POHNPEI PORT AUTHORITY

(A COMPONENT UNIT OF THE STATE OF POHNPEI)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2024 AND 2023

POHNPEI PORT AUTHORITY
(A COMPONENT UNIT OF THE STATE OF POHNPEI)

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Years Ended September 30, 2024 and 2023

INDEPENDENT AUDITORS' REPORT

Board of Directors
Pohnpei Port Authority:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Pohnpei Port Authority (the Authority), a component unit of the State of Pohnpei, which comprise the statements of net position as of September 30, 2024 and 2023, the statements of revenues, expenses and changes in net position and of cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Authority as of September 30, 2024 and 2023, and the changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 Authority, 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 audit opinion.

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 Authority's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

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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 from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 Authority'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 Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 10 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2026 on our consideration of the Authority'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 Authority'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 Authority's internal control over financial reporting and compliance.

Burger Comer & Associates

July 28, 2026
Tamuning, Guam

The Pohnpei Port Authority's ("The Authority") financial performance is the main subject of this Management's Discussion and Analysis (MD&A), which gives a summary of the Authority's financial performance for the fiscal year ending September 30, 2024. Please read in conjunction with the Authority's financial statements, which follow this section.

Financial Highlights

- Net operating revenues increased by $521,987 or 12% higher than FY 2023.
- Operating expenses increased by $409,143 or 12% higher compared to FY 2023.
- Current assets increased by $2,233,669 or 26% higher from FY 2023.
- Noncurrent assets decreased by $84,555 or 1% lower from FY 2023.
- Liabilities increased by $66,813 or 18% higher compared to FY 2023.
- Deferred Inflows of Resources from Leases increased by $149,868 or 7% higher compared to FY 2023.
- Net Position increased by $1,932,433 or 12% higher from FY 2023.

Overview of the Financial Statements

The financial statements presented herein include all of the activities of the Authority. Included in this report are the Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position. These financial statements present the complete financial picture of the Authority from the economic resources measurement focus using the accrual basis of accounting. These statements include all the assets and liabilities of the Authority and the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The accounts of the Authority are organized as a proprietary fund. Governmental units that are operated in a manner similar to private business enterprises use proprietary funds. The Authority prepares and submits a detailed statement of its proposed annual budget to the Governor on or before March 15th of each year. An annual budget may be amended at any time in the same manner as the adoption of the initial budget for that fiscal year. The Authority depends mainly on its revenue generated to sustain its operations. Seaport charges, departure fees, landing fees, land leases, and space rentals are the major sources of revenues.

The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position

The Statements of Net Position and Statements of Revenues, Expenses and Changes in Net Position report the financial condition or position and results of operations of the Authority. They present the assets, liabilities and the difference between assets and liabilities. They report the information whether the Authority has sufficient resources to meet its current and long-term obligations as well. They present whether the Authority's financial health is improving, deteriorating, or remaining steady as prior year. They report the revenues earned and expenses incurred and whether the revenues are more or less than the expenses.

A Financial Analysis of the Authority as a Whole
1. Statement of Net Position

A comparative Statement of Net Position at September 30, 2024, 2023 and 2022 is shown below.

POHNPEI PORT AUTHORITY

(A Component Unit of the State of Pohnpei)

Statements of Net Position
September 30, 2024 and 2023

ASSETS	2024	2023	FY 24 vs FY 23 Increase (Decrease)		2022
Current assets:					
Cash and cash equivalents	$ 4,706,360	$ 7,888,968	$ (3,182,608)	-40%	$ 5,679,720
Investments	5,161,235	-	5,161,235	100%	-
Accounts receivable, net	640,847	325,827	315,020	97%	584,504
Lease receivable, net	134,981	203,068	(68,087)	-34%	332,482
Advances	15,818	28,365	(12,547)	-44%	28,112
Prepaid expenses	29,732	9,076	20,656	228%	41,873
Total current assets	10,688,973	8,455,304	2,233,669	26%	6,666,691
Noncurrent assets:					
Investments	319,100	265,700	53,400	20%	238,500
Lease receivable, net of current portion	2,475,822	2,187,055	288,767	13%	2,363,281
Depreciable property and equipment, net	4,302,356	4,745,273	(442,917)	-9%	3,410,253
Non-depreciable property and equipment	2,792,229	2,776,034	16,195	1%	2,776,034
Total noncurrent assets	9,889,507	9,974,062	(84,555)	-1%	8,788,068
	$ 20,578,480	$ 18,429,366	$ 2,149,114	12%	$ 15,454,759
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION					
Current liabilities:					
Accounts payable	$ 165,070	$ 174,505	$ (9,435)	-5%	$ 80,445
Accrued liabilities and others	167,281	87,695	79,586	91%	104,330
Accrued annual leave	103,628	106,966	(3,338)	-3%	95,309
Total current liabilities	435,979	369,166	66,813	18%	280,084
Deferred inflows of resources from leases	2,220,135	2,070,267	149,868	7%	2,407,628
Commitments and contingency					
Net position:					
Net investment in capital assets	7,094,585	7,521,307	(426,722)	-6%	6,186,287
Unrestricted	10,827,781	8,468,626	2,359,155	28%	6,580,760
Total net position	17,922,366	15,989,933	1,932,433	12%	12,767,047
	$ 20,578,480	$ 18,429,366	$ 2,149,114	12%	$ 15,454,759

The above table comparison of the net position shows an increase of 12%, or $1,932,433.

A Financial Analysis of the Authority as a Whole
1. Statement of Net Position, Continued

Current assets increased by $2,233,669, or 26%, due to an increase in current investments. In noncurrent assets, investment increased by $53,400 or 20%. Total assets increased by $2,149,114.

Current Assets: The total increase in current assets is $2,233,669 or 26%. The amount for FY 2023 was $8,455,304, and this FY 2024 it is $10,688,973. FY 2024 current assets are classified as follows:

- Cash and cash equivalents decreased by $3,182,608 or 40.34% from $7,888,968 in FY 2023 to $4,706,360 in FY 2024.
- Current investments increased by $5,161,235 or 100% from $0 in FY 2023 to $5,161,235 in FY 2024.
- Net accounts receivable increased by $315,020 or 97%, from FY 2023 $325,827 to FY 2024 $640,847.
- Advances decreased by $12,547 or 44% from $28,365 in FY 2023 to $15,818 in FY 2024.
- Prepaid expenses increased by $20,656, or 228%, from $9,076 in FY 2023 to $29,732 in FY 2024.
- Net lease receivables decreased by $68,087 or 34%, from $203,068 in FY 2023 to $134,981 in FY 2024.

Total liabilities increased from $369,166 in FY 2023 to $435,979 in FY 2024, an increase of 18% or $66,813. These liabilities consist of:

- A decrease by $9,435 or 5% accounts payable from FY 2023 $174,505 to $165,070 in FY 2024.
- An increase by $79,586 or 91% on accrued liabilities and others from FY 2023 $87,695 to $167,281 in FY 2024.
- A decrease of $3,338 or 3% accrued annual leave from FY 2023 $106,966 to $ 103,628 in FY 2024.

Total deferred inflows of resources from leases increased from $2,070,267 in FY 2023 to $2,220,135 in FY 2024, an increase of 7% or $149,868.

The Authority's net position from fiscal years 2019 to 2024 are as follows:

	2024	2023	2022	2021	2020	2019
Current assets	$ 10,688,973	$ 8,455,304	$ 6,666,691	$ 6,132,742	$ 6,128,967	$ 6,172,422
Capital assets, net	7,094,585	7,521,307	6,186,287	6,271,041	6,500,842	6,816,371
Lease receivable, net of current	2,475,822	2,187,055	2,363,281	-	-	229,868
Investment	319,100	265,700	238,500	291,222	291,222	272,304
Current liabilities	(435,979)	(369,166)	(280,084)	(300,145)	(318,037)	(715,327)
Deferred inflows of resources from leases	(2,220,135)	(2,070,267)	(2,407,628)	-	-	-
Net Position	$ 17,922,366	$ 15,989,933	$ 12,767,047	$ 12,394,860	$ 12,602,994	$ 12,775,638

POHNPEI PORT AUTHORITY
(A Component Unit of the State of Pohnpei)

Management's Discussion and Analysis
Years Ended September 30, 2024 and 2023

Changes in Net Position

Comparative changes of Net Position at September 30, 2024, 2023 and 2022 are shown.

Statements of Revenue, Expenses, and Changes in Net Position
Years Ended September 30, 2024 and 2023

	2024	2023	Change	%	2022
Operating revenues:					
Seaport charges	$ 3,332,645	$ 2,995,918	$ 336,727	11%	$ 1,510,968
Land and Space lease	326,459	232,171	94,288	41%	424,201
Land and Space rental	214,841	232,158	(17,317)	-7%	-
Departure fees	565,767	622,455	(56,688)	-9%	199,250
Landing fees	148,539	94,348	54,191	57%	68,327
Other	400,305	279,745	120,560	43%	113,727
Total operating revenues	4,988,556	4,456,795	531,761	12%	2,316,473
Bad debt recovery (expense)	(4,888)	4,886	(9,774)	-200%	(6,685)
Net operating revenues	4,983,668	4,461,681	521,987	12%	2,309,788
Operating expenses:					
Salaries and benefits	1,857,313	1,697,220	160,093	9%	1,496,724
Depreciation	654,198	598,155	56,043	9%	425,043
Utilities	302,246	271,300	30,946	11%	198,922
Contractual services	267,047	188,342	78,705	42%	105,270
Travel	143,523	83,100	60,423	73%	1,600
Fuel	121,921	121,680	241	0%	82,311
Supplies and materials	103,524	98,418	5,106	5%	78,318
Repairs	93,849	111,402	(17,553)	-16%	98,233
Training	92,402	120,885	(28,483)	-24%	7,601
Communication	44,644	28,015	16,629	59%	30,672
Equipment rental	1,330	1,727	(397)	-23%	3,790
Miscellaneous and others	113,925	66,535	47,390	71%	81,756
Total operating expenses	3,795,922	3,386,779	409,143	12%	2,610,240
Income from operations	1,187,746	1,074,902	112,844	10%	(300,452)
Nonoperating revenues:					
Grants	97,914	9,372	88,542	945%	213,842
Interest and investment income	227,375	34,427	192,948	560%	7,072
Lease interest revenue	240,119	227,755	12,364	5%	278,292
Gain on sale of fixed asset	-	-	-	0%	3,501
Unrealized gain (loss) on investment	63,260	27,200	36,060	133%	(52,722)
Total nonoperating revenues	628,668	298,754	329,914	110%	449,985
Income before capital contributions	1,816,414	1,373,656	442,758	32%	149,533
Capital contributions					
Donated capital assets	-	1,808,191	(1,808,191)	-100%	-
OIA capital grant	116,019	41,039	74,980	183%	-
Total capital contributions	116,019	1,849,230	(1,733,211)	-94%	-
Change in net position	1,932,433	3,222,886	(1,290,453)	-40%	149,533
Net position at beginning of year	15,989,933	12,767,047	3,222,886	25%	12,394,860
Prior period adjustment	-	-	-		222,654
Total Net position - beginning of year, restated	15,989,933	12,767,047	3,222,886	25%	12,617,514
Net position at end of year	$ 17,922,366	$ 15,989,933	$ 1,932,433	12%	$ 12,767,047

Changes in Net Position, Continued

Total operating revenues increased from $4,456,795 in FY 2023 to $4,988,556 in FY 2024, an increase of $531,761 or 12%.

- Seaport revenue increased by $336,727 or 11% compared to FY 2023.
- Departure fees decreased by $56,688 or 9% compared to FY 2023.
- Landing fees and other revenue increased by $174,751 or 46.7% compared to FY 2023.
- Leases and space rentals increased by $76,971 or 16.6% compared to FY 2023.
- Total operating expenses increased $409,143 or 12% higher compared to FY 2023.
- Total nonoperating revenues increased by $329,914 or 110% higher compared to FY 2023.
- Income before capital contributions increased by $442,758 or 32% higher compared to FY 2023.

Capital Asset

Capital assets decreased by $426,722 during FY 2024. Net investment in capital assets totaled $7,094,585 as of September 30, 2024.

The addition of capital assets in FY 2024 included assets acquired through grants and other capital asset purchases. The Authority also disposed of certain capital assets during FY 2024. In comparison, capital asset additions in FY 2023 included capital asset purchases and noncash donated assets received from the U.S. Embassy and the FSM National Government.

	Cost	Accumulated Depreciation	Book Value
Building and Improvements	$ 18,245,148	$ 15,967,297	$ 2,277,851
Machinery and Equipment	5,650,284	3,625,779	2,024,505
Land	2,776,034	-	2,776,034
Construction in Progress	16,195	-	16,195
Total	$ 26,687,661	$ 19,593,076	$ 7,094,585

Deferred Inflows of Resources –Leases

The Authority continues to recognize deferred inflows of resources related to leases in accordance with GASB 87, *Leases*. For fiscal year 2024, deferred inflows of resources related to leases increased by $149,868, or approximately 7%, compared to fiscal year 2023.

Management's Discussion and Analysis explains the major factors impacting the 2024 financial statements.

FY 2025 Economic Outlook

The Authority's outlook for Fiscal Year 2025 is positive since it is sustained by operational stability, growing revenue streams, and strategic infrastructure initiatives. Leveraging the momentum established in FY 2024, the Authority will prioritize operational excellence, financial sustainability, organizational resiliency, and sustainable growth with emphasis on reinforcing its position as a critical gateway for trade, travel, and economic development in Pohnpei and the Federated States of Micronesia.

Seaport operations are expected to grow as regional trade, fishing activities, and cargo movements remain strong. A major priority for FY 2025 was the commencement of the Seaport Expansion Project. Through grant funding and strategic partnerships, the Authority will advance port modernization efforts to increase vessel accommodation capacity, improve operational efficiency, and support future economic development. These improvements focused on strengthening the Authority's ability to accommodate growing maritime activities and to position Pohnpei as a more competitive hub for cargo and fishing operations.

The management not only explored but also implemented sustainable revenue-generating initiatives to diversify income sources and to reduce heavy dependence on traditional passenger-related fees at the Airport. Furthermore, the Authority concluded a comprehensive review of airport charges to identify potential adjustments to ensure revenues remain sufficient to support operational requirements, infrastructure maintenance, and future capital improvement needs. Additional revenue opportunities, including fuel-related charges, facility usage fees, and commercial development initiatives, will also be evaluated to strengthen long-term financial stability.

Lease revenue increased in FY 2025 as demand for commercial and operational space continues to grow. The Authority will continue to actively market available properties, pursue long-term lease agreements, and attract new tenants across various sectors. These efforts will maximize not only the value but also the use of assets to contribute to a stronger and more diversified revenue base.

Pohnpei State Government authorized the Authority to invest unrestricted funds to expand its investment portfolio during FY 2025 by increasing investment capital and exploring other opportunities with reputable financial institutions. Through prudent investment management, the Authority aimed to generate higher investment earnings, diversify revenue sources, preserve capital, and enhance its overall financial sustainability and resiliency.

The Authority also conducted a comprehensive review of other Rules and Regulations, including policies governing seaport operations, airport operations, leasing activities, procurement, and financial management. These reviews provided assurance that policies remain relevant, effective, and aligned with current operational requirements, industry standards, and best practices. Strengthening the Authority's governance framework strengthens accountability, efficiency, and sustainable growth.

FY 2025 Economic Outlook, Continued

The Authority will continue pursuing grant funding opportunities through the FAA, OIA, FSM National Government, and other funding agencies to support critical infrastructure projects, safety enhancements, equipment procurement, repairs and maintenance, and climate resilience initiatives. External funding sources will remain essential in advancing capital improvement programs while minimizing pressure on operating revenues.

Operational expenses remained relatively stable in FY 2025. Management will continue emphasizing cost recovery, control, process improvements, and resource optimization to address inflationary pressures while maintaining quality service standards. Investing in workforce development, technology, and operational efficiencies will further strengthen the Authority's ability to meet future demands and support long-term organizational success.

Overall, the Authority anticipated a productive and progressive FY 2025 through continued infrastructure development, expanded investment opportunities, revenue enhancement initiatives, and improvements to its governance framework. The Authority will and continues to remain committed to achieving sustainable growth while delivering reliable and efficient transportation services that support the economic needs of Pohnpei.

Contacting the Authority's Financial Management

The financial report is designed to provide our customers, creditors, the Board of Directors, and other interested parties with a general overview of the Authority's financial affairs. Questions or additional financial information can be asked or obtained from Finance Division with the permission of the General Manager at P.O. Box 1150, Pohnpei, FM 96941.

POHNPEI PORT AUTHORITY
(A Component Unit of the State of Pohnpei)

Statements of Net Position
September 30, 2024 and 2023

ASSETS

	2024	2023
Current assets:		
Cash and cash equivalents	$ 4,706,360	$ 7,888,968
Investments	5,161,235	-
Accounts receivable, net	640,847	325,827
Lease receivable, net	134,981	203,068
Advances	15,818	28,365
Prepaid expenses	29,732	9,076
Total current assets	10,688,973	8,455,304
Noncurrent assets:		
Investments	319,100	265,700
Lease receivables, net of current portion	2,475,822	2,187,055
Depreciable property and equipment, net	4,302,356	4,745,273
Non-depreciable property and equipment	2,792,229	2,776,034
Total noncurrent assets	9,889,507	9,974,062
Total assets	$ 20,578,480	$ 18,429,366

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	2024	2023
Current liabilities:		
Accounts payable	$ 165,070	$ 174,505
Accrued liabilities and others	167,281	87,695
Accrued annual leave	103,628	106,966
Total current liabilities	435,979	369,166
Deferred inflows of resources from leases	2,220,135	2,070,267
Contingencies		
Net position:		
Net investment in capital assets	7,094,585	7,521,307
Unrestricted	10,827,781	8,468,626
Total net position	17,922,366	15,989,933
Total liabilities, deferred inflows of resources and net position	$ 20,578,480	$ 18,429,366

The accompanying notes are an integral part of these financial statements.

POHNPEI PORT AUTHORITY
(A Component Unit of the State of Pohnpei)

Statements of Revenues, Expenses, and Changes in Net Position
Years Ended September 30, 2024 and 2023

	2024	2023
Operating revenues:		
Seaport charges	$ 3,332,645	$ 2,995,918
Departure fees	565,767	622,455
Land and space lease	326,459	232,171
Land and space rental	214,841	232,158
Landing fees	148,539	94,348
Other	400,305	279,745
Total operating revenues	4,988,556	4,456,795
Bad debt recovery (expense)	(4,888)	4,886
Net operating revenues	4,983,668	4,461,681
Operating expenses:		
Salaries and benefits	1,857,313	1,697,220
Depreciation	654,198	598,155
Utilities	302,246	271,300
Contractual services	267,047	188,342
Travel	143,523	83,100
Fuel	121,921	121,680
Supplies and materials	103,524	98,418
Repairs	93,849	111,402
Training	92,402	120,885
Communications	44,644	28,015
Equipment rental	1,330	1,727
Miscellaneous	113,925	66,535
Total operating expenses	3,795,922	3,386,779
Income from operations	1,187,746	1,074,902
Nonoperating revenues:		
Lease interest revenue	240,119	227,755
Unrealized gain on investment	63,260	27,200
Grants	97,914	9,372
Interest and investment income	227,375	34,427
Total nonoperating revenues, net	628,668	298,754
Income before capital contributions	1,816,414	1,373,656
Capital contributions		
Donated capital assets	-	1,808,191
OIA capital grant	116,019	41,039
Total capital contributions	116,019	1,849,230
Change in net position	1,932,433	3,222,886
Net position at beginning of year	15,989,933	12,767,047
Net position at end of year	$ 17,922,366	$ 15,989,933

The accompanying notes are an integral part of these financial statements.

POHNPEI PORT AUTHORITY
(A Component Unit of the State of Pohnpei)

Statements of Cash Flows
Years Ended September 30, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Cash received from customers	$ 4,597,836	$ 4,721,423
Cash paid to suppliers for goods and services	(1,222,369)	(1,013,979)
Cash paid to employees for services and benefits	(1,860,651)	(1,685,563)
Net cash provided by operating activities	1,514,816	2,021,881
Cash flows from noncapital financing activities:		
Operating grants received	97,914	9,372
Net cash provided by noncapital financing activities	97,914	9,372
Cash flows from capital and related financing activities:		
Capital grants received	116,019	41,039
Acquisition of property and equipment	(211,281)	(152,426)
Additions to construction in progress	(16,195)	-
Net cash used in capital and related financing activities	(111,457)	(111,387)
Cash flows from investing activities:		
Purchase of investments	(5,087,211)	-
Lease interest received	240,119	227,755
Interest and investment income received	163,211	61,627
Net cash provided by (used in) investing activities	(4,683,881)	289,382
Net change in cash and cash equivalents	(3,182,608)	2,209,248
Cash and cash equivalents at beginning of year	7,888,968	5,679,720
Cash and cash equivalents at end of year	$ 4,706,360	$ 7,888,968

The accompanying notes are an integral part of these financial statements.

POHNPEI PORT AUTHORITY
(A Component Unit of the State of Pohnpei)

Statements of Cash Flows
Years Ended September 30, 2024 and 2023

Reconciliation of income from operations to net cash provided by operating activities:	2024	2023
Income from operations	$ 1,187,746	$ 1,074,902
Adjustments to reconcile income from operations to net cash used in (provided by) operating activities:		
Depreciation	654,198	598,155
Bad debt expense (recovery)	4,888	(4,886)
(Increase) decrease in assets:		
Accounts receivable	(319,908)	263,805
Lease receivable	(220,680)	305,640
Advances	12,547	(253)
Prepaid expenses	(20,656)	32,797
Increase (decrease) in liabilities:		
Accounts payable	(9,435)	94,060
Accrued liabilities and others	79,586	(16,635)
Accrued annual leave	(3,338)	11,657
Deferred inflows of resources from leases	149,868	(337,361)
Net cash provided by operating activities	$ 1,514,816	$ 2,021,881

Supplemental disclosure of noncash investing and capital financing and related activities:

During the year ended September 30, 2023, the Authority received $1,808,191 in donated capital assets from the United States Federal Government and the FSM National Government. No donated capital assets were received during the year ended September 30, 2024.

During the year ended September 30, 2024, the Authority recognized $64,164 of accrued interest on brokered certificates of deposit and $63,260 of net increases in the fair value of investments.

The accompanying notes are an integral part of these financial statements.

(1) Reporting Entity

The Pohnpei Port Authority (the Authority), a component unit of the Pohnpei State Government, was established by Pohnpei State Public Law 2L-224-91. The primary purpose of the Authority is to oversee the use and maintenance of Pohnpei State's sea and airports. The Authority began operating as a separate entity in fiscal year 1993, although the accounting for the Authority was not transferred from the Pohnpei State Department of Treasury until January 1994.

The affairs of the Authority are managed by a seven-member board, consisting of representatives of the Pohnpei State Government appointed by the Governor to four-year terms. Daily operation of the Authority is delegated to a General Manager, who is appointed by and serves at the pleasure of the Board.

The Authority's financial statements are incorporated into the financial statements of the Pohnpei State Government as a component unit.

(2) Summary of Significant Accounting Policies

Basis of Accounting

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of the fund are included in the statement of net position. The Proprietary fund operating statement presents increases and decreases in net position. The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The Authority's revenues are derived primarily from providing various services to major shipping and airline customers under an approved tariff rate schedule and are reported as operating revenues. Capital grants, financing or investing related transactions are reported as nonoperating revenues. Revenue is recognized on the accrual basis and is recorded upon billing when services have been completed. All expenses related to operating the Authority are reported as operating expenses. Interest income or federal program revenues are the primary components of nonoperating revenues and expenses.

Accounting Estimates

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

(2) Summary of Significant Accounting Policies, Continued

Net Position

Net position represents the residual interest in the Authority's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted and consists of the following three 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. Deferred outflows of resources that are attributable to related debt are also included in this component.

- Restricted net position results when constraints placed on net position use are 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. Net position that is not subject to externally imposed stipulations is considered unrestricted. Unrestricted net position may be designated for specific purposes by action by management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Cash and Cash Equivalents

For purposes of the statement of net position and the statement of cash flows, cash and cash equivalents include cash on hand, demand deposits, and highly liquid investments with original maturities of ninety days or less.

Custodial credit risk is the risk that, in the event of a financial institution's failure, the Authority may not be able to recover its deposits. Certain deposits are not covered by depository insurance and may be either uncollateralized or collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the Authority's name. The Authority does not maintain a formal deposit policy addressing custodial credit risk.

As of September 30, 2024 and 2023, the carrying amounts of the Authority's cash and cash equivalents were $4,706,360 and $7,888,968, respectively, while the corresponding bank balances were $4,486,588 and $6,709,154, respectively. These funds are primarily held in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) coverage. Of these balances, $500,000 was insured by the FDIC as of both September 30, 2024 and 2023. The Authority does not require collateralization of deposits; accordingly, balances in excess of FDIC insurance limits are uncollateralized and exposed to custodial credit risk. The Authority has not incurred any losses on such accounts, and management believes that exposure to credit risk is not significant.

(2) Summary of Significant Accounting Policies, Continued

Receivables

Accounts receivable are due from businesses and individuals based in Pohnpei State that relate to public land leases, space rentals, landing fees, port and handling charges, wharfage, gross receipts fees and other fees. The allowance for doubtful accounts is stated at an amount which management believes will be adequate to absorb possible losses on accounts receivable that may become uncollectible based on evaluations of the collectability of these accounts and prior collection experience. The allowance is established through a provision for bad debts charged to expense. Bad debts are ultimately written-off against the allowance on the specific identification method. At September 30, 2024 and 2023, receivables are net of an allowance for doubtful accounts totaling $45,318 and $102,875, respectively.

Lease receivable

Lease receivable represents the present value of lease payments expected to be received during the lease term. The Authority has adopted policies to assist in determining lease treatment in accordance with the requirements of GASB Statement No. 87, which include the following: (1) the maximum possible lease term is non-cancelable by both lessee and lessor and is more than 12 months and (2) the terms of the lease will include possible extension periods that are deemed to be reasonably certain given all available information, regarding the likelihood of renewal.

Short-Term Leases

The Authority applies the short-term lease exception to agreements with a maximum possible term of 12 months or less, including any extension options, regardless of dollar value. For these short-term leases, the Authority does not recognize lease receivable or deferred inflow of resources. Instead, lease payments are recognized as revenue on a straight-line basis over the lease term. Short-term lease revenues totaled $214,841 and $232,158 for the years ended September 30, 2024 and 2023, respectively.

Investments

Investments are reported at fair value, except for investments that qualify for measurement using a cost-based measure under applicable Governmental Accounting Standards Board guidance. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

An equity investment in the common stock of Bank of FSM (investee) is stated at net asset value (NAV). The NAV is used as a practical expedient to estimate fair value. The NAV is determined based on the total shareholder's equity reported by the investee.

(2) Summary of Significant Accounting Policies, Continued

Investments, continued

The Authority categorizes fair-value measurements within the fair-value hierarchy established by GASB Statement No. 72, *Fair Value Measurement and Application*, based on the valuation inputs used to measure each investment:

- Level 1 inputs are quoted prices in active markets for identical investments.
- Level 2 inputs are observable inputs other than quoted Level 1 prices, including quoted prices for similar investments, interest rates, yield curves, credit spreads, and other market-corroborated inputs.
- Level 3 inputs are significant unobservable inputs.

If an investment is measured using net asset value per share as a practical expedient, it is not categorized within the fair-value hierarchy.

Brokered certificates of deposit that are negotiable or transferable through a secondary market are considered participating interest-earning investment contracts. Such investments are reported at fair value unless they qualify for measurement at amortized cost under applicable GASB guidance. Open-end mutual funds are reported at their published net asset value per share.

Investment income, including interest, dividends, and changes in the fair value of investments, is reported as nonoperating revenue. Interest income is recognized as earned. Purchases and sales of investments are recorded on the trade date.

For purposes of the statement of cash flows, investments with original maturities of three months or less when acquired that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value are considered cash equivalents. Investments with original maturities exceeding three months are reported separately as investments.

Property and Equipment

Property and equipment are stated at cost or at estimated appraised values as of the transfer date, less accumulated depreciation. Depreciation is based on the straight-line method over the estimated useful lives of the respective assets. All assets have an estimated useful life of three to seventy years. The Authority utilizes a capitalization threshold of $1,000. Land is recorded based on an appraisal of the Authority facilities performed during the year ended September 30, 1996.

(2) Summary of Significant Accounting Policies, Continued

Deferred Inflows of Resources

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (additions to net position) until then.

Compensated Absences

Vested or accumulated vacation leave is recorded as an expense and liability as the benefit accrues to employees. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. The related sick pay expense is recorded when the benefit is actually taken. The Authority expects the accrued liability of $103,628 as of September 30, 2024, to be liquidated entirely within one year.

Taxes

Corporate profits are not subject to income tax in the Federated States of Micronesia. The Government of the Federated States of Micronesia imposes a gross receipts tax of 3% on revenues. The Authority is specifically exempt from this tax.

New Accounting Standards

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

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

- In April 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

  This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated.

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, continued

Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI).

For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles.

- In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*, which requires governments to provide essential information about certain concentrations or constraints that may make the government vulnerable to the risk of a substantial impact. A concentration is defined as a lack of diversity related to an aspect of a significant inflow or outflow of resources, while a constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority.

  Statement No. 102 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. The government must also assess whether an event or events associated with the concentration or constraint have occurred, have begun to occur, or are more likely than not to occur within 12 months of the date the financial statements are issued. If the criteria for disclosure are met, the government is required to disclose sufficient information to enable financial statement users to understand the nature of the circumstances and the government's vulnerability to the risk of a substantial impact.

  The provisions of Statement No. 102 will be effective for fiscal year ending September 30, 2025. The Authority early implemented Statement No. 102 for the fiscal year ended September 30, 2024.

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

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, continued

- In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to address the information needs of users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means.

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

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

- In September 2024, the GASB issued Statement No. 104, *Disclosures About Capital Assets*. The objective of this Statement is to address the information needs of users and requires enhanced note disclosures related to capital assets, including disaggregated information by major asset class and more detailed explanations of additions, disposals, and depreciation.

  The statement is intended to improve transparency and provide financial statement users with more decision-useful information about capital asset activities and conditions. The provisions of Statement No. 104 will be effective for fiscal year ending September 30, 2026.

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, continued

- In December 2025, the GASB issued Statement No. 105, *Subsequent Events*, the objective of this Statement is to improve the financial reporting requirements for subsequent events to enhance consistency in their application and better meet the information needs of financial statement users.

  This statement defines subsequent events, clarifies a two-point description for the date on which the financial statements are available to be issued, modifies the subsequent events time frame throughout the GASB literature, requires the date through which subsequent events have been evaluated to be disclosed, clarifies the distinction between recognized and nonrecognized events, and establishes specific note disclosures for nonrecognized events. The provisions of Statement No. 105 will be effective for fiscal year ending September 30, 2027.

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

(3) Investments

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

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

At September 30, 2024 and 2023, the Authority's investments and related accrued interest consisted of the following:

	2024	2023
Brokered certificates of deposit	$ 5,009,443	$ -
Offshore USD Treasury CNAV Fund Class A	80,645	-
Raymond James Bank Deposit Program	6,983	-
Accrued interest on certificates of deposit	64,164	-
Bank of the FSM common stock	319,100	265,700
Total investments and related accrued interest	5,480,335	265,700
Less amount classified as current	(5,161,235)	-
Noncurrent investments	$ 319,100	$ 265,700

(3) Investments, continued

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

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

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

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

Fair-value Measurements

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

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

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

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

(3) Investments, continued

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

At September 30, 2023, the Authority's investment measured using net asset value per share as a practical expedient consisted solely of Bank of FSM common stock with a fair value of $265,700.

Interest-rate risk

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

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

Maturity Period	Principal Amount
February 2025	$ 3,000,000
August 2025	2,000,000
Total	$ 5,000,000

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

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The brokered certificates of deposit were issued by separate financial institutions participating in the Federal Deposit Insurance Corporation program. Each certificate had a principal amount of $250,000.

The brokered certificates of deposit were not rated by a nationally recognized statistical rating organization. The credit rating of the Offshore USD Treasury CNAV Fund, Class A, was not available as of September 30, 2024.

The Bank of FSM common stock represents an ownership interest rather than a debt investment and therefore is not assigned a credit rating.

(3) Investments, continued

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of a counterparty or financial institution, the Authority would not be able to recover the value of its deposits, investments, or collateral securities in the possession of an outside party.

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

Each brokered certificate of deposit had a principal amount of $250,000 and was issued by a separate FDIC-insured financial institution. Although the principal amount of each certificate did not exceed the standard FDIC insurance limit, accrued interest and any other deposits maintained by the Authority under the same ownership category at the same institution may not be fully insured.

The Raymond James Bank Deposit Program allocates available cash among participating financial institutions. Balances are eligible for FDIC insurance subject to applicable ownership categories, insurance limits, and other FDIC requirements. At September 30, 2024, none of the Authority's investments were exposed to custodial credit risk because the investments were held by the counterparty in the Authority's name.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of the Authority's investment in a single issuer. At September 30, 2024, the Authority's investment in Bank of FSM common stock represented approximately 5.9% of total investments measured at fair value.

Excluding investments in mutual funds and other investments exempt from concentration-risk disclosure, the Authority had no other investment in a single issuer that exceeded 5% of total investments at September 30, 2024. Each brokered certificate of deposit represented less than 5% of the Authority's total investment portfolio and was issued by a separate financial institution.

Investment in Bank of the Federated States of Micronesia

At September 30, 2024 and 2023, the Authority held 10,000 shares of common stock in the Bank of the Federated States of Micronesia, representing approximately a 1% ownership interest. The Bank reported total shareholders' equity of approximately $29,948,228 and $27,347,423 at September 30, 2024 and 2023, respectively.

(3) Investments, continued

Investment in Bank of the Federated States of Micronesia, continued

The Bank's common stock does not have a readily determinable fair value. Accordingly, the Authority estimates the investment's fair value using net asset value per share as a practical expedient. The Bank calculates net asset value per share consistently with applicable measurement principles based on reported shareholders' equity and outstanding common shares.

The estimated fair values of the Authority's investment were $319,100 and $265,700 at September 30, 2024 and 2023, respectively. The Authority had no unfunded commitments related to this investment.

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

Investment income

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

The change in fair value of the Authority's Bank of FSM common stock was $53,400 for the year ended September 30, 2024. Total changes in the fair value of investments recognized during the year were approximately $63,260.

(4) Property and Equipment

Capital asset activities for the years ended September 30, 2024 and 2023 are as follows:

	Estimated Useful Lives	Balance at October 1, 2023	Transfers and Additions	Transfers and Deletions	Balance at September 30, 2024
Non-depreciable:					
Land		$ 2,776,034	$ -	$ -	$ 2,776,034
Construction in progress		-	16,195	-	16,195
		2,776,034	16,195	-	2,792,229
Depreciable:					
Buildings and improvements	7 - 70 years	18,211,539	33,609	-	18,245,148
Machinery and equipment	3 - 5 years	6,259,030	177,672	(786,418)	5,650,284
		24,470,569	211,281	(786,418)	23,895,432
Less accumulated depreciation		(19,725,296)	(654,198)	786,418	(19,593,076)
		4,745,273	(442,917)	-	4,302,356
Property and equipment, net		$ 7,521,307	$ (426,722)	$ -	$ 7,094,585

	Estimated Useful Lives	Balance at October 1, 2022	Transfers and Additions	Transfers and Deletions	Balance at September 30, 2023
Non-depreciable:					
Land		$ 2,776,034	$ -	$ -	$ 2,776,034
Construction in progress		-	-	-	-
		2,776,034	-	-	2,776,034
Depreciable:					
Buildings and improvements	7 - 70 years	18,211,539	-	-	18,211,539
Machinery and equipment	3 - 5 years	4,403,051	1,941,264	(85,285)	6,259,030
		22,614,590	1,941,264	(85,285)	24,470,569
Less accumulated depreciation		(19,204,337)	(606,244)	85,285	(19,725,296)
		3,410,253	1,335,020	-	4,745,273
Property and equipment, net		$ 6,186,287	$ 1,335,020	$ -	$ 7,521,307

Donated Capital Assets

During the fiscal year ended September 30, 2023, the Authority received donated capital assets from the United States Embassy (USE) and the Federated States of Micronesia National Government (FSMNG). These donations were valued at approximately $1,774,866 in total and consisted of machinery, equipment, and vehicles provided to support the Authority's air and maritime operations under U.S. Code Title 10, Section 333 (capacity-building assistance). In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the Authority recognized the fair value of these donated assets as revenue in the form of capital contributions during FY2023. The donated assets have been capitalized at their acquisition value, which is the estimated fair market value at the date of donation.

(4) Property and Equipment, Continued

Because all eligibility requirements and donor stipulations were met at the time of receipt, the full $1,774,866 was recognized in the current year with no amounts deferred.

The donated equipment and vehicles are subject only to general use restrictions (i.e. they must be utilized for the Authority's operational purposes). There are no formal legislative or contractual restrictions that impose ongoing compliance or future reporting requirements on these assets. Accordingly, no deferred inflows of resources or liabilities have been recorded in connection with these donations.

In addition, the FSMNG financed the purchase of replacement airport seating (chairs) valued at $33,325 on behalf of the Authority during the year. This contribution, funded through an FSMNG general fund appropriation (Public Law No. 22-180), is also accounted for as a donated capital asset. The chairs have been capitalized at cost (the amount provided), and the $33,325 funding is recognized as capital contribution revenue in FY2023, consistent with GASB 33 guidance for capital grants and contributions. Similar to the other donated assets, the airport chair donation carries no continuing restrictions or future reporting obligations for the Authority.

(5) Related Party Transactions and Grant Transactions

Pohnpei State Government
Pursuant to Pohnpei State Public Law No. 8L-83-15, effective October 1, 2015, the Authority is required to remit 30% of anchorage fees collected to the Pohnpei State Government (PSG), a related party.

For the fiscal years ended September 30, 2024 and 2023, the Authority recognized expenses of $117,053 and $178,688, respectively, representing PSG's share of anchorage fee collections.

As of September 30, 2024 and 2023, amounts due to PSG totalling $24,292 and $7,924, respectively, are included in accrued liabilities in the accompanying financial statements. These balances represent unremitted portions of anchorage fees at fiscal year-end.

Office of Insular Affairs (OIA) Grant
The Authority was awarded a capital grant from the Office of Insular Affairs (OIA) in the total approved amount of $254,090 to fund the procurement of capitalizable emergency response equipment and related assets aimed at enhancing the Authority's capacity to respond to emergency situations.

The grant is administered on a reimbursement basis, whereby revenues are recognized as eligible expenditures are incurred. For the fiscal years ended September 30, 2024 and 2023, the Authority recognized capital contributions of $116,019 and $41,039, respectively, in the accompanying statement of revenues, expenses, and changes in net position.

(5) Related Party Transactions and Grant Transactions, Continued

As of September 30, 2024, the remaining authorized funding available under the grant totaled $97,032.

(6) Leases

The Authority is a lessor under various land and concession space agreements with private entities and agencies of the Federated States of Micronesia National Government (FSMNG). These agreements qualify as leases under Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Non-cancellable lease terms extend through fiscal year 2049. Renewal options are included in the lease term only if it is reasonably certain that the lessee will exercise them. The Authority's lease agreements exclude material residual value guarantees or variable payment provisions based on future performance or usage.

For the fiscal years ended September 30, 2024 and 2023, total recognized lease revenue was $566,578 and $459,926, respectively. These totals include revenue from the amortization of deferred inflows of resources and interest revenue earned on lease receivables.

A summary of changes in the Authority’s lease receivable balances as of and for the years ended September 30, 2024 and 2023, is as follows:

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

Balance October 1, 2022	Increases	Decreases	Balance September 30, 2023	Current	Noncurrent
$ 2,695,763	$ 61,996	$ 367,636	$ 2,390,123	$ 203,068	$ 2,187,055

(6) Leases, Continued

Lease receivables are due in the upcoming years as follows:

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

(7) Retirement Plan

The Pohnpei Port Authority maintains the PPA Retirement Savings Plan (the Plan), a single-employer defined contribution pension plan established to provide supplemental retirement, disability, and survivor benefits to eligible employees and their beneficiaries. The Plan is intended to supplement benefits provided through the Federated States of Micronesia National Government Social Security System. The Plan was established by the Authority under its administrative authority and is administered internally by the Authority.

Permanent employees who are at least 18 years of age and have completed one year of service are eligible to participate. Participating employees may make voluntary after-tax contributions to their individual accounts. In accordance with the Plan provisions and subject to the availability of funds, the Authority provides a matching contribution of one dollar for each dollar contributed by a participant, up to 7.5 percent of eligible compensation. Participants are fully vested in their employee contributions, while employer contributions vest over five years. Benefits are limited to each participant's vested individual account balance, including allocated investment earnings and losses.

The Authority's obligation under the Plan is limited to employer contributions made in accordance with the Plan's provisions. Accordingly, in accordance with GASB guidance for defined contribution pension plans, management has determined that the Plan's assets held in participant accounts are not assets of the Authority, and participant account balances are not liabilities of the Authority. The Authority does not guarantee a specified retirement benefit or have any further obligation for benefits after making its employer contributions.

(7) Retirement Plan, Continued

For the years ended September 30, 2024 and 2023, the Authority contributed and recognized pension expense of $56,557 and $45,294, respectively. As of September 30, 2024 and 2023, the Plan held participant account assets totaling $1,121,930 and $913,445, respectively.

(8) Contingency

The Authority is subject to certain legal complaints that have arisen in the normal course of business. Management is of the opinion that resolution of these matters will not have a material effect on the Authority's results of operations, and as such, no adjustments have been recorded in the accompanying financial statements.

(9) Reclassification of Prior Year Amounts

Certain amounts reported in the prior year financial statements have been reclassified to conform to the current year presentation. These reclassifications had no effect on the previously reported change in net position.

(10) Risks and Uncertainties

The Authority derives a significant portion of its operating revenues from seaport charges. For the fiscal years ended September 30, 2024 and 2023, seaport charges totaled $3,332,645 and $2,995,918, respectively, representing approximately 66.8% and 67.2% of total operating revenues, respectively.

This concentration exposes the Authority to a risk of substantial impact should there be a disruption in port operations, shipping activity, or related demand for seaport services. Management evaluated this concentration in accordance with GASB Statement No. 102 and determined that no event associated with the concentration had occurred, had begun to occur, or was more likely than not to occur within 12 months of the date the financial statements were issued that would cause a substantial impact.

The Authority is also exposed to various risks of loss related to torts; theft, or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster.

The Authority purchases insurance to cover workers' compensation and life insurance risks and is substantially self-insured for all other risks. Management is of the opinion that no material losses have been sustained as a result of this practice during the past four years.

(11) Date of Management's Review

Management has considered subsequent events through July 28, 2026, the date upon which the financial statements were available to be issued. There were no material subsequent events that would require recognition or disclosure in the financial statements for the year ended September 30, 2024.

POHNPEI PORT AUTHORITY
(A Component Unit of the State of Pohnpei)

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Year Ended September 30, 2024

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Pohnpei Port Authority:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Pohnpei Port Authority (the "Authority"), which comprise the statements of net position as of September 30, 2024, and the related statements of revenues, expenses and changes in net position and of cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated July 28, 2026.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Report on Compliance and Other Matters

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

Purpose of this Report

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

Burger Comer & Associates

July 28, 2026
Tamuning, Guam

POHNPEI PORT AUTHORITY
(A Component Unit of the State of Pohnpei)

Summary Schedule of Prior Year Audit Findings
Year Ended September 30, 2024

There were no unresolved questioned costs or prior year findings of the Authority as of September 30, 2024.