opinion on the Governmental Activities* and general fund paragraph, the 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 June 30, 2026, on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control over financial reporting and compliance.

Ernst + Young LLP

June 30, 2026

State of Chuuk
Federated States of Micronesia

Management's Discussion and Analysis

September 30, 2024

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

FINANCIAL HIGHLIGHTS

- For the fiscal year ended September 30, 2024, the State's total net position increased by \$17 million (or 30%) from \$75 million as of September 30, 2023 to \$92 million as of September 30, 2024. The growth in net position was primarily driven by an increase in fishing fee revenues, which increased by \$10 million from \$3 million in FY2023 to \$13 million in FY2024. The unrestricted net position increased by \$12 million from \$4 million as of September 30, 2023 to \$16 million as of September 30, 2024.
- For the fiscal year ended September 30, 2024, the State's total fund balance increased by \$19 million (or 69%) from \$30 million as of September 30, 2023 to \$49 million as of September 30, 2024. The growth in fund balance was also primarily driven by the increase in fishing fee revenues, which increased by \$10 million during the fiscal year ended September 30, 2024. The unassigned fund balance of the general fund increased by \$3.8 million from \$0.7 million as of September 30, 2023 to \$4.5 million as of September 30, 2024.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

State of Chuuk
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Management's Discussion and Analysis, continued

The statement of net position includes all the government's assets and liabilities. The difference in 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, account for the State's current year's revenues and expenses regardless of when cash is received or paid.

The government-wide financial statements of the State are divided into two categories:

- **Governmental Activities** - Most of the State's basic services are included here, such as education, health, special appropriations, finance, judiciary, and general administration. Compact sector and other federal grants finance most of these activities.
- **Component Units** – The State includes the operating results of the Chuuk State Health Care Plan, the Chuuk Public Utility Corporation, and the Chuuk State Housing Authority in its report. Although legally separate, these “component units” are important because the State is financially accountable for them.

Fund Financial Statements

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

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

The State maintains individual governmental funds, which are categorized as major and non-major. The major funds comprise the General Fund, the Grants Assistance Fund, and the Compact Trust Fund.

State of Chuuk
Federated States of Micronesia

Management's Discussion and Analysis, continued

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

Net position serves over time as a useful indicator of the State's financial position. At the end of fiscal year 2024, the State's assets exceeded liabilities by \$92 million (presented as net position). Of the \$92 million net position, \$49 million is reported as the net investment in capital assets (net of related debt of \$5 million), and \$27 million is reported as restricted. The residual \$16 million is reported as unrestricted. It should be noted that the general fund is responsible for the repayment of the associated debt. The summary of the State's statement of net position as of September 30, 2024, with comparable balances for fiscal year 2023, follows:

Table 1	Governmental Activities			
	2024	2023	Change	%
Current and other assets	\$ 64,246,485	\$ 48,289,158	\$ 15,957,327	41.61%
Capital assets	48,825,093	46,185,106	2,639,987	5.72%
Total assets	<u>\$ 113,071,578</u>	<u>\$ 94,474,264</u>	<u>\$ 18,597,314</u>	24.06%
Current and other liabilities	\$ 15,423,943	\$ 13,233,887	\$ 2,190,056	0.89%
Long-term debt	5,474,732	5,720,301	(245,569)	-4.97%
Total liabilities	<u>20,898,675</u>	<u>18,954,188</u>	<u>(165,605)</u>	-0.87%
Net Position				
Net investment in capital assets	\$ 48,825,093	\$ 46,185,106	\$ 2,639,987	5.72%
Restricted	27,604,046	25,686,319	1,917,727	28.13%
Unrestricted	15,743,764	3,648,651	12,095,113	357.20%
Total net position	<u>92,172,903</u>	<u>75,520,076</u>	<u>16,652,827</u>	30.32%
Total liabilities and net position	<u>\$ 113,071,578</u>	<u>\$ 94,474,264</u>	<u>\$ 16,487,222</u>	24.06%

The change in net position during the fiscal year ended September 30, 2024 increased the State's net position to \$92 million as of September 30, 2024.

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Management's Discussion and Analysis, continued

Table 2	Governmental Activities			
	2024	2023	Change	%
Revenues				
Program revenues				
Charges for services	\$ 1,964,156	\$ 2,948,624	\$ (984,468)	-33.39%
Operating and capital grants and contributions	36,529,899	33,356,342	3,173,557	9.51%
Total program revenues	38,494,055	36,304,966	2,189,089	6.03%
General revenues				
Taxes	25,125,793	14,518,445	10,607,348	73.06%
Unrestricted investment earnings	883,146	144,517	738,629	511.10%
Other	2,548,021	(2,449,159)	4,997,180	-204.04%
Total general revenues	28,556,960	12,213,803	16,343,157	133.81%
Total program and general revenues	67,051,015	48,518,769	18,532,246	38.20%
Contribution to permanent fund	2,667,307	1,753,097	914,210	52.15%
Total program and general revenues and contribution to permanent fund	69,718,322	50,271,866	19,446,456	38.68%
Expenses				
General government	9,379,122	6,720,307	2,658,815	39.56%
Health services	11,805,625	13,633,373	(1,827,748)	-13.41%
Education	16,876,393	15,741,706	1,134,687	7.21%
Economic development	717,707	553,401	164,306	29.69%
Public safety	1,781,214	1,267,717	513,497	40.51%
Public works and transportation	2,124,674	1,489,254	635,420	42.67%
Community affairs	227,311	169,576	57,735	34.05%
Boards, commissions and other	2,933,932	2,051,819	882,113	42.99%
Judiciary	439,662	501,485	(61,823)	-12.33%
Payments to component units	136,945	128,628	8,317	6.47%
Municipal affairs	1,405,149	427,247	977,902	228.88%
Total expenses	47,827,734	42,684,513	5,143,221	12.05%
Changes in net position	21,890,588	7,587,353	14,303,235	188.51%
Net position at the beginning of the year, as previously reported	75,520,076	61,186,790	14,333,286	23.43%
Prior period adjustment	(5,237,761)	6,745,933	-	
Net position at the beginning of the year, as restated	70,282,315	67,932,723	2,349,592	
Net position at the end of the year	\$ 92,172,903	\$ 75,520,076	\$ 16,652,827	22.05%

Note: FY2023 presentation is adjusted where applicable to comply with the FY2024 presentation.

State of Chuuk
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Management’s Discussion and Analysis, continued

The following table shows a comparison of each revenue component’s contribution to total revenues:

Table 3

Source of revenue	2024	2023
Compact Funding	50%	62%
FSM tax revenue sharing	27%	21%
State taxes	9%	8%
Investments	5%	4%
Federal and other grants	3%	4%
Fees and charges	3%	6%
Other	4%	-5%
	100%	100%

For the year ended September 30, 2024, total expenses incurred were \$48 million as compared to \$43 million in the prior year.

FINANCIAL ANALYSIS OF THE STATE’S FUNDS

As noted earlier, The State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. As of the end of fiscal year 2024, The State’s governmental funds reported a combined fund balance of \$49 million, which represents an increase in the amount of \$19 million in the aggregate fund balances from \$30 million as of September 30, 2023 to \$49 million as of September 30, 2024. Of the total combined fund balance, \$20 million is reported as non-spendable, \$25 million as restricted and the residual \$4 million as unassigned.

General Fund

Most of the State’s basic services are recorded, reported, and accounted for in the General Fund. As shown in the accompanying financial statements, at the end of fiscal year 2024, the General Fund recorded total revenues of \$30 million and total expenditures of \$17 million, which resulted in the net change in fund balance of \$13 million. The fund balance increased by \$13 million from \$12 million as of September 30, 2023 to \$25 million as of September 30, 2024. Of the \$25 million fund balance, the State reported \$2 million as non-spendable fund balance, \$17 million as restricted and \$6 million as unassigned.

State of Chuuk
Federated States of Micronesia

Management's Discussion and Analysis, continued

Grants Assistance Fund

The Grants Assistance Fund consists of funding provided through the amended Compact of Free Association Sector Grants; US Federal Grants, and other Non-US grants. As shown in the accompanying financial statements, at the end of fiscal year 2024, the Grant Assistance Fund recorded total revenues of \$36 million and total expenditures of \$33 million, which resulted in an increase of \$2 million in the ending fund balance.

Compact Trust Fund

Compact Trust Fund is a pooled investment managed by the FSM National Government and its fund balance is presented as a permanent fund in the balance sheet. During the fiscal year ended September 30, 2024, the fund recorded an increase in the fair value of its investments of \$2.6 million.

Other Governmental Funds

The hospital revolving fund and the visitors' bureau fund are accounted for in this "other governmental funds" category (also called aggregate remaining fund information).

Majority of the total \$0.4 million fees and charges were collected from the medical services rendered to the State's citizens. Majority of the related expenditures were incurred at the State hospital. For the fiscal year ended September 30, 2024, the net change in fund balances amounted to \$0.1 million, which resulted in the year-end fund balance being \$0.3 million as of September 30, 2024.

Note 8 of the financial statements gives further details of the fund balance components of the State.

GENERAL FUND BUDGETARY HIGHLIGHTS

In fiscal year 2024, actual revenues of \$14 million exceeded the budgeted revenues of \$29 million by \$5.416 million. Actual budgetary expenditures of \$16.8 million were slightly less than budgetary appropriations of \$16.5 million, resulting in an excess of revenues over expenditures of \$0.3 million. The net change in fund balance on a budgetary basis was \$13 million for the fiscal year ended September 30, 2024.

State of Chuuk
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Management's Discussion and Analysis, continued

CAPITAL ASSET AND DEBT ADMINISTRATION

The State's investment in capital assets as of September 30, 2024, amounted to \$142 million less accumulated depreciation of \$93 million, which resulted in the net book value in the amount of \$49 million. This represents a net increase in the amount of \$2.6 million from fiscal year 2023. The table below summarizes The State's net capital assets:

Table 4

	<u>2024</u>	<u>2023</u>	<u>Change</u>
Land	\$ 21,003,461	\$ 21,003,461	\$ -
Airport facilities	1,837,860	1,925,376	(87,517)
Buildings	17,619,352	16,763,532	855,820
Vehicles / equipment	3,198,930	3,544,486	(345,556)
Construction in progress	5,165,490	2,948,250	2,217,240
	<u>\$ 48,825,093</u>	<u>\$ 46,185,105</u>	<u>\$ 2,639,987</u>

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

Long-Term Debt

The following schedule shows The State's summarized long-term debt for fiscal year 2024 with comparative amounts for fiscal year 2023.

Table 5

	<u>2024</u>	<u>2023</u>	<u>Change</u>
ADB Water Supply Loan (1459)	\$ 1,838,926	\$ 1,933,424	\$ (94,498)
ADB Early Retirement Loan (1520)	2,761,015	2,876,289	(115,274)
ADB Private Sector Reform Program Loan (1873)	55,857	90,340	(34,483)
ADB Private Sector Reform Program Loan (1874)	405,623	439,692	(34,069)
	<u>\$ 5,061,421</u>	<u>\$ 5,339,745</u>	<u>\$ (278,324)</u>

State of Chuuk
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Management's Discussion and Analysis, continued

Long-term debt decreased by \$0.3 million during the fiscal year 2024 as the result of loan repayments.

Additional information on The State's long-term debt obligations can be found in Notes 6 and 7 to the accompanying financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Local revenues continued to grow in fiscal year 2024, with collections projected to increase slightly from the previous year. The State legislature has prudently limited the general fund budget to match actual revenue performance for fiscal years ended September 2024 and 2023.

COVID-19 cases have been reported in the FSM. It caused the closure of the State's international airport for several months for international travelers and negatively impacted the State; however, its impact on the States operations and financial position cannot be reasonably determined.

CONTACTING THE STATE'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, customers, and investments and creditors, a general overview of The State's finances to demonstrate its accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director, Department of Administrative Services, P.O. Box 849, Weno, Chuuk, FM 96942.

State of Chuuk
Federated States of Micronesia

Statement of Net Position

September 30, 2024

	<u>Primary Government</u>	<u>Component Units</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 19,085,520	\$ 3,891,762
Time certificates of deposit	-	100,000
Investments	-	1,139,681
Receivables, net of allowance for uncollectibles	6,054,757	1,514,120
Inventories	-	1,040,461
Advances	41,967	676,171
Restricted assets:		
Cash and cash equivalents	<u>15,793,610</u>	<u>-</u>
Total current assets	<u>40,975,854</u>	<u>8,362,195</u>
Noncurrent assets:		
Restricted assets:		
Investments	21,082,668	-
Investments	836,180	-
Other assets	1,351,783	703,673
Capital assets:		
Nondepreciable capital assets	26,168,951	1,035,974
Capital assets, net of accumulated depreciation	22,656,142	19,225,615
Leased assets, net	<u>-</u>	<u>993,190</u>
Total noncurrent assets	<u>72,095,724</u>	<u>21,958,452</u>
Total assets	<u>\$ 113,071,578</u>	<u>\$ 30,320,647</u>
<u>LIABILITIES</u>		
Current liabilities:		
Current portion of long-term debt	\$ 445,606	\$ 352,358
Accounts payable	5,131,567	175,566
Land acquisition payable	7,026,251	-
Compensated absences payable	430,000	72,590
Lease liability	-	110,212
Other liabilities and accruals	2,390,519	470,473
Unearned revenues	<u>-</u>	<u>121,515</u>
Total current liabilities	<u>15,423,943</u>	<u>1,302,714</u>

See accompanying notes.

State of Chuuk
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 Statement of Net Position, continued

	<u>Primary Government</u>	<u>Component Units</u>
Noncurrent liabilities:		
Noncurrent portion of long-term obligations	4,615,815	2,439,413
Compensated absences payable, net of current portion	858,917	-
Total noncurrent liabilities	<u>5,474,732</u>	<u>2,439,413</u>
Total liabilities	<u>20,898,675</u>	<u>3,742,127</u>
<u>NET POSITION</u>		
Net investment in capital assets	48,825,093	18,359,181
Restricted for:		
Nonexpendable:		
Future operations	18,286,167	-
Expendable:		
Compact related	5,972,187	-
Debt service	2,796,501	-
Other purposes	549,191	4,392,625
Unrestricted	<u>15,743,764</u>	<u>3,826,714</u>
Total net position	<u>92,172,903</u>	<u>26,578,520</u>
Total liabilities and net position	<u>\$ 113,071,578</u>	<u>\$ 30,320,647</u>

State of Chuuk
Federated States of Micronesia
Statement of Activities
Year Ended September 30, 2024

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units
Primary government:						
Governmental activities:						
General government	\$ 9,379,122	\$ 1,545,636	\$ 2,151,618	\$ -	\$ (5,681,868)	\$ -
Health services	11,805,625	403,520	10,711,842	-	(690,263)	-
Education	16,876,393	15,000	19,760,087	-	2,898,694	-
Economic development	717,707	-	52,000	-	(665,707)	-
Public safety	1,781,214	-	-	-	(1,781,214)	-
Public works and transportation	2,124,674	-	-	-	(2,124,674)	-
Community affairs	227,311	-	-	-	(227,311)	-
Boards, commissions and other	2,933,932	-	20,208	-	(2,913,724)	-
Judiciary	439,662	-	-	-	(439,662)	-
Payments to component units	136,945	-	-	-	(136,945)	-
Municipal affairs	1,405,149	-	-	-	(1,405,149)	-
Unallocated interest on long-term debt	-	-	-	-	-	-
Capital projects	-	-	-	3,834,144	3,834,144	-
Total primary government	<u>\$ 47,827,734</u>	<u>\$ 1,964,156</u>	<u>\$ 32,695,755</u>	<u>\$ 3,834,144</u>	<u>\$ (9,333,679)</u>	<u>\$ -</u>
Component units:						
Chuuk State Health Care Plan	\$ 2,086,445	\$ 2,079,220	\$ -	\$ -	\$ -	\$ (7,225)
Chuuk Public Utility Corporation	9,682,642	8,931,265	-	332,076	-	(419,301)
Chuuk State Housing Authority	12,751	6,503	-	-	-	(6,248)
Total component units	<u>\$ 11,781,838</u>	<u>\$ 11,016,988</u>	<u>\$ -</u>	<u>\$ 332,076</u>	<u>-</u>	<u>(432,774)</u>
General revenues:						
Taxes:						
FSM revenue sharing:						
Gross revenue taxes					1,691,370	-
Import taxes					2,021,014	-
Income taxes					1,321,803	-
Fishing rights fees					13,625,115	-
Other taxes					256,730	-
State taxes:						
Sales tax					3,349,478	-
Other excise taxes					1,319,621	-
Service tax					1,540,662	-
Unrestricted investment income					883,146	163,133
Other					2,548,021	(20,590)
Total general revenues					<u>28,556,960</u>	<u>142,543</u>
Contributions to permanent fund					<u>2,667,307</u>	<u>-</u>
Total general revenues and contributions					<u>31,224,267</u>	<u>142,543</u>
Change in net position					<u>21,890,588</u>	<u>(290,231)</u>
Net position at the beginning of the year, as previously reported					75,520,076	26,816,224
Prior period adjustment					<u>(5,237,761)</u>	<u>52,527</u>
Net Position at the beginning of the year, as restated					<u>70,282,315</u>	<u>26,868,751</u>
Net position at the end of the year					<u>\$ 92,172,903</u>	<u>\$ 26,578,520</u>

See accompanying notes.

State of Chuuk
Federated States of Micronesia
Balance Sheet
Governmental Funds
September 30, 2024

	General Fund	Special		Other Gov't Funds	Total
		Revenue	Permanent		
		Grant Assistance Fund	Compact Trust		
ASSETS					
Cash and cash equivalents	\$ 19,085,520	\$ -	\$ -	\$ -	\$ 19,085,520
Investments	836,180	-	-	-	836,180
Receivables, net	5,701,223	353,534	-	-	6,054,757
Advances	22,692	14,793	-	4,482	41,967
Due from other funds	467,674	11,204,747	-	298,276	11,970,697
Other assets	1,351,783	-	-	-	1,351,783
Restricted assets:					
Cash and cash equivalents	15,793,610	-	-	-	15,793,610
Investments	2,796,501	-	18,286,167	-	21,082,668
Total assets	<u>\$ 46,055,183</u>	<u>\$ 11,573,074</u>	<u>\$ 18,286,167</u>	<u>\$ 302,758</u>	<u>\$ 76,217,182</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	1,794,120	3,297,553	\$ -	39,894	\$ 5,131,567
Accrued liabilities	462,707	1,927,812	-	-	2,390,519
Land acquisition payable	7,026,251	-	-	-	7,026,251
Due to other funds	11,503,023	467,674	-	-	11,970,697
Total liabilities	<u>20,786,101</u>	<u>5,693,039</u>	<u>-</u>	<u>39,894</u>	<u>26,519,034</u>
Fund balances:					
Nonspendable	2,172,225	14,793	18,286,167	4,482	20,477,667
Restricted	18,590,111	6,243,721	-	258,382	25,092,214
Unassigned:					
General fund	4,506,746	-	-	-	4,506,746
Grant assistance fund	-	(378,479)	-	-	(378,479)
Total fund balances	<u>25,269,082</u>	<u>5,880,035</u>	<u>18,286,167</u>	<u>262,864</u>	<u>49,698,148</u>
Total liabilities and fund balances	<u>\$ 46,055,183</u>	<u>\$ 11,573,074</u>	<u>\$ 18,286,167</u>	<u>\$ 302,758</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, are not reported in the funds 48,825,093

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

 Long-term obligations (5,061,421)

 Compensated absences (1,288,917)

(6,350,338)

Net position of governmental activities \$ 92,172,903

State of Chuuk
Federated States of Micronesia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2024

	General Fund	Special Revenue	Permanent		Total
		Grant Assistance Fund	Compact Trust	Other Gov't Funds	
Revenues:					
Compact funding	\$ -	\$ 34,548,286	\$ -	\$ -	\$ 34,548,286
Net change in the fair value of investments	883,146	-	2,667,307	-	3,550,453
Federal contributions and other grants	-	1,981,613	-	-	1,981,613
FSM revenue sharing	18,916,032	-	-	-	18,916,032
State taxes	6,209,761	-	-	-	6,209,761
Fees and charges	1,545,636	-	-	418,520	1,964,156
Other	2,548,021	-	-	-	2,548,021
Total revenues	<u>30,102,596</u>	<u>36,529,899</u>	<u>2,667,307</u>	<u>418,520</u>	<u>69,718,322</u>
Expenditures:					
Current:					
General government	5,987,295	832,485	-	-	6,819,780
Health services	233,669	10,818,116	-	505,033	11,556,818
Education	-	16,366,552	-	-	16,366,552
Economic development	660,469	3,507	-	-	663,976
Public safety	1,623,025	140,540	-	-	1,763,565
Public works and transportation	1,353,285	79,213	-	21,246	1,453,744
Community affairs	227,311	-	-	-	227,311
Boards, commissions and other	2,540,008	769,086	-	-	3,309,094
Judiciary	439,662	-	-	-	439,662
Payments to component units	136,945	10,602	-	-	147,547
Municipal affairs	1,405,149	-	-	-	1,405,149
Capital projects	-	4,391,932	-	-	4,391,932
Debt service	2,151,046	-	-	-	2,151,046
Total expenditures	<u>16,757,864</u>	<u>33,412,033</u>	<u>-</u>	<u>526,279</u>	<u>50,696,176</u>
Excess (deficiency) of revenues over (under) expenditures	<u>13,344,732</u>	<u>3,117,866</u>	<u>2,667,307</u>	<u>(107,759)</u>	<u>19,022,146</u>
Other financing sources (uses):					
Operating transfer in	12,519	-	-	-	12,519
Operating transfer out	-	(12,519)	-	-	(12,519)
Net change in fund balances	<u>13,357,251</u>	<u>3,105,347</u>	<u>2,667,307</u>	<u>(107,759)</u>	<u>19,022,146</u>
Fund balances at the beginning of the year, as previously reported	<u>12,518,256</u>	<u>2,774,688</u>	<u>20,216,915</u>	<u>403,904</u>	<u>35,913,763</u>
Prior period adjustments	(606,425)	-	(4,598,055)	(33,281)	(5,237,761)
Fund balances at the beginning of the year, as restated	<u>11,911,831</u>	<u>2,774,688</u>	<u>15,618,860</u>	<u>370,623</u>	<u>30,676,002</u>
Fund balances at the end of the year	<u>\$ 25,269,082</u>	<u>\$ 5,880,035</u>	<u>\$ 18,286,167</u>	<u>\$ 262,864</u>	<u>\$ 49,698,148</u>

See accompanying notes.

State of Chuuk
Federated States of Micronesia

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

Year Ended September 30, 2024

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

Net change in fund balances - total governmental funds	\$19,022,146
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which net capital outlays and deletion of \$4,237,792 exceeded depreciation (\$1,597,805) in the current period

	2,639,987
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The incurrence of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. For the current year, this amount consists of:

Repayment of ADB loans	427,959
Loss on currency re-evaluation of SDR	(149,635)

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:

Change in compensated absences	(49,869)
Change in net position of governmental activities	<u>\$21,890,588</u>

State of Chuuk
Federated States of Micronesia
Combining Statement of Net Position
Component Units
September 30, 2024

<u>ASSETS</u>	Chuuk State Health Care Plan	Chuuk Public Utility Corporation	Chuuk State Housing Authority	Total
Current assets:				
Cash and cash equivalents	\$ 2,165,481	1,552,664	\$ 173,617	\$ 3,891,762
Time certificates of deposit	100,000	-	-	100,000
Investments	1,139,681	-	-	1,139,681
Receivables, net	319,188	1,171,142	23,790	1,514,120
Prepaid expense	-	665,180	10,991	676,171
Inventories	-	1,040,461	-	1,040,461
Total current assets	3,724,350	4,429,447	208,398	8,362,195
Noncurrent assets:				
Deposits	-	499,423	-	499,423
Advance receivable	200,000	-	-	200,000
Lease asset, net of accumulated amortization	-	993,190	-	993,190
Intangible assets, net	4,250	-	-	4,250
Capital assets:				
Nondepreciable capital assets	-	1,035,974	-	1,035,974
Capital assets, net of accumulated depreciation	63,254	19,168,746	(6,385)	19,225,615
Total assets	\$ 3,991,854	\$ 26,126,780	\$ 202,013	\$ 30,320,647
<u>LIABILITIES AND NET POSITION</u>				
Current liabilities:				
Current portion of long-term debt	\$ -	352,358	\$ -	\$ 352,358
Compensated absence payable	-	72,590	-	72,590
Lease liability, current portion	-	110,212	-	110,212
Accounts payable	49,727	13,040	112,799	175,566
Accrued liabilities	-	395,588	74,885	470,473
Unearned income	-	121,515	-	121,515
Total current liabilities	49,727	1,065,303	187,684	1,302,714
Noncurrent liabilities:				
Accrued annual leave, net of current portion	-	-	-	-
Lease liability, long-term portion	-	11,293	-	11,293
Noncurrent portion of long-term debt	-	2,428,120	-	2,428,120
Total liabilities	49,727	3,504,716	187,684	3,742,127
Net position:				
Net investment in capital assets	63,254	18,295,927	-	18,359,181
Restricted	3,878,873	499,423	14,329	4,392,625
Unrestricted	-	3,826,714	-	3,826,714
Total net position	3,942,127	22,622,064	14,329	26,578,520
Total liabilities and net position	\$ 3,991,854	\$ 26,126,780	\$ 202,013	\$ 30,320,647

See accompanying notes.

State of Chuuk
Federated States of Micronesia

Combining Statement of Revenues, Expenses, and Changes in Net Position
Component Units

Year Ended September 30, 2024

	Chuuk State Health Care Plan	Chuuk Public Utility Corporation	Chuuk State Housing Authority	Total
Operating revenues:				
Charges for services	\$ 1,896,056	\$ 8,905,358	\$ -	\$ 10,801,414
Other	183,164	25,907	6,503	215,574
Total operating revenues	<u>2,079,220</u>	<u>8,931,265</u>	<u>6,503</u>	<u>11,016,988</u>
Operating expenses:				
Cost of services	1,728,383	4,746,741		6,475,124
Depreciation	-	1,975,427	-	1,975,427
Administration and general	358,062	2,960,474	12,751	3,331,287
Total operating expenses	<u>2,086,445</u>	<u>9,682,642</u>	<u>12,751</u>	<u>11,781,838</u>
Operating (loss) income	<u>(7,225)</u>	<u>(751,377)</u>	<u>(6,248)</u>	<u>(764,850)</u>
Nonoperating revenues (expenses):				
Other income	20,200	71,276	-	91,476
Net changes in fair value of investment	163,133	-		163,133
ADB grant expense	-	(3,103,797)	-	(3,103,797)
Interest expense	-	(112,066)		(112,066)
Operating grants	-	3,103,797	-	3,103,797
Total nonoperating revenues (loss), net	<u>183,333</u>	<u>(40,790)</u>	<u>-</u>	<u>142,543</u>
Net income (loss) before capital contributions	176,108	(792,167)	(6,248)	(622,307)
Capital contributions	-	332,076	-	332,076
Change in net position	<u>176,108</u>	<u>(460,091)</u>	<u>(6,248)</u>	<u>(290,231)</u>
Net position at the beginning of the year, as previously stated	3,766,019	23,029,628	20,577	26,816,224
Prior Period Adjustment	-	52,527	-	52,527
Net position at the beginning of the year, as restated	<u>3,766,019</u>	<u>23,082,155</u>	<u>20,577</u>	<u>26,868,751</u>
Net position at the end of the year	<u>\$ 3,942,127</u>	<u>\$ 22,622,064</u>	<u>\$ 14,329</u>	<u>\$ 26,578,520</u>

See accompanying notes.

State of Chuuk
Federated States of Micronesia

Notes to Financial Statements

Year ended September 30, 2024

1. Summary of Significant Accounting Policies

The State of Chuuk (the State) was constituted on October 1, 1984, under the provisions of the Chuuk State Constitution (the Constitution) as approved by the people of Chuuk. 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 State's significant accounting policies are described below.

Reporting Entity

The State is one of the four states that make up the Federated States of Micronesia (FSM), along with the states of Kosrae, Pohnpei and Yap. The State is a constitutional government comprised of three branches: the Legislative Branch, consisting of the Senate (10 members elected for a term of four years by qualified voters of their respective election districts with the President of the Senate as its highest officer) and the House of Representatives (28 members elected for a term of two years by qualified voters of their respective election districts with the Speaker as its highest officer); 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 four Associate Justices, such inferior courts that may be created by law, and the municipal courts.

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 Chuuk
Federated States of Micronesia

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

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:

Chuuk State Housing Authority (CSHA): CSHA was created by Chuuk State Law (CSL) No. 3-30 and is responsible for monitoring the U.S. Department of Housing and Urban Development Section 8 and CDBG housing renovation loan programs. Additionally, CSHA monitors the GLF loan fund of the State which provides low cost housing loans to the general public. CSHA is governed by a five-member Board of Directors appointed by the Governor subject to the advice and consent of the Legislature. The State has the ability to impose its will on CSHA.

Chuuk Public Utility Corporation (CPUC): CPUC was created by CSL No. 3-97-05 and is responsible for providing electrical services to the public through the operation and the maintenance of the State's electrical power system. CPUC is governed by a five-member Board of Directors appointed by the Governor subject to the advice and consent of the Legislature. The State has the ability to impose its will on CPUC.

Chuuk State Health Care Plan (CSHCP): CSHCP was established under CSL No. 2-94-06 for the purpose of establishing a financial system to provide universal coverage of an essential level of health care for all eligible enrollees and to create a means for collection of health care premiums for additional coverage. The State has the ability to impose its will on CSHCP.

State of Chuuk
Federated States of Micronesia

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Reporting Entity, continued

Discretely Presented Component Units, continued

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 760
Weno, Chuuk, FSM 96942

Omitted Governmental Funds

The following funds are considered to be nonmajor governmental funds of the State but are not included in the accompanying basic financial statements due to absence of account balances and financial activities. The omission of these funds is not considered material to either the nonmajor other governmental funds or the governmental activities reporting units:

Development Authorities - The Northern Namoneas Economic Development Authority, the Southern Namoneas Development Authority, the Inner Faichuk Social and Economic Development Authority, the Outer Faichuk Development Authority, the Faichuk Transportation and Economic Development Authority, the Hall Islands Economic Development Authority, the Pattiw Islands Development Authority, and the Witto Resources and Development Authority. These development authorities were established to identify the development needs and promote economic development within the various municipalities, in coordination and cooperation with the State and the FSM National Government.

Chuuk Visitors Bureau (CVB) Fund - This fund was created by CSL No. 6-39 and is responsible for improving and developing the State's tourism industry. CVB is governed by a nine-member Board of Directors, five of whom are appointed by the Governor subject to the advice and consent of the Legislature and the remaining four of whom are appointed by the President and Speaker of the Legislature.

Representation Fund: This fund was established under CSL No. 3-95-09 for the use of members of the State Legislature to provide assistance to constituents' legitimate emergencies, educational, and civic needs not met by other appropriations.

Chuuk State Legislature Entertainment Fund: This fund was established under Title 21, Section 751 of the Truk District Code (TDC), for the use by the Legislature to entertain guests or other distinguished persons living in or visiting the State.

State of Chuuk
Federated States of Micronesia

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Reporting Entity, continued

Omitted Governmental Funds, continued

Legislature Emergency Fund: This fund was established under Truk District Law (TDL) No. 21-1 to defray salaries of personnel of the Legislature and office expenses of the Legislature during a period of time between the close of a fiscal year and the signing into law of an appropriation for salaries and expenses of the Legislature office and staff for the next succeeding fiscal year.

Chuuk State Travel Fund: This fund was established under TDL No. 22-27 to enable members of the Legislature, Magistrates of municipalities, members of municipal councils, and other leaders in the State to travel outside of the State for the purposes of attending functions prescribed by the enabling legislation.

Association of Pacific Island Legislatures Fund: This fund was established under TDL No. 24-9 for the purpose of funding donations or membership fees to the Association of Pacific Island Legislatures.

Municipal Operations and Projects Fund: This fund was established under TDL No. 25-23 for the purpose of funding operational expenses of municipalities in the State, and providing funds for municipal projects and programs.

Fire Disaster Relief Fund: This fund was established under 7 TDC Section 51 for the purpose of providing relief to persons suffering loss or damage to homes or furnishings as a result of accidental fires.

Economic Development Loan Fund: This fund was established under 13 TDC Section 1 for the purpose of providing loans to any private citizen of the State or any Chuukese corporation or cooperative, wishing to begin, operate, or improve business operations in the State.

Chuuk Farmers', Fishermen's, and Handicrafts Fair Fund: This fund was established under TDL No. 23-28 for the purpose of paying for supplies, materials, prizes and other expenses incurred in the preparation for and holding of the Chuuk Farmers', Fishermen and Handicrafts Fair.

Chuuk State Local Farmers Revolving Fund: This fund was established under TDL No. 21-25 for the purpose of purchasing agricultural supplies, livestock, feeds, assorted tools and other materials, for the use of local farmers in the State.

State of Chuuk
Federated States of Micronesia

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Reporting Entity, continued

Omitted Governmental Funds, continued

Chuuk State Hospital Transportation Fund: This fund was established under TDL No. 22-32 for the purpose of transporting patients of the State, who require periodic medical treatment and care, to the Chuuk State Hospital, to provide return transportation to their homes after treatment at the Chuuk State Hospital, and to provide for each of these patients a one dollar and fifty cents (\$1.50) noon meal during such travel, treatment and care.

Omitted Component Units

The following component units have been omitted from the basic financial statements due to the lack of available financial information. The omission of these component units is not considered material to the aggregate discretely presented component unit reporting unit:

Chuuk State Coconut Authority (CSCA): CSCA was created by TSL No. 1-1-12 and is responsible for the manufacturing, processing, buying, collecting, marketing, selling, exporting and dealing with, in general, all products derived from the coconut tree. CSCA is governed by a five-member Board of Directors appointed by the Governor subject to the advice and consent of the Legislature. The State has the ability to impose its will on CSCA.

Chuuk Public Fisheries Corporation (CPFC): CPFC was created by CSL No. 5-99-22 and is responsible for promoting the development of pelagic fisheries and related industries for the economic benefit of the people of the State. CPFC is governed by a five-member Board of Directors, which comprises of the Director of the Department of Marine Resources, the Director of the Department of Commerce and Industry, one member who is appointed by the Governor representing the Chamber of Commerce, and two members who are appointed by the President and the Speaker. The State has the ability to impose its will on CPFC.

Government-Wide Financial Statements

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

State of Chuuk
Federated States of Micronesia

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Government-Wide Financial Statements, continued

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

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

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

State of Chuuk
Federated States of Micronesia

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Government-Wide Financial Statements, continued

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

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.

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements:

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

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

State of Chuuk
Federated States of Micronesia

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Measurement Focus and Basis of Accounting, continued

Governmental Fund Financial Statements:

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

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

Component Unit Financial Statements:

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

State of Chuuk
Federated States of Micronesia

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Measurement Focus and Basis of Accounting, continued

Fund Accounting:

GASB 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.

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.

Prepaid Items

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

State of Chuuk
Federated States of Micronesia

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Investments

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

The State also participates in two external investment pools. The external investment pools are (1) the Trust Fund for the People of the Federated States of Micronesia and (2) the Federated States of Micronesia Early Retirement Program. Investments in external investment pools are recorded at fair value. The State cannot directly access individual investments in external investment pools.

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

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 primarily from FSM National Government administered federal grants, which have yet to be reimbursed by the applicable grantor.

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

Inventories

Inventories of the discretely presented component units are valued at the lower of cost (FIFO) or market.

State of Chuuk
Federated States of Micronesia

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Interfund Receivables/Payables

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

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

Restricted Assets

Certain assets of the primary government are classified as restricted assets because their use is completely restricted through loan agreements or enabling legislation. Specifically, the State has collateralized Asian Development Bank loan proceeds and earnings for the Chuuk State Early Retirement Scheme with investments recorded in the General Fund of \$2,796,501. Furthermore, investments recorded in the Compact Trust Fund of \$18,286,167 are restricted in that they are not available to be used in current operations.

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

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	\$ 2,841,342
Deposit account established for the purpose of federal grants program activities	2,686,711
Deposit accounts established for the purpose of receiving payments pursuant to the Compact of Free Association, as amended	<u>10,265,557</u>
	<u>\$15,793,610</u>

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.

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.

State of Chuuk
Federated States of Micronesia

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Other Assets

The State holds approximately 3.3% of the outstanding shares of Pacific Islands Development Bank with a carrying value of \$1,051,783 and 7% of the outstanding shares of the FSM Development Bank with a carrying value of \$300,000. These equity interests do not meet the definition of an investment as the assets are held primarily for economic development and are presented as other assets in the accompanying financial statements.

Capital Assets

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

Singular pieces of machinery and equipment, other than vehicles, that equal or exceed \$50,000 are capitalized. Buildings and infrastructure projects with a cost that equals or exceeds \$100,000 are capitalized. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend asset lives are not capitalized.

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

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

State of Chuuk
Federated States of Micronesia

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Compensated Absences

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

Unearned Revenues/Due to Grantor

In the government-wide financial statements, unearned revenue is recognized when cash, receivables or other assets are recorded prior to their being earned. In the governmental fund financial statements, unearned revenue represents monies received which have not been earned or do not meet the "available" criterion for revenue recognition under the modified accrual basis of accounting.

The amounts recorded as unearned revenues in the government-wide financial statements and the governmental fund financial statements has primarily resulted as funds are received in advance of eligible expenditures.

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.

State of Chuuk
Federated States of Micronesia

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Fund Balance, continued

- Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed.
- Unassigned - includes negative fund balances in other governmental funds.

The State has a general policy to first use restricted resources for expenditures incurred for which both restricted and unrestricted (committed, assigned, and unassigned) resources are available. When expenditures are incurred for which only unrestricted resources are available, the general policy of the State is to use committed resources first, followed by assigned, and then unassigned. The use of restricted/committed resources may be deferred based on a review of the specific transaction.

A formal minimum fund balance policy has not been adopted.

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.

Recently Adopted Accounting Pronouncements

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. This Statement contains guidance whose effective dates are in future periods:

- Modifies guidance in GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, to bring all guarantees under the same financial reporting requirements and disclosures effective for fiscal year ended September 30, 2024. This implementation did not have a material effect on the accompanying financial statements.

State of Chuuk
Federated States of Micronesia

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncements, continued

- Provides guidance on classification and reporting of derivative instruments within the scope of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective for fiscal year ended September 30, 2024. This implementation did not have a material effect on the accompanying financial statements.

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 will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will 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.

Upcoming Accounting Standards

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.

State of Chuuk
Federated States of Micronesia

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Upcoming Accounting Standards, continued

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The primary objective of this Statement is to provide users of the government financial statements with essential or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 102 will be effective for fiscal year ending September 30, 2025.

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

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

State of Chuuk
Federated States of Micronesia

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Upcoming Accounting Standards, continued

In December 2025, GASB issued Statement No. 105, *Subsequent Events*. The objective of this statement is to provide guidance designed to improve the financial reporting requirements and enhance consistency in the application of those requirements for subsequent events. The statement defines subsequent events as transactions or other events that occur after the date of the financial reporting statements but before the date the financial statements are available to be issued. The definition of subsequent events in the statement modifies the subsequent events time frame throughout GASB literature. Statement No. 105 also clarifies types of subsequent events, when note disclosures are required, and information that should be included in those disclosures. GASB Statement No. 105 will be effective for fiscal year ending September 30, 2027.

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

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.

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, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

State of Chuuk
Federated States of Micronesia

Notes to Financial Statements, continued

1. Summary of Significant Accounting Policies, continued

Total Columns

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

2. Deposits and Investments

The deposit and investment policies of the State are governed by 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, bankers acceptances, certificates of deposit, commercial paper and repurchase agreements using any of the foregoing as collateral. The following restrictions apply: (1) Commercial paper must be rated A-1/P-1 or higher by Standard & Poor 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%.

State of Chuuk
Federated States of Micronesia

Notes to Financial Statements, continued

2. Deposits and Investments, continued

- ii. Stocks - A "B" 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.

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 500 Index, unless prior approval is received from the Secretary of Finance.

The Secretary of Finance and Administration 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 Chuuk 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.

State of Chuuk
Federated States of Micronesia

Notes to Financial Statements, continued

2. Deposits and Investments, continued

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 or foreign currency risk.

As of September 30, 2024, the carrying amount of the primary government's total deposits was \$34,879,130 and the corresponding bank balances was \$37,751,076, which are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2024, bank deposits in the amount of \$500,000 were FDIC insured. The State does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

As of September 30, 2024, the carrying amount of the discretely presented component units' deposits was \$3,991,762 and the corresponding bank balances were \$4,110,484, which are maintained in financial institutions subject to FDIC insurance. As of September 30, 2024, bank deposits in the amount of \$923,617 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.

Primary Government

Investments

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

General Fund:

Investment in an external investment pool	\$2,796,501
Domestic equities – Bank of the Federated States of Micronesia	797,750
Cash management account	<u>38,430</u>
	<u>\$3,632,681</u>

The States's General Fund includes an investment in an external investment pool; Federated States of Micronesia-Early Retirement Program Trust Fund. The purpose of the Early Retirement Program Trust Fund is to have monies in an investment account whereby withdrawals can be made to repay amounts owed to the Asian Development Bank.

State of Chuuk
Federated States of Micronesia

Notes to Financial Statements, continued

2. Deposits and Investments, continued

Primary Government, continued

Investments, continued

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

Compact Trust Fund:

Investment in an external investment pool	\$18,286,167
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The States's Compact Trust Fund includes an investment in an external investment pool; Trust Fund for the People of the Federated States of Micronesia. The purpose of the Fund is to contribute to the economic advancement and long-term self-reliance of the FSM by providing an annual source of revenue after fiscal year 2024.

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

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

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

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, the State will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The State's investments are held and administered by trustees. Based on negotiated trust and custody contracts, all of these investments were held in the State's name by the State's custodial financial institutions at September 30, 2024.

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. As of September 30, 2024, the State did not have any investments in a single issuer that represented 5% or more of the investments of the State.

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

State of Chuuk
Federated States of Micronesia

Notes to Financial Statements, continued

2. Deposits and Investments, continued

Investments, continued

Primary Government, continued

The State owns 25,000 shares of the outstanding common stock of the Bank of the Federated States of Micronesia, which engages in commercial banking services in the FSM. 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 has the following recurring fair value measurements as of September 30, 2024:

General Fund:

	Fair Value Hierarchy			
	Total	Level 1	Level 2	Level 3
Investments in an external investment pool by fair value level	\$2,796,501	\$ <u>2,796,501</u>	\$ <u>---</u>	\$ <u>---</u>
Investments measured at NAV:				
Investment in the Bank of the FSM (3% ownership)	797,750			
Investments measured at amortized cost:				
Cash management account	<u>38,430</u>			
	<u>\$3,632,681</u>			

Compact Trust Fund:

	Fair Value Hierarchy			
	Total	Level 1	Level 2	Level 3
Investments in an external investment pool by fair value level	\$14,592,188	\$ <u>8,805,889</u>	\$ <u>5,770,541</u>	\$ <u>15,758</u>
Investments in an external investment pool measured at NAV	3,689,503			
Investments in an external investment pool at amortized cost	<u>4,476</u>			
	<u>\$18,286,167</u>			

Discretely Presented Component Units

As of September 30, 2024, investments comprise the following:

Chuuk State Health Care Plan (CSHCP):

Common stock	\$ 703,699
Exchange Traded Funds	428,308
Real estate and intangibles	<u>7,674</u>
	<u>\$ 1,139,681</u>

State of Chuuk
Federated States of Micronesia

Notes to Financial Statements, continued

2. Deposits and Investments, continued

Investments, continued

Discretely Presented Component Units, continued

As of September 30, 2024, the Plan's investments recorded at fair value were as follows:

	Fair Value Hierarchy			
		Level 1	Level 2	Level 3
Investments by fair value level:				
Exchange Traded Funds	\$ 428,308	\$ 428,308	\$ ---	\$ ---
Common stock	703,699	703,699	---	---
Real estate and intangibles	<u>7,674</u>	<u>---</u>	<u>---</u>	<u>7,674</u>
Total investments	<u>\$1,139,681</u>	<u>\$1,132,007</u>	<u>\$---</u>	<u>\$7,674</u>

3. Receivables and Advances

Primary Government

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

	General	Grants Assistance	Compact Trust	Other Governmental Funds	Total
Receivables and advances:					
General receivable	\$6,955,499	\$ 989,347	\$ ---	\$ ---	\$7,944,846
Advances	<u>255,969</u>	<u>188,454</u>	<u>---</u>	<u>24,354</u>	<u>468,777</u>
	7,211,468	1,177,801	---	24,354	8,413,623
Less allowance for uncollectible accounts	<u>(1,487,553)</u>	<u>(809,474)</u>	<u>---</u>	<u>(19,872)</u>	<u>(2,316,899)</u>
Net receivables	<u>\$5,723,915</u>	<u>\$ 368,327</u>	<u>\$---</u>	<u>\$ 4,482</u>	<u>\$6,096,724</u>

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

State of Chuuk
Federated States of Micronesia

Notes to Financial Statements, continued

3. Receivables and Advances, continued

Discretely Presented Component Units

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

	Chuuk State Health Care Plan	Chuuk Public Utility Corporation	Chuuk State Housing Authority	Total
Receivables:				
General	\$ 513,842	\$ 969,431	\$ 1,717,796	\$ 3,201,069
Grantor	---	617,338	---	617,338
Other	<u>200,000</u>	<u>20,898</u>	<u>---</u>	<u>220,898</u>
	713,842	1,607,667	1,717,796	4,039,305
Allowance for uncollectible accounts	(<u>194,654</u>)	(<u>436,525</u>)	(<u>1,694,006</u>)	(<u>2,325,185</u>)
	<u>\$ 519,188</u>	<u>\$ 1,171,142</u>	<u>\$ 23,790</u>	<u>\$ 1,714,120</u>

4. Interfund Receivables and Payables

Receivables and payables between funds reflected as due to/from other funds in the combined balance sheet at September 30, 2024, are summarized as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Grants Assistance	General	\$11,204,747
General	Grants Assistance	467,674
Other Governmental Funds	General	<u>298,276</u>
		<u>\$11,970,697</u>

State of Chuuk
Federated States of Micronesia

Notes to Financial Statements, continued

5. Capital Assets

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

Primary Government

	Balance October <u>1, 2023</u>	<u>Additions</u>	Retirements/ <u>Adjustments</u>	Balance September <u>30, 2024</u>
Governmental activities:				
Depreciable assets:				
Airport facilities	\$ 38,107,415	\$ ---	\$ ---	\$ 38,107,415
Buildings	27,489,276	1,497,096	---	28,986,372
Seaport facilities	26,517,208	---	---	26,517,208
Vehicles and other equipment	7,759,581	523,456	(374,112)	7,908,925
Infrastructure	<u>14,835,315</u>	<u>---</u>	<u>---</u>	<u>14,835,315</u>
	<u>114,708,795</u>	<u>2,020,552</u>	<u>(374,112)</u>	<u>116,355,235</u>
Less accumulated depreciation for:				
Airport facilities	(36,182,039)	(87,517)	---	(36,269,556)
Buildings	(10,725,744)	(641,276)	---	(11,367,020)
Seaport facilities	(26,517,207)	---	---	(26,517,207)
Vehicles and other equipment	(4,215,095)	(869,012)	374,112	(4,709,995)
Infrastructure	<u>(14,835,315)</u>	<u>---</u>	<u>---</u>	<u>(14,835,315)</u>
	<u>(92,475,400)</u>	<u>(1,597,805)</u>	<u>374,112</u>	<u>(93,699,093)</u>
	<u>22,233,395</u>	<u>422,747</u>	<u>---</u>	<u>22,656,142</u>
Nondepreciable assets:				
Construction in Progress	2,948,250	3,403,164	(1,185,924)	5,165,490
Land	<u>21,003,461</u>	<u>---</u>	<u>---</u>	<u>21,003,461</u>
	<u>23,951,711</u>	<u>3,403,164</u>	<u>(1,185,924)</u>	<u>26,168,951</u>
	<u>\$ 46,185,106</u>	<u>\$3,825,911</u>	<u>\$(1,185,924)</u>	<u>\$ 48,825,093</u>

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

General government	\$ 744,454
Health services	420,851
Education	397,414
Public safety	17,649
Public works and transportation	<u>17,437</u>
	<u>\$ 1,597,805</u>

State of Chuuk
Federated States of Micronesia

Notes to Financial Statements, continued

5. Capital Assets, continued

Discretely Presented Component Units

	Balance October 1, 2023	Additions	Retirements	Balance September 30, 2024
Depreciable assets:				
Buildings	\$ 439,432	\$ ---	\$ ---	\$ 439,432
Utility plant	41,984,832	607,529	---	42,592,361
Machinery, equipment, others	386,218	---	---	386,218
Less accumulated depreciation	(22,271,205)	(1,921,191)	---	(24,192,396)
	<u>20,539,277</u>	<u>(1,313,662)</u>	<u>---</u>	<u>19,225,615</u>
Nondepreciable assets:				
Construction work-in-progress	<u>512,702</u>	<u>1,016,271</u>	<u>(492,999)</u>	<u>1,035,974</u>
Lease assets	1,144,581	169,237	---	1,313,818
Less accumulated depreciation	(266,392)	(54,236)	---	(320,628)
	<u>878,189</u>	<u>115,001</u>	<u>---</u>	<u>993,190</u>
	<u>\$ 21,930,168</u>	<u>\$(182,390)</u>	<u>\$(492,999)</u>	<u>\$ 21,254,779</u>

6. Long-Term Obligations

Primary Government

The State implemented an Early Retirement Scheme (ERS) in which employees holding certain nonessential positions as identified by the State were retired early with a payout of the equivalent of two-years' wages. This ERS program is funded by a \$5,300,000 loan from the Asian Development Bank (ADB) (Loan Number 1520 (SF)) through the FSM National Government. The loan is 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.

State of Chuuk
Federated States of Micronesia

Notes to Financial Statements, continued

6. Long-Term Obligations, continued

Primary Government, continued

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 appropriated funds into the ERS Trust Account. These funds had not been deposited to the Trust Account as of September 30, 2024. As of September 30, 2024, the amount outstanding against this loan was \$2,761,015. Of the required \$5,300,000 identified for future debt service payments, \$2,796,501 is deposited in an investment account held jointly with the FSM National Government. That investment account is restricted for the repayment of this debt and other ADB related debt set forth below.

The State also entered into an agreement with the FSM National Government to borrow a portion of the proceeds of the FSM National Government Program Loans with ADB (Loan Number 1873 (SF) and Loan Number 1874 FSM (SF)) for the purpose of promoting private sector development in Chuuk, with interest at 1% to 1.5% per annum. Principal payments shall be made in 32 equal semi-annual payments with the first payment due on May 15, 2010 and the last payment on November 15, 2025. As of September 30, 2024, the related principal balances were \$55,857 and \$405,623, respectively.

On December 21, 2010, the Chuuk Public Utilities Corporation (CPUC) and the State agreed through memorandum of understanding to offset certain claims and transferred certain debt between CPUC and the State. The transferred debt was the FSM National Government Program Loan with ADB (Loan Number 1459 (SF)), totaling \$3,868,102, for water wells and electric construction purposes, with interest at 1% to 1.5% per annum. Principal payments shall be made semiannually commencing August 1, 2007, with a maturity date of August 1, 2036. As of September 30, 2024, the balance payable on this loan amounted to \$1,838,926.

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

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 445,606	\$ 39,057	\$ 484,663
2026	426,982	35,473	462,455
2027	408,366	32,095	440,461
2028	408,366	28,924	437,290
2029	408,366	25,753	434,119
2030 - 2034	2,020,486	81,195	2,101,681
2035 - 2037	<u>943,249</u>	<u>12,789</u>	<u>956,038</u>
	<u>\$ 5,061,421</u>	<u>\$ 255,286</u>	<u>\$ 5,316,707</u>

State of Chuuk
Federated States of Micronesia

Notes to Financial Statements, continued

6. Long-Term Obligations, continued

Discretely Presented Component Units

Chuuk Public Utility Corporation:

Loan payable to the State, facilitated by an ADB loan (Loan Number 2099-FSM) to the FSM National Government, original amount of \$1,800,000 due in semi-annual installments of \$85,883 from January 15, 2013 to July 15, 2036. Interest is payable at 1% per annum during the grace period and at 1.5% per annum thereafter. Proceeds were used for infrastructure projects: power distribution upgrades, decommissioning and environmental remediation of the existing power station, and institutional strengthening. \$ 1,268,820

Loan payable to the State, facilitated by an ADB loan (Loan Number 2100-FSM) to the FSM National Government, original amount of \$2,800,000, due in semi-annual installments of varying amounts through January 15, 2020. Interest is payable at LIBOR plus 0.6% per annum (2.3% at September 30, 2024). Proceeds were used for the purchase of two generator sets and related costs. 1,511,658

2,780,478

Less current portion 352,358

\$ 2,428,120

ADB loans include particular covenants, (1) the borrower shall cause the states and CPUC to carry out the project with due diligence and efficiency and in conformity with sound administrative, financial, engineering, environmental and public utility practices; (2) The borrower shall take, or cause the respective states to take action necessary to enable CPUC to perform its obligations under the relevant project implementation agreement, and shall not permit any action which would interfere with the performance of such obligations.

FSMDB loan contains a provision that in an event of default, the note and any other liabilities may, at the option of lender and without demand or notice of any kind, be declared immediately due and payable. Lenders may exercise from time to time any rights and remedies available to it as a secured party under the laws of the FSM or the State in which the mortgaged property, the borrowers or the lenders reside or may be found in at the time the action accrues. Management believes that CPUC is in compliance with all covenants as of and for the year ended September 30, 2024, and no event of default has been declared by the lenders.

State of Chuuk
Federated States of Micronesia

Notes to Financial Statements, continued

6. Long-Term Obligations, continued

Discretely Presented Component Units, continued

Chuuk Public Utility Corporation, continued:

Principal payments for subsequent years ending September 30 and applicable interest due are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 352,358	\$ 61,053	\$ 413,411
2026	377,222	52,214	429,436
2027	405,446	42,601	448,047
2028	435,685	32,111	467,796
2029	469,621	20,679	490,300
2030-2034	528,675	29,263	557,938
2035-2036	<u>211,471</u>	<u>3,511</u>	<u>214,982</u>
	<u>\$ 2,780,478</u>	<u>\$ 241,432</u>	<u>\$ 3,021,910</u>

7. Changes in Long-Term Obligations

Primary Government

Long-term liabilities will be liquidated in the future from governmental funds. During the year ended September 30, 2024, 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 <u>1, 2023</u>	<u>Additions</u>	<u>Reductions</u>	SDR <u>Adjustments</u>	Balance September <u>30, 2024</u>	Due Within <u>One Year</u>
Loans payable:						
ADB loans:						
Loan 1459	\$1,933,424	\$ ---	\$(150,556)	\$56,058	\$1,838,926	\$153,261
Loan 1520	2,876,289	---	(193,181)	77,907	2,761,015	212,408
Loan 1873	90,340	---	(36,205)	1,722	55,857	37,240
Loan 1874	<u>439,692</u>	<u>---</u>	<u>(48,017)</u>	<u>13,948</u>	<u>405,623</u>	<u>42,697</u>
	5,339,745	---	(427,959)	149,635	5,061,421	445,606
Other:						
Compensated absences	<u>1,239,048</u>	<u>400,919</u>	<u>(351,050)</u>	<u>---</u>	<u>1,288,917</u>	<u>430,000</u>
	<u>\$6,578,793</u>	<u>\$400,919</u>	<u>\$(779,009)</u>	<u>\$149,635</u>	<u>\$6,350,338</u>	<u>\$875,606</u>

State of Chuuk
Federated States of Micronesia

Notes to Financial Statements, continued

7. Changes in Long-Term Obligations, continued

Primary Government, continued

When the ADB extends credit to a particular country, the loan is booked in Special Drawing Rights (SDRs) but the actual loan is delivered in the currency of the borrower, at the current exchange rate between the currency and the SDR. The value of the SDR is subject to periodic review by the International Monetary Fund, which may result in the recognition of a foreign exchange gain or loss. During the year ended September 30, 2024, the State recognized a foreign exchange loss of \$149,635 associated with valuation of the SDR and which resulted in an increase in ADB loans payable.

Discretely Presented Component Units

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

	Balance October <u>1, 2023</u>	<u>Additions</u>	<u>Reductions</u>	SDR <u>Adjustment</u>	Balance September <u>30, 2024</u>	Due Within <u>One Year</u>
Long-term debt	\$2,988,367	\$ 26,701	\$(269,519)	\$34,929	\$2,780,478	\$352,358
Lease liability	---	220,470	(98,965)	---	121,505	110,212
Annual leave	<u>83,659</u>	<u>1,765</u>	<u>(12,834)</u>	<u>---</u>	<u>72,590</u>	<u>72,590</u>
	<u>\$3,072,026</u>	<u>\$248,936</u>	<u>\$(381,318)</u>	<u>\$34,929</u>	<u>\$2,974,573</u>	<u>\$535,160</u>

8. 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:

	<u>General Fund</u>	<u>Assistance Fund</u>	<u>Trust Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Non-spendable:					
Advances receivable	\$ 22,692	\$ 14,793	\$ ---	\$ 41,967	\$ 79,452
FSM Development Bank	300,000	---	---	---	300,000
Pacific Islands Development Bank	1,051,783	---	---	---	1,051,783
Bank of the FSM	797,750	---	---	---	797,750
Permanent fund principal	---	---	18,286,167	---	18,286,167
Restricted:					
Debt service	2,796,501	---	---	---	2,796,501
Capital projects	2,841,342	2,266,806	---	---	5,108,148
General government	12,952,268	3,690,588	---	638	16,643,494
Health services	---	---	---	220,259	220,259
Other foreign assistance	---	286,327	---	---	286,327
Unassigned	<u>4,506,746</u>	<u>(378,479)</u>	<u>---</u>	<u>---</u>	<u>4,128,267</u>
	<u>\$25,269,082</u>	<u>\$5,880,035</u>	<u>\$18,286,167</u>	<u>\$262,864</u>	<u>\$49,698,148</u>

State of Chuuk
Federated States of Micronesia

Notes to Financial Statements, continued

9. Contingencies

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. The estimated accumulated amount of unused sick leave as of September 30, 2024 is \$4,380,424

Insurance Coverage

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

Encumbrances

The State utilizes encumbrance accounting to identify fund obligations. Encumbrances represent commitments related to unperformed contracts for goods. At September 30, 2024, the State has significant encumbrances summarized as follows:

<u>General</u>	<u>Grants Assistance</u>	<u>Compact Trust</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ <u>72,582</u>	\$ <u>17,080,019</u>	\$ <u>---</u>	\$ <u>20,827</u>	\$ <u>17,173,428</u>

Federal Grants

The State participates in a number of U.S. 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 U.S. Federal laws and guidelines have been followed.

Litigation

The State is a party to various legal proceedings in which the State’s Attorney General indicates that pending land lease cases and other related claims against the State exist at September 30, 2024 in an amount that is material to the financial statements. Due to an inability to predict the ultimate outcome of these matters, no provision for these liabilities has been made in the accompanying financial statements.

Delinquent Taxes

The State is delinquent in remitting certain social security and withholding taxes. Management is of the opinion that no significant penalties or interest will arise from this matter and that if any such changes occur, they will be accounted for prospectively.

State of Chuuk
Federated States of Micronesia

Notes to Financial Statements, continued

10. Budgetary Compliance

For the year ended September 30, 2024, significant over-expenditures exceeding appropriations within the General Fund were as follows:

Debt service	\$ 679,010
Municipal Affairs	537,150
Community Affairs	227,311
Economic Development	98,415

11. Land Lease and Related Claims

The State utilizes properties and facilities, owned by various third parties, to perform its government operations. As of September 30, 2024, the State has recorded \$7,026,251 land acquisition liability, carried over from prior years, to account for land leases and related claims payable resulting from use of the leased properties and facilities, but has not recorded an expenditure/expense for the current period change in that liability. These lease transactions however, are not supported by written contracts. Accordingly, the State could not determine the effects on its financial statements of adopting GASB Statement No. 87.

12. Prior Period Adjustment

Primary Government

After the issuance of the 2023 financial statements, management of the State determined that certain accounts were misstated.

Accordingly, beginning net position of governmental activities, beginning fund balance of the compact trust fund and the other governmental funds have been restated as follows:

Reporting Units Affected by Adjustments to and Restatements of Beginning Balances

	<u>General Fund</u>	<u>Compact Trust Fund</u>	<u>Other Governmental Funds</u>	<u>Government Wide Governmental Activities</u>
Net position/fund balance as previously reported September 30, 2023	\$12,518,256	\$20,216,915	\$403,904	\$75,520,076
Overstatement investment	---	(4,598,055)	---	(4,598,055)
Understatement of accounts payable	(606,425)	---	(33,281)	(639,706)
Subtotal	(606,425)	(4,598,055)	(33,281)	(5,237,761)
Net position/fund balance as restated September 30, 2023	<u>\$11,911,831</u>	<u>\$15,618,860</u>	<u>\$370,623</u>	<u>\$70,282,315</u>

State of Chuuk
Federated States of Micronesia

Notes to Financial Statements, continued

12. Prior Period Adjustment, continued

Primary Government, continued

	<u>General Fund</u>	<u>Compact Trust Fund</u>	<u>Other Governmental Funds</u>	<u>Government Wide Governmental Activities</u>
Change in net position/fund balance as previously reported, year ending September 30, 2023	\$ <u>11,236,381</u>	\$ <u>1,753,097</u>	\$ <u>48,846</u>	\$ <u>7,587,353</u>
Overstatement investment	---	(4,598,055)	---	(4,598,055)
Understatement of accounts payable	(<u>606,425</u>)	---	(<u>33,281</u>)	(<u>639,706</u>)
Subtotal	(<u>606,425</u>)	(<u>4,598,055</u>)	(<u>33,281</u>)	(<u>5,237,761</u>)
Change in net position/fund balance as restated, year ending September 30, 2023	\$ <u>10,629,956</u>	\$(<u>2,844,958</u>)	\$ <u>15,565</u>	\$ <u>2,349,592</u>

Discretely Presented Component Unit

After the issuance of 2023 financial statements, CPUC management determined that certain accounts did not comply with the requirements of GASB Statement No. 87. As a result, CPUC's 2023 financial statements were restated as follows:

Net position at beginning of year, as previously reported	\$ <u>23,029,628</u>
Increase in lease asset, net of \$266,392 accumulated amortization	878,189
Decrease in prepaid land leases	(774,429)
Increase in lease liability	(<u>51,233</u>)
	<u>52,527</u>
Net position at beginning of year, as restated	\$ <u>23,082,155</u>
Change in net position, as previously reported	\$ 609,408
Effect of restatements	<u>52,527</u>
Change in net position, as restated	\$ <u>556,881</u>

Required Supplementary Information -
Other Than Management's Discussion and Analysis

State of Chuuk
Federated States of Micronesia

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund

Year Ended September 30, 2024

	Budgeted Amounts		Actual - Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Local revenues	\$ 10,024,374	\$ 14,362,488	\$ 29,219,450	\$ 14,856,962
Net change in fair value of investments	-	-	883,146	883,146
Total revenues	10,024,374	14,362,488	30,102,596	15,740,108
Expenditures:				
Current:				
General government	4,973,370	6,463,180	6,060,857	402,323
Health	191,150	258,033	233,669	24,364
Economic development	473,413	561,543	659,958	(98,415)
Public safety	1,351,917	1,754,862	1,621,166	133,696
Public works and transportation	1,067,889	1,348,145	1,350,110	(1,965)
Community affairs	-	-	227,311	(227,311)
Boards and commissions	1,113,966	2,952,488	2,545,226	407,262
Judiciary	561,717	665,945	444,239	221,706
Payments to component units	68,089	135,428	136,945	(1,517)
Municipal affairs	420,000	862,769	1,399,919	(537,150)
Other	2,315	2,315	-	2,315
Debt service	-	1,472,036	2,151,046	(679,010)
Total expenditures	10,223,826	16,476,744	16,830,446	(353,702)
Excess (deficiency) of revenues over (under) expenditures	(199,452)	(2,114,256)	13,272,150	15,386,406
Other financing sources (uses)				
Operating transfer in	-	-	12,519	12,519
Net change in fund balances	(199,452)	(2,114,256)	13,284,669	15,398,925
Other changes in fund balances:				
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	-	-	72,582	72,582
Fund balance at the beginning of the year, as previously reported	12,518,256	12,518,256	12,518,256	-
Prior period adjustments	-	-	(606,425)	(606,425)
Fund balance at the beginning of the year, as restated	12,518,256	12,518,256	11,911,831	(606,425)
Fund balance at the end of the year	\$ 12,318,804	\$ 10,404,000	\$ 25,269,082	\$ 14,865,082

State of Chuuk
Federated States of Micronesia

Notes to Required Supplementary Information - Budgetary Reporting

September 30, 2024

1. Budgetary Information

The Governor shall submit an annual budget to the Legislature at a time prescribed by statute. The budget shall contain a complete plan of proposed expenditures, anticipated revenues, and other monies available to the State for the next fiscal year, and any additional information which the Legislature may require. The Legislature may alter all or any portion of the proposed budget.

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

Encumbrance accounting is employed in governmental funds. For budgetary purposes, the encumbrances (i.e., purchase orders, contracts) are considered expenditures when incurred. For 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. Budgetary Compliance

For the year ended September 30, 2024, significant over-expenditures exceeding appropriations within the General Fund were as follows:

Debt service	\$ 679,010
Municipal Affairs	537,150
Community Affairs	227,311
Economic Development	98,415

Supplementary and Other Information

State of Chuuk
Federated States of Micronesia

Combining Schedule of Expenditures by Account
Governmental Funds

Year Ended September 30, 2024

	<u>General Fund</u>	<u>Grant Assistance Fund</u>	<u>Compact Trust</u>	<u>Other Gov't Funds</u>	<u>Total</u>
Expenditures:					
Salaries and wages					
Regular	\$ 6,003,483	\$ 13,413,723	\$ -	\$ 28,686	\$ 19,445,892
Overtime	139,258	734,045	-	-	873,303
Fringe benefits	751,563	1,780,488	-	(775)	2,531,276
Non-personnel	-	496,016	-	-	496,016
Travel and transportation	1,434,127	261,883	-	61,890	1,757,900
Books and library materials	22,159	-	-	-	22,159
Communications	88,243	153,535	-	7,158	248,936
Dues, memberships, and subscriptions	615,660	270	-	-	615,930
Food stuffs	105,537	670,662	-	68,396	844,595
Freight and Port charges	298	27,634	-	316	28,248
Office supplies and materials	411,878	2,275,287	-	14,242	2,701,407
POL	360,214	599,637	-	83,632	1,043,483
Printing and reproduction	6,009	12,264	-	1,126	19,399
Rental services	47,255	87,732	-	17,043	152,030
Repairs and maintenance	79,411	484,831	-	2,741	566,983
Constructional materials	-	-	-	-	-
Utilities	693,004	1,238,204	-	2,787	1,933,995
Goods and services	1,533,641	27,516	-	31,977	1,593,134
Subsidies and contributions	5,000	342,517	-	-	347,517
Medical referrals	-	262,500	-	-	262,500
Medical supplies	-	1,032,903	-	127,447	1,160,350
Contractual services	684,284	6,820,530	-	67,800	7,572,614
Professional services	-	388,579	-	-	388,579
Housing allowance	121,067	59,209	-	-	180,276
Compensation non-payroll	-	42,866	-	-	42,866
Scholarships and allowances	-	309,545	-	-	309,545
Training	8,242	1,045,383	-	-	1,053,625
Official allowance	655,261	-	-	-	655,261
Meeting fees and allowance	1,819	4,060	-	-	5,879
Insurance	-	-	-	-	-
Leased housing, buildings and land	31,496	351,270	-	11,813	394,579
Equipment	33,018	193,743	-	-	226,761
Furniture and fixtures	-	-	-	-	-
Vehicles	80,145	287,684	-	-	367,829
Vessels	9,540	7,367	-	-	16,907
Land	-	-	-	-	-
Principal repayment	427,959	-	-	-	427,959
Interest payments	55,958	-	-	-	55,958
Loss on foreign exchange fluctuation	149,635	-	-	-	149,635
Debt relief payments	1,517,494	-	-	-	1,517,494
Write-off of Receivables	677,902	-	-	-	677,902
Miscellaneous	7,304	150	-	-	7,454
	<u>\$ 16,757,864</u>	<u>\$ 33,412,033</u>	<u>\$ -</u>	<u>\$ 526,279</u>	<u>\$ 50,696,176</u>

State of Chuuk
Federated States of Micronesia

Statement of Revenues, Expenditures by Function, and Changes in Fund Balances
General Fund

Year Ended September 30, 2024
(with comparative totals for the year ended September 30, 2023)

	2024	2023
Revenues:		
FSM revenue sharing:		
Gross revenue taxes	\$ 1,691,370	\$ 2,069,544
Import taxes	2,021,014	2,691,284
Income taxes	1,321,803	1,841,045
Fishing rights fees	13,625,115	3,526,210
Other taxes	256,730	235,568
FSM revenue sharing	18,916,032	10,363,651
State taxes:		
Sales tax	3,349,478	3,187,704
Service tax	1,540,662	-
Other excise taxes	1,319,621	967,091
	6,209,761	4,154,795
Fees and charges:		
Licenses and permits	283,626	1,731,257
Leases and other rentals	83,043	107,061
	366,669	1,838,318
Departmental charges:		
Transportation collections	1,178,967	811,904
Net change in the fair value of investments	883,146	144,517
Other revenues	2,548,021	(2,449,159)
Total revenues	30,102,596	14,864,026
Expenditures:		
Current:		
General government:		
Office of the Governor	873,236	1,006,504
State Legislature	3,824,872	3,294,624
Department of Administrative Services	611,285	818,721
Department of Administrative Services - Bad debt	677,902	-
	5,987,295	5,119,849
Health:		
Department of Health	233,669	186,834

State of Chuuk
Federated States of Micronesia

Statement of Revenues, Expenditures by Function, and Changes in Fund Balances, continued
General Fund

	2024	2023
Expenditures, continued:		
Economic development:		
Department of Marine Resources	206,078	170,171
Department of Agriculture	196,404	170,213
Historic Preservation Office	50,358	33,906
Division of Business and Trade	18,333	14,234
Division of Labor and Manpower	11,901	11,522
Division of Land Management	82,843	73,490
Registrar of Corporation	80,941	59,512
Division of Commerce and Industries	13,611	14,863
	<u>660,469</u>	<u>547,911</u>
Public safety:		
Office of the Attorney General	321,469	214,508
Department of Public Safety	1,154,914	-
Disaster and Emergency Operation Center	146,642	879,198
	<u>1,623,025</u>	<u>1,093,706</u>
Public works and transportation:		
Department of Transportation	1,353,285	954,783
Community affairs:		
Public Affairs	155,583	118,285
Youth Affairs	23,836	16,867
Broadcast	47,892	34,424
	<u>227,311</u>	<u>169,576</u>
Boards, commissions and other:		
Resource & Development Yap Summit	8,039	-
Land Commission	196,759	150,844
Election Commission	162,869	145,313
Farmers Home Administration	18,552	15,691
Micronesian Legal Services Corporation	-	25,000
Micronesian Islands Forum Meeting	33,960	-
Micro Games	369,982	89,454
Overseas Development Assistance	45,808	43,279
Contribution to PIDB	500,000	125,000
Chuuk Environmental Protection Agency	190,190	124,744
SEPDIC	67,589	51,217
Chuuk Visitors Bureau	114,576	100,115
General election	93,579	210,490
Special election	130,276	-
Outstanding debts for Yapese students	99,686	-
Chuuk 2022 Goodwill Games	-	29,050
Festival of Pacific Arts	151,850	-
Leadership conference	197,231	-
Chuuk State Complex Maintenance	90,078	-
Chuuk Small Business Development Center	68,984	65,148
	<u>2,540,008</u>	<u>1,175,345</u>

See accompanying Report of Independent Auditors.

State of Chuuk
Federated States of Micronesia

Statement of Revenues, Expenditures by Function, and Changes in Fund Balances, continued
General Fund

	2024	2023
Expenditures, continued:		
Judiciary:		
State Court	439,662	498,463
Payments to component units:		
Chuuk State Housing Authority	82,629	71,077
Chuuk Public Utilities Corporation	54,316	-
	136,945	71,077
Municipal affairs:		
Payments to municipalities	1,405,149	427,247
Debt service:		
Debt relief payment	1,517,494	19,070
Principal repayment	427,959	433,406
Loss on foreign exchange fluctuation	149,635	176,968
Interest	55,958	(125,956)
	2,151,046	503,488
Total expenditures	16,757,864	10,748,279
Excess of revenues over expenditures	13,344,732	4,115,747
Other financing sources		
Operating transfer in	12,519	7,120,634
Net change in fund balances	13,357,251	11,236,381
Fund balance at the beginning of the year, as previously reported	12,518,256	1,281,875
Prior period adjustments	(606,425)	-
Fund balance at the beginning of the year, as restated	11,911,831	1,281,875
Fund balance at the end of the year	\$ 25,269,082	\$ 12,518,256

State of Chuuk
Federated States of Micronesia

Other Governmental Funds
Combining Balance Sheet

September 30, 2024

	30	33	
	Hospital Revolving Fund	Chuuk Visitor's Bureau Fund	Total
	<u> </u>	<u> </u>	<u> </u>
<u>ASSETS</u>			
Receivables	\$ 4,482	\$ -	\$ 4,482
Advances	-	-	-
Prepayments	-	-	-
Due from other funds	<u>295,538</u>	<u>2,738</u>	<u>298,276</u>
	<u>\$ 300,020</u>	<u>\$ 2,738</u>	<u>\$ 302,758</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 37,794	\$ 2,100	\$ 39,894
Accrued liabilities	-	-	-
Unearned revenues	-	-	-
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>37,794</u>	<u>2,100</u>	<u>39,894</u>
Fund balances:			
Restricted	<u>262,226</u>	<u>638</u>	<u>262,864</u>
Total fund balances	<u>262,226</u>	<u>638</u>	<u>262,864</u>
Total liabilities and fund balances	<u>\$ 300,020</u>	<u>\$ 2,738</u>	<u>\$ 302,758</u>

State of Chuuk
Federated States of Micronesia

Other Governmental Funds

Combining Statement of Revenues, Expenditures by Function and Changes in Fund Balances

Year Ended September 30, 2024

	30	33	
	Hospital Revolving Fund	Chuuk Visitor's Bureau Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Fees and charges	\$ 403,520	\$ 15,000	\$ 418,520
Other	-	-	-
Total revenues	<u>403,520</u>	<u>15,000</u>	<u>418,520</u>
Expenditures by function:			
Current:			
General government	-	-	-
Health services	505,033	-	505,033
Education	-	-	-
Economic development	-	-	-
Public works and transportation	-	21,246	21,246
Boards, commissions and other	-	-	-
Payments to component units	-	-	-
Capital projects	-	-	-
Total expenditures	<u>505,033</u>	<u>21,246</u>	<u>526,279</u>
Net change in fund balances	(101,513)	(6,246)	(107,759)
Fund balances at the beginning of the year, as previously reported	<u>397,020</u>	<u>6,884</u>	<u>403,904</u>
Prior period adjustments	<u>(33,281)</u>	<u>-</u>	<u>(33,281)</u>
Fund balances at the beginning of the year, as restated	<u>363,739</u>	<u>6,884</u>	<u>370,623</u>
Fund balances at the end of the year	<u>\$ 262,226</u>	<u>\$ 638</u>	<u>\$ 262,864</u>

State of Chuuk
Federated States of Micronesia

Other Governmental Funds
Combining Statement of Revenues, Expenditures by Account and Changes in Fund Balances

Year Ended September 30, 2024

Fund No.	30	33	
	Hospital	Chuuk Visitor's	
	Revolving Fund	Bureau Fund	Total
Revenues:			
Fees and charges	\$ 403,520	\$ 15,000	\$ 418,520
Other	-	-	-
Total revenues	<u>403,520</u>	<u>15,000</u>	<u>418,520</u>
Expenditures by account:			
Salaries and wages:			
Regular	28,686	-	28,686
Fringe benefits	(775)	-	(775)
Travel and transportation	61,890	-	61,890
Communications	7,158	-	7,158
Dues, memberships, and subscriptions	-	-	-
Food stuffs	68,396	-	68,396
Freight and port charges	316	-	316
Office supplies and materials	14,242	-	14,242
POL	83,632	-	83,632
Printing and reproduction	1,126	-	1,126
Rental services	17,043	-	17,043
Repairs and maintenance	2,741	-	2,741
Constructional materials	-	-	-
Utilities	2,787	-	2,787
Goods and services	10,731	21,246	31,977
Medical supplies	127,447	-	127,447
Contractual services	67,800	-	67,800
Insurance	-	-	-
Leased housing, buildings and land	11,813	-	11,813
Compensation non-payroll	-	-	-
Equipment	-	-	-
Vehicles	-	-	-
Miscellaneous	-	-	-
Total expenditures	<u>505,033</u>	<u>21,246</u>	<u>526,279</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(101,513)</u>	<u>(6,246)</u>	<u>(107,759)</u>
Other financing sources (uses)			
Operating transfer in (out)	-	-	-
Net change in fund balances	(101,513)	(6,246)	(107,759)
Fund balances at the beginning of the year as previously reported	<u>397,020</u>	<u>6,884</u>	<u>403,904</u>
Prior period adjustments	<u>(33,281)</u>	<u>-</u>	<u>(33,281)</u>
Fund balances at the beginning of the year as restated	<u>363,739</u>	<u>6,884</u>	<u>370,623</u>
Fund balances at the end of the year	<u>\$ 262,226</u>	<u>\$ 638</u>	<u>\$ 262,864</u>

See accompanying Report of Independent Auditors.

State of Chuuk
Federated States of Micronesia

Grants Assistance Fund
Combining Balance Sheet

September 30, 2024

Fund No.	10	11	12	13	14	15	16	18	19
	Education Sector	Health Sector	Environment Sector	Private Sector Development	Capacity Building Sector	Supplemental Education	Enhanced Reporting Accountability	Infrastructure Maintenance	Infrastructure
<u>ASSETS</u>									
Receivables	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Advances	1,471	1,488	1,325	-	1,808	1,608	4,162	-	705
Prepayments	-	-	-	-	-	-	-	-	-
Due from other funds	3,814,436	1,201,863	70,202	25,792	362,569	1,293,064	249,071	2,268,875	1,632,172
	<u>\$ 3,815,907</u>	<u>\$ 1,203,351</u>	<u>\$ 71,527</u>	<u>\$ 25,792</u>	<u>\$ 364,377</u>	<u>\$ 1,294,672</u>	<u>\$ 253,233</u>	<u>\$ 2,268,875</u>	<u>\$ 1,632,877</u>
<u>LIABILITIES AND FUND BALANCES</u>									
Liabilities:									
Accounts payable	\$ 756,282	\$ 381,971	\$ 6,111	\$ 6,277	\$ 40,827	\$ 239,686	\$ 23,482	\$ 2,069	\$ 1,796,669
Accrued liabilities	1,062,441	722,482	-	-	10,866	14,772	61,212	-	6,584
Unearned Revenues	-	-	-	-	-	-	-	-	-
Due to grantor	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-
Total liabilities	<u>1,818,723</u>	<u>1,104,453</u>	<u>6,111</u>	<u>6,277</u>	<u>51,693</u>	<u>254,458</u>	<u>84,694</u>	<u>2,069</u>	<u>1,803,253</u>
Fund balances:									
Nonspendable	1,471	1,488	1,325	-	1,808	1,608	4,162	-	705
Restricted	1,995,713	97,410	64,091	19,515	310,876	1,038,606	164,377	2,266,806	-
Unassigned	-	-	-	-	-	-	-	-	(171,081)
Total fund balances	<u>1,997,184</u>	<u>98,898</u>	<u>65,416</u>	<u>19,515</u>	<u>312,684</u>	<u>1,040,214</u>	<u>168,539</u>	<u>2,266,806</u>	<u>(170,376)</u>
Total liabilities and fund balances	<u>\$ 3,815,907</u>	<u>\$ 1,203,351</u>	<u>\$ 71,527</u>	<u>\$ 25,792</u>	<u>\$ 364,377</u>	<u>\$ 1,294,672</u>	<u>\$ 253,233</u>	<u>\$ 2,268,875</u>	<u>\$ 1,632,877</u>

See accompanying Report of Independent Auditors.

State of Chuuk
Federated States of Micronesia

Grants Assistance Fund
Combining Balance Sheet, continued

Fund No.	20	21	23	25	27	28	32	Total
	U.S. Federal Grants	U.S. Federal Grants - Direct	Foreign Assistance	CFSM Grants	Carry-Over Education Sector	Carry-Over Health Sector	Carry-Over Capacity Building Sector	
<u>ASSETS</u>								
Receivables	\$ 353,534	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ 353,534
Advances	2,226	-	-	-	-	-	-	14,793
Prepayments	-	-	-	-	-	-	-	-
Due from other funds	-	-	286,327	-	376	-	-	11,204,747
	<u>\$ 355,760</u>	<u>\$ -</u>	<u>\$ 286,327</u>	<u>\$ -</u>	<u>\$ 376</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,573,074</u>
<u>LIABILITIES AND FUND BALANCES</u>								
Liabilities:								
Accounts payable	\$ 22,646	\$ -	\$ -	\$ -	\$ 376	\$ 21,157	\$ -	\$ 3,297,553
Accrued liabilities	49,455	-	-	-	-	-	-	1,927,812
Unearned Revenues	-	-	-	-	-	-	-	-
Due to grantor	-	-	-	-	-	-	-	-
Due to other funds	283,659	-	-	-	-	184,015	-	467,674
Total liabilities	<u>355,760</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>376</u>	<u>205,172</u>	<u>-</u>	<u>5,693,039</u>
Fund balances:								
Nonspendable	2,226	-	-	-	-	-	-	14,793
Restricted	-	-	286,327	-	-	-	-	6,243,721
Unassigned	(2,226)	-	-	-	-	(205,172)	-	(378,479)
Total fund balances	<u>-</u>	<u>-</u>	<u>286,327</u>	<u>-</u>	<u>-</u>	<u>(205,172)</u>	<u>-</u>	<u>5,880,035</u>
Total liabilities and fund balances	<u>\$ 355,760</u>	<u>\$ -</u>	<u>\$ 286,327</u>	<u>\$ -</u>	<u>\$ 376</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,573,074</u>

See accompanying Report of Independent Auditors.

State of Chuuk
Federated States of Micronesia

Grants Assistance Fund
Combining Statement of Revenues, Expenditures by Function and Changes in Fund Balances

Year Ended September 30, 2024

Fund No.	10	11	12	13	14	15	16	18	19
	Education Sector	Health Sector	Environment Sector	Private Sector Development	Capacity Building Sector	Supplemental Education	Enhanced Reporting Accountability	Infrastructure Maintenance	Infrastructure
Revenues:									
Compact funding	\$ 12,663,602	\$ 9,832,527	\$ 115,000	\$ 52,000	\$ 1,021,844	\$ 6,183,165	\$ 846,004	\$ -	\$ 3,834,144
Federal contributions and other grants	-	-	-	-	-	-	-	-	-
Total revenues	<u>12,663,602</u>	<u>9,832,527</u>	<u>115,000</u>	<u>52,000</u>	<u>1,021,844</u>	<u>6,183,165</u>	<u>846,004</u>	<u>-</u>	<u>3,834,144</u>
Expenditures by function:									
Current:									
General government	-	-	-	-	155,020	-	677,465	-	-
Health services	-	9,733,629	-	-	-	-	-	-	-
Education	10,310,281	-	-	-	-	5,142,951	-	-	-
Economic development	-	-	3,507	-	-	-	-	-	-
Public safety	-	-	-	-	140,540	-	-	-	-
Public works and transportation	-	-	2,857	-	76,356	-	-	-	-
Boards, commissions and other	356,137	-	43,220	32,485	337,244	-	-	-	-
Payments to component units	-	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	387,412	4,004,520
Total expenditures	<u>10,666,418</u>	<u>9,733,629</u>	<u>49,584</u>	<u>32,485</u>	<u>709,160</u>	<u>5,142,951</u>	<u>677,465</u>	<u>387,412</u>	<u>4,004,520</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,997,184</u>	<u>98,898</u>	<u>65,416</u>	<u>19,515</u>	<u>312,684</u>	<u>1,040,214</u>	<u>168,539</u>	<u>(387,412)</u>	<u>(170,376)</u>
Operating transfer in (out)	-	-	-	-	-	-	-	-	-
Net change in fund balances	<u>1,997,184</u>	<u>98,898</u>	<u>65,416</u>	<u>19,515</u>	<u>312,684</u>	<u>1,040,214</u>	<u>168,539</u>	<u>(387,412)</u>	<u>(170,376)</u>
Fund balances at the beginning of the year	-	-	-	-	-	-	-	2,654,218	-
Fund balances at the end of the year	<u>\$ 1,997,184</u>	<u>\$ 98,898</u>	<u>\$ 65,416</u>	<u>\$ 19,515</u>	<u>\$ 312,684</u>	<u>\$ 1,040,214</u>	<u>\$ 168,539</u>	<u>\$ 2,266,806</u>	<u>\$ (170,376)</u>

State of Chuuk
Federated States of Micronesia

Grants Assistance Fund
Combining Statement of Revenues, Expenditures by Function and Changes in Fund Balances, continued

Fund No.	20 U.S. Federal Grants	21 U.S. Federal Grants-Direct	23 Foreign Assistance	25 CFSM Grants	27 Carry-Over Education	28 Carry-Over Health	32 Carry-Over Capacity Building	Total
Revenues:								
Compact funding	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,548,286
Federal contributions and other grants	<u>1,792,635</u>	<u>-</u>	<u>188,978</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,981,613</u>
Total revenues	<u>1,792,635</u>	<u>-</u>	<u>188,978</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,529,899</u>
Expenditures by function:								
Current:								
General government	-	-	-	-	-	-	-	832,485
Health services	879,315	-	-	-	-	205,172	-	10,818,116
Education	913,320	-	-	-	-	-	-	16,366,552
Economic development	-	-	-	-	-	-	-	3,507
Public safety	-	-	-	-	-	-	-	140,540
Public works and transportation	-	-	-	-	-	-	-	79,213
Boards, commissions and other	-	-	-	-	-	-	-	769,086
Payments to component units	-	-	10,602	-	-	-	-	10,602
Capital projects	-	-	-	-	-	-	-	4,391,932
Total expenditures	<u>1,792,635</u>	<u>-</u>	<u>10,602</u>	<u>-</u>	<u>-</u>	<u>205,172</u>	<u>-</u>	<u>33,412,033</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>178,376</u>	<u>-</u>	<u>-</u>	<u>(205,172)</u>	<u>-</u>	<u>3,117,866</u>
Operating transfer in (out)	<u>(12,519)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,519)</u>
Net change in fund balances	<u>(12,519)</u>	<u>-</u>	<u>178,376</u>	<u>-</u>	<u>-</u>	<u>(205,172)</u>	<u>-</u>	<u>3,105,347</u>
Fund balances at the beginning of the year	<u>12,519</u>	<u>-</u>	<u>107,951</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,774,688</u>
Fund balances at the end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 286,327</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (205,172)</u>	<u>\$ -</u>	<u>\$ 5,880,035</u>

State of Chuuk
Federated States of Micronesia

Grants Assistance Fund
Combining Statement of Revenues, Expenditures by Account and Changes in Fund Balances

Year Ended September 30, 2024

Fund No.	10	11	12	13	14	15	16	18	19
	Education Sector	Health Sector	Environment Sector	Private Sector Development	Capacity Building Sector	Supplemental Education	Enhanced Reporting Accountability	Infrastructure Maintenance	Infrastructure
Revenues:									
Compact funding	\$ 12,663,602	\$ 9,832,527	\$ 115,000	\$ 52,000	\$ 1,021,844	\$ 6,183,165	\$ 846,004	\$ -	\$ 3,834,144
Federal contributions and other grants	-	-	-	-	-	-	-	-	-
Total revenues	<u>12,663,602</u>	<u>9,832,527</u>	<u>115,000</u>	<u>52,000</u>	<u>1,021,844</u>	<u>6,183,165</u>	<u>846,004</u>	<u>-</u>	<u>3,834,144</u>
Expenditures by account:									
Salaries and wages:									
Regular	7,326,253	4,101,163	-	-	95,571	133,964	368,470	-	71,946
Overtime	58,467	619,022	-	-	5,045	-	28,608	-	17,498
Fringe benefits	907,750	586,841	-	-	25,631	26,863	54,829	-	38,396
Non-payroll	48,605	-	-	-	-	447,411	-	-	-
Travel and transportation	870	116,924	1,101	-	14,112	60,389	1,299	-	8,853
Books and library materials	-	-	-	-	-	-	-	-	-
Communications	12,427	32,629	2,998	-	3,968	63,915	27,179	-	3,605
Dues, memberships, and subscriptions	-	-	-	-	270	-	-	-	-
Food stuffs	23,998	284,538	-	-	-	353,193	-	-	-
Freight and port charges	-	8,745	2,973	-	-	15,916	-	-	-
Office supplies and materials	201,874	458,407	14,414	10,965	75,746	1,375,256	77,784	-	16,264
POL	58,233	212,249	6,701	1,875	6,396	242,899	4,160	-	31,783
Printing and reproduction	-	7,384	-	-	-	-	-	-	315
Rental services	17,551	2,174	-	-	-	34,651	-	-	14,076
Repairs and maintenance	29,934	125,920	4,000	-	3,364	304,984	1,786	-	1,882
Constructional materials	-	-	-	-	-	-	-	-	-
Utilities	106,473	920,037	7,050	-	10,301	143,278	22,725	-	18,340
Goods and services	-	25,314	119	7,686	-	1,358	-	-	1,758
Subsidies and contributions	187,687	-	-	-	-	154,830	-	-	-
Medical referrals	-	262,500	-	-	-	-	-	-	-
Medical supplies	-	1,032,111	-	-	-	-	-	-	-
Contractual services	912,559	488,899	2,755	11,959	253,169	1,011,503	42,849	387,412	3,526,190
Professional services	-	-	-	-	165,377	-	-	-	223,202
Housing allowance	-	-	-	-	25,010	-	14,400	-	19,799
Scholarships and allowances	309,545	-	-	-	-	-	-	-	-
Meeting fees and allowance	1,500	-	-	-	-	-	-	-	-
Training	451,175	9,750	-	-	-	531,186	-	-	-
Insurance	-	-	-	-	-	-	-	-	-
Leased housing, buildings and land	-	287,834	-	-	25,200	-	12,600	-	10,463
Compensation non-payroll	-	-	-	-	-	-	-	-	-
Equipment	11,517	130,412	7,473	-	-	9,162	-	-	-
Furniture and fixtures	-	-	-	-	-	-	-	-	-
Vehicles	-	20,776	-	-	-	224,826	20,776	-	-
Vessels	-	-	-	-	-	7,367	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	150
Total expenditures	<u>10,666,418</u>	<u>9,733,629</u>	<u>49,584</u>	<u>32,485</u>	<u>709,160</u>	<u>5,142,951</u>	<u>677,465</u>	<u>387,412</u>	<u>4,004,520</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,997,184</u>	<u>98,898</u>	<u>65,416</u>	<u>19,515</u>	<u>312,684</u>	<u>1,040,214</u>	<u>168,539</u>	<u>(387,412)</u>	<u>(170,376)</u>
Other financing sources (uses)									
Operating transfer in (out)	-	-	-	-	-	-	-	-	-
Net change in fund balances	<u>1,997,184</u>	<u>98,898</u>	<u>65,416</u>	<u>19,515</u>	<u>312,684</u>	<u>1,040,214</u>	<u>168,539</u>	<u>(387,412)</u>	<u>(170,376)</u>
Fund balances at the beginning of the year	-	-	-	-	-	-	-	2,654,218	-
Fund balances at the end of the year	<u>\$ 1,997,184</u>	<u>\$ 98,898</u>	<u>\$ 65,416</u>	<u>\$ 19,515</u>	<u>\$ 312,684</u>	<u>\$ 1,040,214</u>	<u>\$ 168,539</u>	<u>\$ 2,266,806</u>	<u>\$ (170,376)</u>

State of Chuuk
Federated States of Micronesia

Grants Assistance Fund
Combining Statement of Revenues, Expenditures by Account and Changes in Fund Balances, continued

Fund No.	20 U.S. Federal Grants	21 U.S. Federal Grants - Direct	23 Foreign Assistance	25 CFSM Grants	27 Carry-Over Education	28 Carry-Over Health	32 Carry-Over Capacity Building	Total
Revenues:								
Compact funding	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,548,286
Federal contributions and other grants	1,792,635	-	188,978	-	-	-	-	1,981,613
Total revenues	1,792,635	-	188,978	-	-	-	-	36,529,899
Expenditures by account:								
Salaries and wages:								
Regular	1,308,477	-	7,879	-	-	-	-	13,413,723
Overtime	5,219	-	-	-	-	186	-	734,045
Fringe benefits	136,242	-	1,143	-	-	2,793	-	1,780,488
Non-payroll	-	-	-	-	-	-	-	496,016
Travel and transportation	56,755	-	1,580	-	-	-	-	261,883
Books and library materials	-	-	-	-	-	-	-	-
Communications	6,814	-	-	-	-	-	-	153,535
Dues, memberships, and subscriptions	-	-	-	-	-	-	-	270
Food stuffs	-	-	-	-	-	8,933	-	670,662
Freight and port charges	-	-	-	-	-	-	-	27,634
Office supplies and materials	41,360	-	-	-	-	3,217	-	2,275,287
POL	32,434	-	-	-	-	2,907	-	599,637
Printing and reproduction	4,565	-	-	-	-	-	-	12,264
Rental services	19,280	-	-	-	-	-	-	87,732
Repairs and maintenance	2,194	-	-	-	-	10,767	-	484,831
Constructional materials	-	-	-	-	-	-	-	-
Utilities	10,000	-	-	-	-	-	-	1,238,204
Goods and services	(8,719)	-	-	-	-	-	-	27,516
Subsidies and contributions	-	-	-	-	-	-	-	342,517
Medical referrals	-	-	-	-	-	-	-	262,500
Medical supplies	-	-	-	-	-	792	-	1,032,903
Contractual services	28,964	-	-	-	-	154,271	-	6,820,530
Professional services	-	-	-	-	-	-	-	388,579
Housing allowance	-	-	-	-	-	-	-	59,209
Scholarships and allowances	-	-	-	-	-	-	-	309,545
Meeting fees and allowance	2,560	-	-	-	-	-	-	4,060
Training	53,272	-	-	-	-	-	-	1,045,383
Insurance	-	-	-	-	-	-	-	-
Leased housing, buildings and land	15,173	-	-	-	-	-	-	351,270
Compensation non-payroll	42,866	-	-	-	-	-	-	42,866
Equipment	35,179	-	-	-	-	-	-	193,743
Furniture and fixtures	-	-	-	-	-	-	-	-
Vehicles	-	-	-	-	-	21,306	-	287,684
Vessels	-	-	-	-	-	-	-	7,367
Miscellaneous	-	-	-	-	-	-	-	150
Total expenditures	1,792,635	-	10,602	-	-	205,172	-	33,412,033
Excess (deficiency) of revenues over (under) expenditures	-	-	178,376	-	-	(205,172)	-	3,117,866
Other financing sources (uses)								
Operating transfer in (out)	(12,519)	-	-	-	-	-	-	(12,519)
Net change in fund balances	(12,519)	-	178,376	-	-	(205,172)	-	3,105,347
Fund balances at the beginning of the year	12,519	-	107,951	-	-	-	-	2,774,688
Fund balances at the end of the year	\$ -	\$ -	\$ 286,327	\$ -	\$ -	\$ (205,172)	\$ -	\$ 5,880,035

State of Chuuk
Federated States of Micronesia

Statement of Revenues, Expenditures By Function and Department and Changes in Fund Balances
Budget and Actual - General Fund

Year Ended September 30, 2024

	Budgeted Amounts		Actual Budgetary Basis	Variance with Final Budget Positive/(Negative)
	Original	Final		
Revenues:				
Local revenues	\$ 10,024,374	\$ 14,362,488	\$ 29,219,450	\$ 14,856,962
Net change in fair value of investments	-	-	883,146	883,146
Total revenues	10,024,374	14,362,488	30,102,596	15,740,108
Expenditures:				
Current:				
General government:				
Office of the Governor	676,989	985,495	896,991	88,504
State Legislature	3,513,744	4,367,605	3,843,740	523,865
Department of Administrative Services	673,028	940,798	642,224	298,574
Department of Administrative Services - bad debt	-	-	677,902	(677,902)
Office of Public Auditor	109,609	169,282	-	169,282
	<u>4,973,370</u>	<u>6,463,180</u>	<u>6,060,857</u>	<u>402,323</u>
Education:				
Department of Education	-	-	-	-
Health:				
Department of Health	191,150	258,033	233,669	24,364
Economic development:				
Division of Marine Resources	202,470	227,125	204,756	22,369
Division of Agriculture	203,960	244,658	197,215	47,443
Historic Preservation Office	-	-	50,358	(50,358)
Division of Business and Trade	-	-	18,333	(18,333)
Division of Manpower and Labor	-	-	11,901	(11,901)
Division of Land management	-	-	82,843	(82,843)
Registrar of Corporation	66,983	89,760	80,941	8,819
Division of Commerce and Industry	-	-	13,611	(13,611)
	<u>473,413</u>	<u>561,543</u>	<u>659,958</u>	<u>(98,415)</u>
Public safety:				
Office of the Attorney General	231,793	362,737	321,714	41,023
Department of Public Safety	982,756	1,249,891	1,152,810	97,081
Disaster & Emergency Control Center	137,368	142,234	146,642	(4,408)
	<u>1,351,917</u>	<u>1,754,862</u>	<u>1,621,166</u>	<u>133,696</u>
Public works and transportation:				
Department of Transportation	1,067,889	1,348,145	1,350,110	(1,965)
Community affairs:				
Department of Public Affairs	-	-	227,311	(227,311)
Boards, commissions and other:				
Resource & Development Yap Summit	-	20,000	8,039	11,961
Land Commission	177,164	212,830	197,721	15,109
Public Service Commission	168,348	198,344	-	198,344
Election Commission	157,848	167,824	162,919	4,905
Farmers Home Administration	24,489	25,649	18,570	7,079
Micronesian Legal Services Corporation	25,000	25,000	-	25,000
Micronesian Islands Forum Meeting	-	41,698	33,960	7,738
Micro Games	-	293,220	370,668	(77,448)
Overseas Development Assistance	44,528	52,380	46,809	5,571
Contribution to PIDB	-	500,000	500,000	-
Chuuk Environmental Protection Agency	165,539	219,166	190,190	28,976
Chuuk Visitors Bureau	123,369	129,734	114,795	14,939
General election	9,990	9,990	92,747	(82,757)

State of Chuuk
Federated States of Micronesia

Statement of Revenues, Expenditures By Function and Department and Changes in Fund Balances
Budget and Actual - General Fund, continued

	Budgeted Amounts		Actual Budgetary Basis	Variance with Final Budget Positive/(Negative)
	Original	Final		
Boards, commissions and other, continued:				
Chuuk State Complex Utility	-	-	-	-
Faichuuk Senatorial Region Special Election		92,270	-	92,270
Mortlocks Senatorial Region Special Election	-	134,248	132,787	1,461
Comprehensive Cancer & Prevention Control	-	10,125	-	10,125
CFTI Dock Fencing	-	63,431	-	63,431
APAFS	-	13,200		13,200
Festival of Pacific Arts	-	160,800	151,850	8,950
Leadership conference	-	220,600	197,231	23,369
Chuuk State Complex Maintenance	-	30,000	90,078	(60,078)
Chuuk Small Business Development Center	60,383	62,702	69,587	(6,885)
SEPDIC	62,874	70,162	67,589	2,573
EXPO	-	100,000	99,686	314
Chuuk recreation board	94,434	99,115	-	99,115
	<u>1,113,966</u>	<u>2,952,488</u>	<u>2,545,226</u>	<u>407,262</u>
Judiciary:				
State Court	561,717	665,945	444,239	221,706
Payments to component units:				
Chuuk State Housing Authority	68,089	81,112	82,629	(1,517)
Chuuk Public Utilities Corporation	-	54,316	54,316	-
	68,089	135,428	136,945	(1,517)
Municipal affairs:				
Payments to municipalities - CY	420,000	420,000	1,399,919	(979,919)
Payments to municipalities - PY	-	442,769	-	442,769
	420,000	862,769	1,399,919	(537,150)
Other	2,315	2,315	-	2,315
Debt service:				
Debt relief payment	-	1,472,036	1,517,494	(45,458)
Principal repayment	-	-	427,959	(427,959)
Loss on foreign exchange fluctuation	-	-	149,635	(149,635)
Interest payments	-	-	55,958	(55,958)
	-	1,472,036	2,151,046	(679,010)
Total expenditures	<u>10,223,826</u>	<u>16,476,744</u>	<u>16,830,446</u>	<u>(353,702)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(199,452)</u>	<u>(2,114,256)</u>	<u>13,272,150</u>	<u>15,386,406</u>
Other financing sources (uses)				
Operating transfer in	-	-	12,519	12,519
Net change in fund balances	(199,452)	(2,114,256)	13,284,669	15,398,925
Other changes in fund balances:				
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	-	-	72,582	72,582
Fund balance at the beginning of the year, as previously reported	<u>12,518,256</u>	<u>12,518,256</u>	<u>12,518,256</u>	<u>-</u>
Prior period adjustment	-	-	(606,425)	(606,425)
Fund balance at the beginning of the year, as stated	<u>12,518,256</u>	<u>12,518,256</u>	<u>11,911,831</u>	<u>(606,425)</u>
Fund deficit at the end of the year	<u>\$ 12,318,804</u>	<u>\$ 10,404,000</u>	<u>\$ 25,269,082</u>	<u>\$ 14,865,082</u>