

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

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

YEAR ENDED SEPTEMBER 30, 2019

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

YEAR ENDED SEPTEMBER 30, 2019

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FEDERATED STATES OF MICRONESIA**

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**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

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

YEAR ENDED SEPTEMBER 30, 2019

INDEPENDENT AUDITORS' REPORT

Honorable Reed B. Oliver
Governor, State of Pohnpei
Federated States of Micronesia:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, and each major fund of the State of Pohnpei (the State), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as set forth in Section III of the foregoing table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Pohnpei Transportation Authority and the Small Business Guarantee and Finance Corporation, which represent 7%, 6%, and 7%, respectively, of the assets, net position, and operating revenues of the State's discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Pohnpei Transportation Authority and the Small Business Guarantee and Finance Corporation, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified audit opinions.

Summary of Opinions

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

Basis for Qualified Opinion on Governmental Activities

As more fully described in Note 13 to the financial statements, the State has not recorded a liability for a nonexchange financial guarantee for discretely presented component unit debt. In our opinion, accounting principles generally accepted in the United States of America require that a liability be recognized when the State will be required to make a payment on the guarantee. The effects of this departure on the governmental activities of the State are not reasonably determinable.

Qualified Opinion

In our opinion, except for the matter described in the “Basis for Qualified Opinion on Governmental Activities” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the State of Pohnpei as of September 30, 2019, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate discretely presented component units, and each major fund of the State of Pohnpei as of September 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matters***Receivables from the FSM National Government***

As discussed in Note 3 to the financial statements, the State is in discussions with the FSM National Government to determine the ultimate collectability of certain receivables due from the FSM National Government in consultation with federal grantor agencies arising from Compact sector grant transactions.

COVID-19

As discussed in the Note 14 to the financial statements, the State has determined that the COVID-19 pandemic may negatively impact its result of operations and net position. The State is unable to reasonably estimate its ultimate financial impact. Our opinion is not modified with respect to this matter.

Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

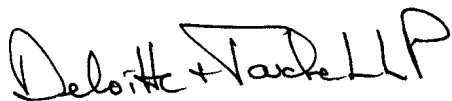
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 10 as well as the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund and notes thereto, on pages 51 and 52, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The combining and individual fund financial statements, as set forth in Section V of the foregoing table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements are 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 December 26, 2020 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 to solely 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.



December 26, 2020

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Management's Discussion and Analysis
September 30, 2019

This section of the Pohnpei State's financial report presents our Management's Discussion and Analysis (MD&A) for the fiscal year ended September 30, 2019. This MD&A is prepared in compliance with the GASB requirement. Readers are requested to read this MD&A in conjunction with the State's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Pohnpei State's total governmental activities net position for the year is \$59,617,456.
- The net change in total governmental fund balance is an increase of \$2,390,575. Total revenues reported are \$41,907,327 against total expenditures of \$39,516,752.
- Actual revenues for the general fund were \$1,514,440 higher than budgeted revenues. The total expenditures-budgetary basis showed an unfavorable variance of \$971,751. The general fund reported an unassigned fund balance of \$(495,171), with a decrease of \$3,890,513 from the prior year unassigned fund balance of \$3,395,342. There was an increase of restricted on Health Funds of \$998,190.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of four parts – management's discussion and analysis (this section), the basic financial statements, required supplemental information, and the notes to the financial statements.

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

Government-Wide Financial Statements

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

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

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

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

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Management's Discussion and Analysis
September 30, 2019

Fund Financial Statements

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

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

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE (GOVERNMENT-WIDE)

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

		Government Activities	
		2019	2018
Current and other assets		\$ 44,378,349	\$ 42,984,241
Capital assets		22,364,328	25,015,418
	Total assets	\$ 66,742,677	\$ 67,999,659
Current liabilities		\$ 3,415,792	\$ 5,680,806
Long-term debt and other liabilities		3,709,429	3,994,972
	Total liabilities	7,125,221	9,675,778
Net position:			
Net investment in capital assets		23,641,265	25,015,418
Restricted		29,044,738	28,568,999
Unrestricted fund balance		6,931,453	4,739,464
	Total net position	59,617,456	58,323,881
		\$ 66,742,677	\$ 67,999,659

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Management's Discussion and Analysis
September 30, 2019

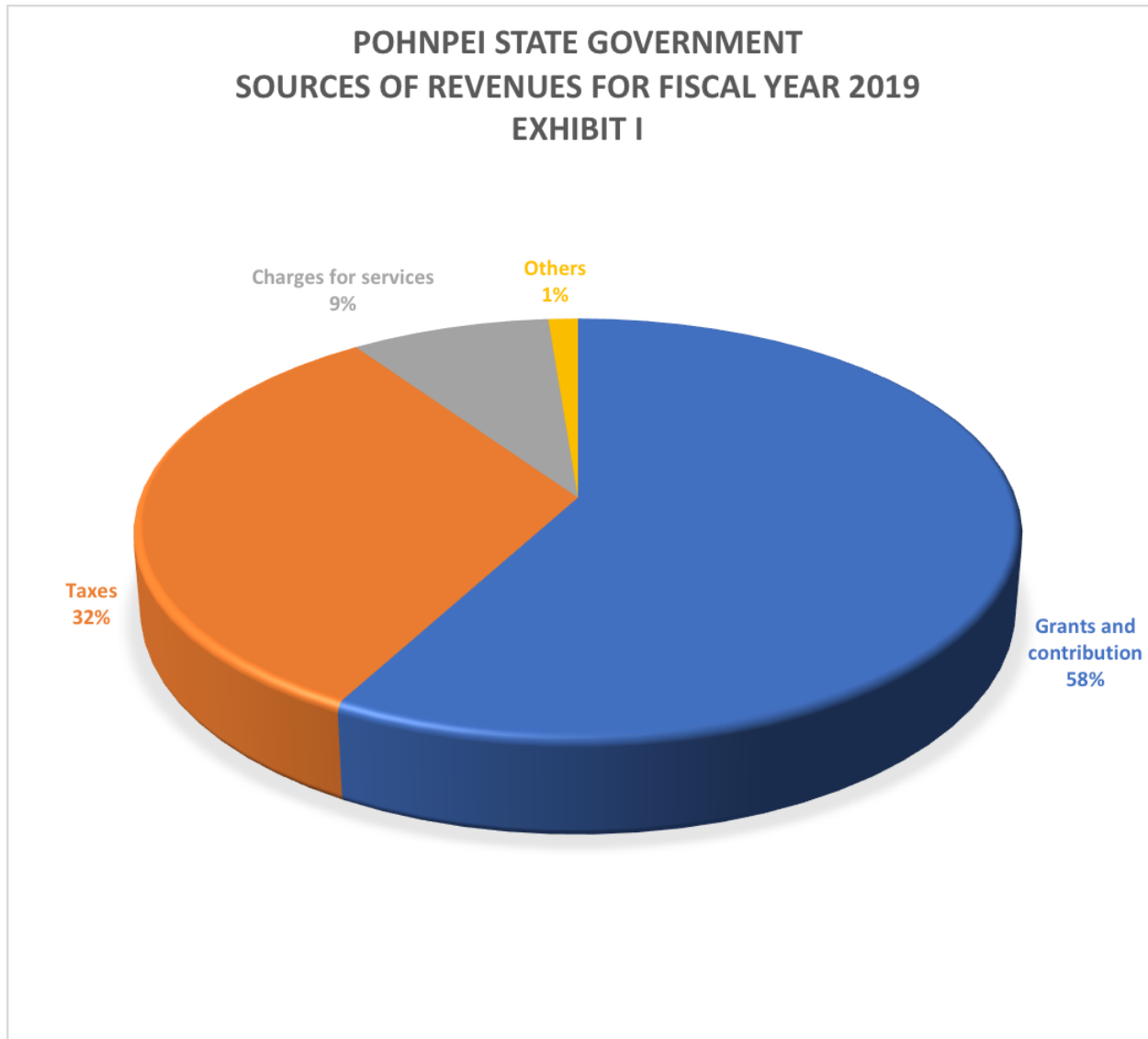
Change in net position. The State's Statement of Changes in Net Position for the fiscal year ended September 30 follows:

	Government Activities	
	2019	2018
Revenues:		
Program revenues:		
Charges for services	\$ 3,443,488	\$ 2,583,800
Operating grants and contributions	20,378,203	22,572,493
Capital grants and contributions	3,371,227	550,934
General Revenues:		
Taxes	13,276,504	13,795,525
Investment earnings	601,958	980,375
Other	256,748	11,016
Total revenues	<u>41,328,128</u>	<u>40,494,143</u>
Expenses:		
General Government	7,777,504	9,391,504
Education	11,803,590	11,956,812
Health services	9,544,088	7,441,875
Land and natural resources	540,998	367,599
Public works and transportation	334,559	183,635
Public safety	1,401,574	1,421,484
Boards, commission and other appropriations	9,283,150	6,469,150
Total expenses	<u>40,685,463</u>	<u>37,232,059</u>
Other items:		
SDR-foreign exchange gain (loss)	71,711	50,754
Contributions to permanent fund	579,199	1,160,079
Total other items	<u>650,910</u>	<u>1,210,833</u>
Change in net positions	1,293,575	4,472,917
Net position - beginning	<u>58,323,881</u>	<u>53,850,964</u>
Net position - ending	<u>\$ 59,617,456</u>	<u>\$ 58,323,881</u>

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Management's Discussion and Analysis
September 30, 2019

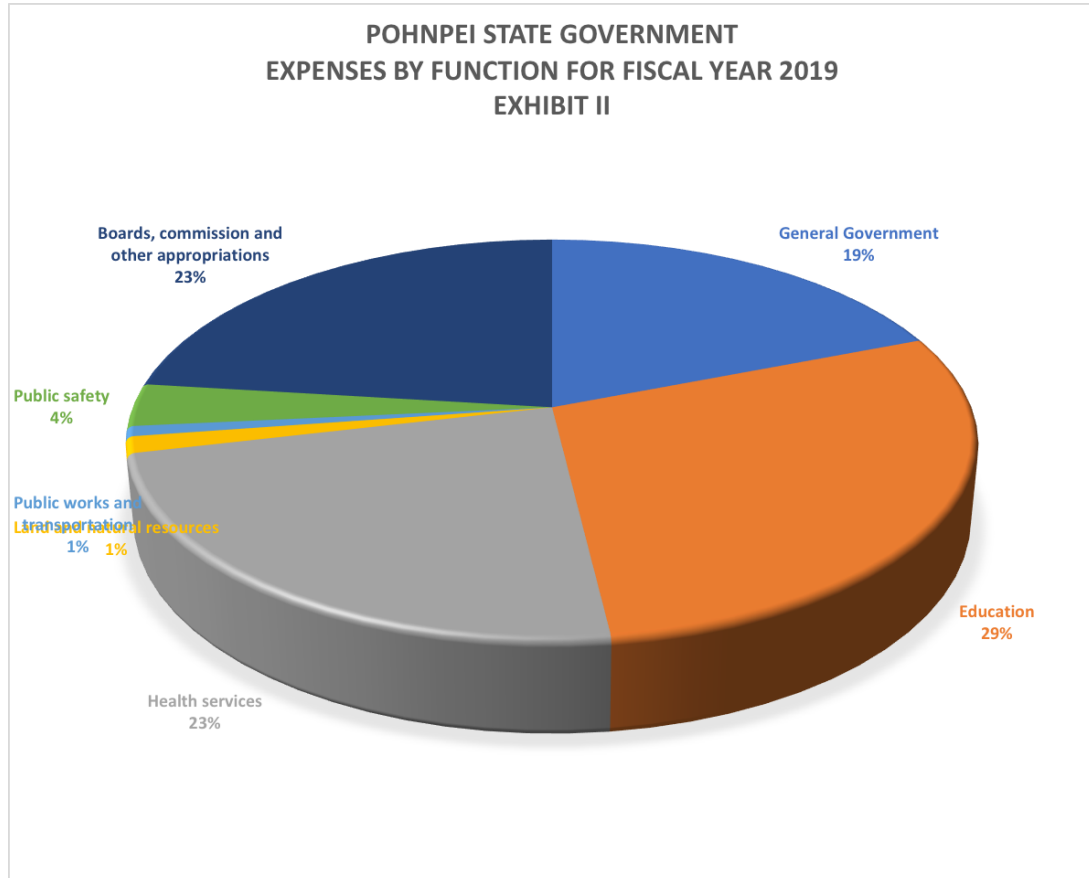
Exhibit I, below, showed that 58% of the State's revenues were derived from the Compact II while 42% came from taxes and other government charges.



**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Management's Discussion and Analysis
September 30, 2019

Exhibit II, illustrated that Education represented 29% of the State's total expenses followed by 23% for Boards, commission and other appropriations and Health services 23%.



FINANCIAL ANALYSIS OF THE STATE GOVERNMENTAL FUNDS

The State's governmental fund changes in fund balances for the years ended September 30, 2019 and 2018 are shown below.

	General Fund		Grants Assistance Fund		Compact Trust Fund		Other Funds	
Revenues:	2019	2018	2019	2018	2019	2018	2019	2018
Taxes	\$ 12,836,663	\$ 12,946,172		\$ -	\$ -	\$ -	\$ 439,841	\$ -
Compact	-	-	20,054,943	21,677,817	-	-	-	849,353
Other/transfer in	1,351,838	1,379,312	3,694,487	1,445,610	579,199	1,160,079	2,950,356	2,293,191
Total revenues	14,188,501	14,325,484	23,749,430	23,123,427	579,199	1,160,079	3,390,197	3,142,544
Expenditures/transfers out	13,203,018	11,915,423	23,509,905	23,267,005	-	-	2,803,829	1,141,711
Net change in fund balances	\$ 985,483	\$ 2,410,061	\$ 239,525	\$ (143,578)	\$ 579,199	\$ 1,160,079	\$ 586,368	\$ 2,000,833

General Fund

The net change of Fund Balance in General Fund decreased by \$1,424,578 or 59%, due to decreases in taxes of (\$109,509) and increased in expenditure of (\$1,287,595).

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Management's Discussion and Analysis
September 30, 2019

Grant Assistance Fund

The net change of Fund Balance in Grant Assistance Fund is 267%, due to an increase in revenue by \$626,003 more than offsetting the increased in expenditure of (\$242,900).

Compact Trust Fund

The net change of Fund Balance in Compact Trust Fund is (50%), due to a decreased in revenue by (\$580,880), less deposited into the trust fund, \$579,199 in 2019 compared to \$1,160,079 in 2018.

General Fund Budgetary Highlights

During the year, the State revised its budget several times in the aggregate amount of \$770,582 to accommodate supplemental funding for departments and offices requiring increases in appropriations to avoid budget overruns. These matters are not believed to have a significant effect on future services. The State conforms to the most appropriate measures of utilizing its net assets due to inflationary adjustments.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The State's capital assets at the end of fiscal year 2019 consist basically of equipment, buildings, roads and bridges. Decrease in capital assets was due to higher depreciation than replacement of machinery, equipment and others. The summary of gross capital assets at the end of September 30 is shown below:

	Government Activities	
	2019	2018
Buildings	\$ 24,841,744	\$ 24,841,744
Machinery	26,861,841	26,059,369
Infrastructure	53,690,078	53,690,078
Total	<u>\$ 105,393,663</u>	<u>\$ 104,591,191</u>

Note 5 of the Notes to Financial Statements presents more information about the State's capital assets.

Long-term Debt

At September 30 the State had long-term debt as shown below:

	Government Activities	
	2019	2018
Asian Development Bank Loan	<u>\$ 3,737,684</u>	<u>\$ 4,021,344</u>

Notes 7 and 8 to the financial statements present more information about the State's long-term debt.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Management's Discussion and Analysis
September 30, 2019

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Funding for the operations of most of the government services in fiscal year 2020 will still come from the Compact II.

Fiscal year 2020 is the 17th year of the implementation of the economic assistance under the Compact II/Sector Grant. Sector funding replaces the funding sources from the old Compact I. Under the Compact II/Sector grant, the annual budget approved by JEMCO for fiscal year 2020 is as follows:

- For Education Sector Grant, which continues to be the funding priority, the annual budget is \$8,001,884.
- The Health Sector Grant's budget is \$6,208,909.
- Infrastructure Grant is \$5,514,899.
- The Public Sector Capacity Building Sector Grant budget is \$175,024.
- The funding of the office of PMU is \$302,500.
- The funding of IMF is \$512,000
- The funding US Army Corps for Engineering support is \$285,000
- The Enhanced Reporting and Accounting Sector Grant budget is \$453,154.
- In the case of the Supplemental Education Grant (SEG), the total funding for fiscal year 2020 is \$2,674,118. The programs covered in the funding are Early Childhood Education, Education Improvement Programs, Workforce Development/Skill Training, Vocational Education and Staff Development.
- Covid -19 grant support is \$2,313,000

For fiscal year 2020, locally generated revenues, investment income and the revenue shares from the FSM National Government are projected at \$15,162,079: higher than recorded revenues of \$10,062,075 in fiscal year 2019. Anticipation that the Government will withdraw \$1,900,000 from investment to settle underpayment of Revenue share to Municipal governments unpaid from year 2013 to 2017.

No COVID-19 cases have been reported in the FSM. Should it reach FSM, it may negatively impact the State. However, its impact on the States operations and financial position cannot be reasonably.

FINANCIAL CONTACT

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

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Statement of Net Position
September 30, 2019

	Primary Government	Component Units
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,264,123	\$ 7,757,586
Time certificate of deposit	-	230,980
Investments	5,028,561	272,304
Receivables, net	3,777,637	5,208,396
Advances	525,141	74,610
Inventories	-	386,716
Other current assets	-	222,255
Restricted assets:		
Cash and cash equivalents	7,569,172	1,202,127
Total current assets	<u>18,164,634</u>	<u>15,354,974</u>
Noncurrent assets:		
Capital assets:		
Nondepreciable capital assets	-	3,838,330
Capital assets, net of accumulated depreciation	23,641,265	35,421,105
Investments	1,272,450	-
Receivables, net	-	2,058,866
Other assets	1,300,000	-
Restricted assets:		
Cash and cash equivalents	-	517,650
Investments	22,364,328	-
Total noncurrent assets	<u>48,578,043</u>	<u>41,835,951</u>
Total assets	<u>\$ 66,742,677</u>	<u>\$ 57,190,925</u>
LIABILITIES		
Current liabilities:		
Short-term debt	\$ -	\$ 324,613
Current portion of long-term obligations	239,223	466,511
Compensated absences payable	299,448	-
Accounts payable	1,790,008	4,339,867
Other liabilities and accruals	99,092	1,229,548
Due to primary government	-	1,911,971
Unearned revenues	988,021	392,198
Total current liabilities	<u>3,415,792</u>	<u>8,664,708</u>
Noncurrent liabilities:		
Long-term obligations, net of current portion	3,498,461	7,327,472
Claims and judgments payable	210,968	-
Total noncurrent liabilities	<u>3,709,429</u>	<u>7,327,472</u>
Total liabilities	<u>7,125,221</u>	<u>15,992,180</u>
Contingencies and commitments		
NET POSITION		
Net investment in capital assets	23,641,265	31,465,452
Restricted for:		
Nonexpendable:		
Future operations	18,004,225	-
Expendable:		
Debt service	4,360,103	-
Compact related	121,862	-
Other purposes	6,558,548	6,245,426
Unrestricted	6,931,453	3,487,867
Total net position	<u>59,617,456</u>	<u>41,198,745</u>
Total liabilities and net position	<u>\$ 66,742,677</u>	<u>\$ 57,190,925</u>

See accompanying notes to financial statements.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Statement of Activities
Year Ended September 30, 2019

	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
Functions/Programs						
Primary government:						
Governmental activities:						
General government	\$ 7,777,504	\$ 1,414,956	\$ 1,497,748	\$ -	\$ (4,864,800)	\$ -
Land and natural resources	540,998	33,577	85,255	-	(422,166)	-
Education	11,803,590	-	11,177,946	-	(625,644)	-
Health services	9,544,088	1,748,828	7,617,254	-	(178,006)	-
Public safety	1,401,574	130,408	-	-	(1,271,166)	-
Attorney-general	501,268	-	-	-	(501,268)	-
Public works and transportation	334,559	115,719	-	-	(218,840)	-
Resource and development	472,515	-	-	-	(472,515)	-
Non-governmental agencies	288,631	-	-	-	(288,631)	-
Boards, commissions and others	2,227,209	-	-	-	(2,227,209)	-
Municipal governments	2,422,300	-	-	-	(2,422,300)	-
Capital projects	3,371,227	-	-	3,371,227	-	-
Total primary government	<u>\$ 40,685,463</u>	<u>\$ 3,443,488</u>	<u>\$ 20,378,203</u>	<u>\$ 3,371,227</u>	<u>(13,492,545)</u>	<u>-</u>
Component units:						
Pohnpei Utilities Corporation	\$ 15,604,614	\$ 14,411,989	\$ -	\$ 1,660,651	-	468,026
Pohnpei Port Authority	3,676,632	4,033,955	-	-	-	357,323
Pohnpei Transportation Authority	1,805,939	1,206,737	-	189,325	-	(409,877)
Small Business Guarantee and Finance Corporation	156,396	55,214	-	-	-	(101,182)
Pohnpei State Housing Authority	225,923	390,088	-	-	-	164,165
Total component units	<u>\$ 21,469,504</u>	<u>\$ 20,097,983</u>	<u>\$ -</u>	<u>\$ 1,849,976</u>	<u>-</u>	<u>478,455</u>
General revenues:						
Taxes:						
FSM revenue sharing:						
Gross revenue taxes					3,094,757	-
Import taxes					3,191,370	-
Income taxes					2,913,527	-
Other taxes					260,463	-
State taxes					3,816,387	-
Unrestricted investment earnings					601,958	-
Other					256,748	(433,865)
Total general revenues					14,135,210	(433,865)
Special item - loss on SDR foreign exchange					71,711	-
Contributions to permanent fund					579,199	-
Total general revenues, special item and contributions					<u>14,786,120</u>	<u>(433,865)</u>
Change in net position					1,293,575	44,590
Net position at the beginning of the year					<u>58,323,881</u>	<u>41,154,155</u>
Net position at the end of the year					<u>\$ 59,617,456</u>	<u>\$ 41,198,745</u>

(50)

See accompanying notes to financial statements.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Balance Sheet
Governmental Funds
September 30, 2019

	General	Special Revenue Grants Assistance	Permanent Compact Trust	Other Governmental Funds	Total
ASSETS					
Cash and cash equivalents	\$ 1,264,123	\$ -	\$ -	\$ -	\$ 1,264,123
Investments	6,301,011	-	-	-	6,301,011
Receivables, net:					
Taxes	1,518,632	-	-	-	1,518,632
Due from FSM National Government	-	2,208,531	-	-	2,208,531
Other	35,000	15,474	-	-	50,474
Due from other funds	1,747,694	1,378,479	-	7,623,620	10,749,793
Advances	149,383	359,547	-	16,211	525,141
Other assets	1,300,000	-	-	-	1,300,000
Restricted assets:					
Cash and cash equivalents	7,561,472	7,700	-	-	7,569,172
Investments	4,360,103	-	18,004,225	-	22,364,328
Total assets	<u>\$ 24,237,418</u>	<u>\$ 3,969,731</u>	<u>\$ 18,004,225</u>	<u>\$ 7,639,831</u>	<u>\$ 53,851,205</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 370,561	\$ 937,409	\$ -	\$ 482,038	\$ 1,790,008
Other liabilities and accruals	66,085	32,987	-	20	99,092
Unearned revenues	-	988,021	-	-	988,021
Due to other funds	9,002,099	1,745,347	-	2,347	10,749,793
Total liabilities	<u>9,438,745</u>	<u>3,703,764</u>	<u>-</u>	<u>484,405</u>	<u>13,626,914</u>
Fund balances:					
Non-spendable	2,721,833	-	18,004,225	16,211	20,742,269
Restricted	11,921,575	265,967	-	-	12,187,542
Committed	414,074	-	-	7,118,905	7,532,979
Assigned	236,362	-	-	-	236,362
Unassigned:					
General fund	(495,171)	-	-	-	(495,171)
Special revenue funds	-	-	-	20,310	20,310
Total fund balances	<u>14,798,673</u>	<u>265,967</u>	<u>18,004,225</u>	<u>7,155,426</u>	<u>40,224,291</u>
Total liabilities and fund balances	<u>\$ 24,237,418</u>	<u>\$ 3,969,731</u>	<u>\$ 18,004,225</u>	<u>\$ 7,639,831</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

23,641,265

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 debt payable (3,737,684)
Compensated absences payable (299,448)
Claims and judgments payable (210,968)

(4,248,100)

Net position of governmental activities

\$ 59,617,456

See accompanying notes to financial statements.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2019

		Special Revenue	Permanent	Other Governmental Funds	Total
	General	Grants Assistance	Compact Trust		
Revenues:					
Compact funding	\$ -	\$ 20,054,943	\$ -	\$ -	\$ 20,054,943
Net change in the fair value of investments	601,958	-	579,199	-	1,181,157
CFSM grants	-	590,211	-	-	590,211
Federal contributions and other grants	-	3,104,276	-	-	3,104,276
FSM revenue sharing	9,460,117	-	-	-	9,460,117
State taxes	3,376,546	-	-	439,841	3,816,387
Fees and charges	493,132	-	-	2,950,356	3,443,488
Other	256,748	-	-	-	256,748
Total revenues	<u>14,188,501</u>	<u>23,749,430</u>	<u>579,199</u>	<u>3,390,197</u>	<u>41,907,327</u>
Expenditures:					
Current:					
General government	5,332,517	1,258,223	-	1,072,226	7,662,966
Land and natural resources	458,608	85,255	-	-	543,863
Education	466,027	11,177,946	-	-	11,643,973
Health services	240,208	7,617,254	-	1,731,603	9,589,065
Public safety	1,287,372	-	-	-	1,287,372
Office of the Attorney-General	500,628	-	-	-	500,628
Public works	334,425	-	-	-	334,425
Department of Resources and development	472,515	-	-	-	472,515
Payments to non-governmental agencies	288,631	-	-	-	288,631
Boards, commissions and other	1,150,427	-	-	-	1,150,427
Local revenue share payments to municipal governments	2,422,300	-	-	-	2,422,300
Capital projects	-	3,371,227	-	-	3,371,227
Debt service	249,360	-	-	-	249,360
Total expenditures	<u>13,203,018</u>	<u>23,509,905</u>	<u>-</u>	<u>2,803,829</u>	<u>39,516,752</u>
Excess (deficiency) of revenues over (under) expenditures	<u>985,483</u>	<u>239,525</u>	<u>579,199</u>	<u>586,368</u>	<u>2,390,575</u>
Net change in fund balances	985,483	239,525	579,199	586,368	2,390,575
Fund balances at the beginning of the year	<u>13,813,190</u>	<u>26,442</u>	<u>17,425,026</u>	<u>6,569,058</u>	<u>37,833,716</u>
Fund balances at the end of the year	<u>\$ 14,798,673</u>	<u>\$ 265,967</u>	<u>\$ 18,004,225</u>	<u>\$ 7,155,426</u>	<u>\$ 40,224,291</u>

See accompanying notes to financial statements.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
Year Ended September 30, 2019

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

Net change in fund balances - total governmental funds	\$ 2,390,575
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 depreciation (\$2,176,625) exceeded capital outlays \$802,472 in the current period.	(1,374,153)
The issuance 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, these amounts consist of:	211,949
Repayment of ADB loans and special item associated with loss on SDR foreign exchange adjustment.	71,711
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. For the current year, these activities consist of:	
Net change in compensated absences payable	<u>(6,507)</u>
Change in net position of governmental activities	\$ <u>1,293,575</u>

See accompanying notes to financial statements.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Combining Statement of Net Position
Component Units
September 30, 2019

	Pohnpei Utilities Corporation	Pohnpei Port Authority	Pohnpei Transportation Authority	Small Business Guarantee and Finance Corporation	Pohnpei State Housing Authority	Total
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 1,729,184	\$ 5,559,782	\$ -	\$ 800	\$ 467,820	\$ 7,757,586
Time certificate of deposit	230,980	-	-	-	-	230,980
Investments	-	272,304	-	-	-	272,304
Receivables, net	1,121,816	460,191	126,854	47,654	3,451,881	5,208,396
Inventories	238,102	102,812	45,802	-	-	386,716
Advances	-	49,637	4,889	20,084	-	74,610
Other current assets	220,848	-	-	379	1,028	222,255
Restricted assets:						
Cash and cash equivalents	-	-	-	1,202,127	-	1,202,127
Total current assets	<u>3,540,930</u>	<u>6,444,726</u>	<u>177,545</u>	<u>1,271,044</u>	<u>3,920,729</u>	<u>15,354,974</u>
Noncurrent assets:						
Receivables, net	1,256,912	229,868	-	572,086	-	2,058,866
Capital assets:						
Nondepreciable capital assets	1,062,296	2,776,034	-	-	-	3,838,330
Capital assets, net of accumulated depreciation	28,988,186	4,040,337	2,349,777	9,052	33,753	35,421,105
Restricted:						
Cash and cash equivalents	517,650	-	-	-	-	517,650
Total noncurrent assets	<u>31,825,044</u>	<u>7,046,239</u>	<u>2,349,777</u>	<u>581,138</u>	<u>33,753</u>	<u>41,835,951</u>
Total assets	<u>\$35,365,974</u>	<u>\$13,490,965</u>	<u>\$ 2,527,322</u>	<u>\$1,852,182</u>	<u>\$3,954,482</u>	<u>\$57,190,925</u>
LIABILITIES						
Current liabilities:						
Short-term debt	\$ 324,613	\$ -	\$ -	\$ -	\$ -	\$ 324,613
Current portion of long-term debt	466,511	-	-	-	-	466,511
Accounts payable	4,125,394	23,587	177,866	13,020	-	4,339,867
Other liabilities and accruals	577,467	604,245	8,750	9,218	29,868	1,229,548
Due to primary government	-	87,495	1,680,965	-	143,511	1,911,971
Unearned revenues	389,024	-	3,174	-	-	392,198
Total current liabilities	5,883,009	715,327	1,870,755	22,238	173,379	8,664,708
Noncurrent liabilities:						
Noncurrent portion of long-term debt	7,327,472	-	-	-	-	7,327,472
Total liabilities	<u>13,210,481</u>	<u>715,327</u>	<u>1,870,755</u>	<u>22,238</u>	<u>173,379</u>	<u>15,992,180</u>
NET POSITION						
Net investment in capital assets	22,256,499	6,816,371	2,349,777	9,052	33,753	31,465,452
Restricted	723,863	-	-	1,774,213	3,747,350	6,245,426
Unrestricted	(824,869)	5,959,267	(1,693,210)	46,679	-	3,487,867
Total net position	<u>22,155,493</u>	<u>12,775,638</u>	<u>656,567</u>	<u>1,829,944</u>	<u>3,781,103</u>	<u>41,198,745</u>
	<u>\$ 35,365,974</u>	<u>\$ 13,490,965</u>	<u>\$ 2,527,322</u>	<u>\$ 1,852,182</u>	<u>\$ 3,954,482</u>	<u>\$ 57,190,925</u>

See accompanying notes to financial statements.

STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA

Combining Statement of Revenues, Expenses, and Changes in Net Position
Component Units
Year Ended September 30, 2019

	Pohnpei Utilities Corporation	Pohnpei Port Authority	Pohnpei Transportation Authority	Small Business Guarantee and Finance Corporation	Pohnpei State Housing Authority	Total
Operating revenues:						
Charges for services	\$ 14,411,989	\$ 4,033,955	\$ 1,206,737	\$ 55,214	\$ 390,088	\$ 20,097,983
Total operating revenues	<u>14,411,989</u>	<u>4,033,955</u>	<u>1,206,737</u>	<u>55,214</u>	<u>390,088</u>	<u>20,097,983</u>
Operating expenses:						
Cost of services	11,655,288	-	-	-	-	11,655,288
Administration costs	1,851,370	3,228,289	1,461,093	152,800	206,380	6,899,932
Depreciation and amortization	<u>2,097,956</u>	<u>448,343</u>	<u>344,846</u>	<u>3,596</u>	<u>19,543</u>	<u>2,914,284</u>
Total operating expenses	<u>15,604,614</u>	<u>3,676,632</u>	<u>1,805,939</u>	<u>156,396</u>	<u>225,923</u>	<u>21,469,504</u>
Operating income (loss)	<u>(1,192,625)</u>	<u>357,323</u>	<u>(599,202)</u>	<u>(101,182)</u>	<u>164,165</u>	<u>(1,371,521)</u>
Nonoperating revenues (expenses):						
Contributions from the primary government	107,566	-	-	94,000	158,651	360,217
Interest income (expense)	(99,300)	57,321	-	3,712	-	(38,267)
Loss from litigation	-	(300,000)	-	-	-	(300,000)
Other	<u>(527,782)</u>	<u>8,199</u>	<u>-</u>	<u>696</u>	<u>63,072</u>	<u>(455,815)</u>
Total nonoperating revenues (expenses),	<u>(519,516)</u>	<u>(234,480)</u>	<u>-</u>	<u>98,408</u>	<u>221,723</u>	<u>(433,865)</u>
Net income (loss) before capital contributi	(1,712,141)	122,843	(599,202)	(2,774)	385,888	(1,805,386)
Capital contributions	<u>1,660,651</u>	<u>-</u>	<u>189,325</u>	<u>-</u>	<u>-</u>	<u>1,849,976</u>
Change in net position	<u>(51,490)</u>	<u>122,843</u>	<u>(409,877)</u>	<u>(2,774)</u>	<u>385,888</u>	<u>44,590</u>
Net position at the beginning of the year	<u>22,206,983</u>	<u>12,652,795</u>	<u>1,066,444</u>	<u>1,832,718</u>	<u>3,395,215</u>	<u>41,154,155</u>
Net position at the end of the year	<u>\$ 22,155,493</u>	<u>\$ 12,775,638</u>	<u>\$ 656,567</u>	<u>\$ 1,829,944</u>	<u>\$ 3,781,103</u>	<u>\$ 41,198,745</u>

See accompanying notes to financial statements.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2019

(1) Summary of Significant Accounting Policies

The State of Pohnpei (the State) was constituted on November 8, 1984, under the provisions of the Pohnpei State Constitution (the Constitution) as approved by the people of Pohnpei. The Constitution provides for the separation of powers of the executive, legislative, and judicial branches of the government.

The accompanying financial statements of the State have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the State's accounting policies are described below.

A. Reporting Entity

The State is one of the four states that make up the Federated States of Micronesia (FSM), along with the states of Chuuk, Kosrae and Yap. The State is a constitutional government comprised of three branches: the Legislative Branch, consisting of 23 members elected for a term of four years by qualified voters of their respective election districts; the Executive Branch, headed by the Governor and Lt. Governor, who are primarily responsible for executing the laws and administering state government services; and the Judiciary Branch made up of the State Supreme Court, which consists of a Chief Justice and up to four Associate Justices, and other courts that may be created by law.

For financial reporting purposes, the State has included all funds, organizations, agencies, boards, commissions and institutions. The State has also considered all potential component units for which it is financially accountable as well as other entities for which the nature and significance of their relationship with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. The criteria to be considered in determining financial accountability include whether the State, as the primary government, has appointed a voting majority of an organization's governing body and either has the ability to impose its will on that organization or there is potential for the organization to provide specific financial benefits to or impose specific financial burdens on the State. Financial accountability also exists if an organization is determined to be fiscally dependent on the primary government, although the primary government does not appoint a voting majority of the organization's governing board.

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

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.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2019

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

Blended component units are entities that are legally separate from the State, but are so related to the State that they are, in substance, the same as the State or entities providing services entirely or almost entirely to the State. The State has not identified any entities that should be so blended.

Discretely Presented Component Units:

Discretely presented component units are entities which are legally separate from the State, but are financially accountable to the State, or whose relationships with the State are such that exclusion would cause the State's basic financial statements to be misleading or incomplete. The component units' column of the basic financial statements includes the financial data of the following major component units:

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

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

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

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

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2019

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

Discretely Presented Component Units, Continued:

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

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

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

B. Government-Wide Financial Statements

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

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

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

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2019

(1) Summary of Significant Accounting Policies, Continued

B. Government-Wide Financial Statements, Continued

- 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.

The government-wide Statement of Net Position reports \$29,044,738 of restricted net position, of which \$6,558,548 is restricted by enabling legislation.

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

C. Fund Financial Statements

The fund financial statements present a balance sheet and a statement of revenues, expenditures, and changes in fund balances for its major and aggregated non-major funds. Major individual governmental funds are reported as separate columns in the fund financial statements pursuant to GASB reporting standards, with nonmajor governmental funds being combined into a single column.

The State reports its financial position and results of operations in funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. Transactions between funds within a fund type, if any, have not been eliminated.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2019

(1) Summary of Significant Accounting Policies, Continued

D. 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.

Governmental Fund Financial Statements:

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

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

Component Unit Financial Statements:

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

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2019

(1) Summary of Significant Accounting Policies, Continued

D. Measurement Focus and Basis of Accounting, Continued

Fund Accounting:

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

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

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

Section 215 Compact Trust Fund - a Permanent Fund that accounts for the State's contributions to the Trust Fund established in accordance with Section 215 of the Compact of Free Association, as amended, to provide for an additional source of revenue for the government budget that will be needed to substitute for the absence of Compact of Free Association funding.

E. Cash and Cash Equivalents and Time Certificates of Deposit

Cash and cash equivalents of the primary government and the discretely presented component units include cash held in demand accounts as well as short-term investments with maturity dates within three months of the date acquired by the State. Deposits maintained in time certificates of deposit with original maturity dates greater than ninety days are separately classified on the statement of net position/balance sheet.

F. 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.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2019

(1) Summary of Significant Accounting Policies, Continued

F. Investments, Continued

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.

G. Receivables

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

H. 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.

I. Interfund Receivables/Payables

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

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

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2019

(1) Summary of Significant Accounting Policies, Continued

J. Inventories

Inventories of materials and supplies are determined by physical count and are valued at the lower of cost (principally average cost) or market.

Inventories of the discretely presented component units are comprised of materials and diesel fuel and are valued at the lower of cost (FIFO) or market.

K. Restricted Assets

Certain assets of the primary government are classified as restricted assets because their use is completely restricted through enabling legislation and loan agreements. Specifically, the State has collateralized investments in the amount of \$4,360,103 for the Pohnpei State Early Retirement Scheme. Furthermore, investments recorded in the Compact Trust Fund of \$18,004,225 are restricted in that they are not available to be used in current operations.

As of September 30, 2019, cash and cash equivalents were restricted for the following uses:

Primary Government:

Deposits with a local bank restricted for the purchase of medical supplies for the State hospital.	\$ 3,524,689
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State Hospital's Honolulu imprest fund.	7,700
---	-------

Savings accounts 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	818,832
--	---------

Compact Sector Grants	2,853,095
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Loan Guarantee Escrow Account established for the sole purpose of loan collateralization made through the USDA Rural Development. The escrow account may be drawn down in the event of a borrower's default on the obligation under the terms of the promissory note and the deed of trust security instrument supporting such note and for which such note is guaranteed by PSHA, the trustee of the Loan Guarantee Escrow Account.	<u>362,889</u>
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\$ 7,569,172

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2019

(1) Summary of Significant Accounting Policies, Continued

K. Restricted Assets, Continued

Discretely Presented Component Units:

Pohnpei Utilities Corporation:

Deposit accounts collateralizing loans payable to the FSM Development Bank and the Bank of the FSM	\$ 517,650
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Small Business Guarantee and Finance Corporation:

Deposit accounts restricted for various operations of the Small Business Guarantee and Finance Corporation	<u>1,202,127</u>
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\$ 1,719,777

L. Other Assets

The State holds approximately 13.2% of the outstanding shares of Pacific Islands Development Bank with a carrying value of \$1,300,000. This equity interest does not meet the definition of an investment as the asset is held primarily for economic development and is presented as other assets in the accompanying financial statements.

M. Capital Assets

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

The State currently holds no title to land. Machinery and equipment, other than vehicles and boats, are capitalized when the cost of individual items exceed \$50,000. Vehicles and boats, along with significant repair and maintenance qualifying as a betterment of such, are capitalized regardless of cost and depreciated. Building and infrastructure projects, along with significant improvements or reconstruction qualifying as a betterment of such, are capitalized when the cost of individual items or projects exceed \$100,000. The costs of normal maintenance and repairs that do not add to the value of the capital asset or materially extend capital asset lives are not capitalized. Additionally, as of fiscal year 2004, the State chose to capitalize assets acquired with U.S. federal funds that have an acquisition cost of \$5,000 or more.

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

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

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2019

(1) Summary of Significant Accounting Policies, Continued

N. 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. The State has no items that qualify for reporting in this category.

O. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Annual leave accumulates at 240 hours per calendar year. All unused annual leave is cancelled at the end of each calendar year.

P. 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. The State has no items that qualify for reporting in this category.

Q. Unearned Revenues

In the government-wide financial statements, unearned revenues are recognized when cash, receivables or other assets are recorded prior to their being earned. In the governmental fund financial statements, unearned revenues represent monies received or revenues accrued which have not been earned or do not meet the "available" criterion for revenue recognition under the modified accrual basis of accounting. The unearned revenue in the governmental fund financial statements has primarily resulted as federal funds are received in advance of eligible expenditures.

R. Fund Balance

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

- Non-spendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2019

(1) Summary of Significant Accounting Policies, Continued

R. Fund Balance, Continued

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

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

A formal minimum fund balance policy has not been adopted.

S. 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.

T. New Accounting Standards

During the year ended September 30, 2019, the State implemented the following pronouncements:

- GASB Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs) associated with the retirement of a tangible capital asset.
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements.

The implementation of these statements did not have a material effect on State's financial statements.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2019

(1) Summary of Significant Accounting Policies, Continued

T. New Accounting Standards, Continued

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments. The provisions in Statement No. 84 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in Statement No. 87 are effective for fiscal years beginning after December 15, 2019. Management has yet to determine whether the implementation of this statement will have a material effect on the financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The provisions in Statement No. 89 are effective for fiscal years beginning after December 15, 2019. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61*, which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and the relevance of financial statement information for certain component units. The provisions in Statement No. 90 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*, which clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The provisions in Statement No. 91 are effective for fiscal years beginning after December 15, 2020. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2019

(1) Summary of Significant Accounting Policies, Continued

T. New Accounting Standards, Continued

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postpones the effective dates of GASB Statement No. 84, 89, 90 and 91 by one year and GASB Statement No. 87 by 18 months; however, earlier application of the provisions addressed in GASB Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued. Management has yet to ascertain whether implementation of these statements will be postponed as provided in GASB Statement No. 95.

U. 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.

V. Estimates

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

W. 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, 2018 from which summarized information was derived.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2019

(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 & Poors Corporation and Moody's Investor Services; and (2) Certificates of deposit must be from FDIC insured banks or FSLIC insured savings and loan associations, both of which must have assets in excess of \$2 billion. Deposits in smaller institutions are acceptable, but must not exceed the amount of the insurance, unless collateralized by U.S. Treasury obligations at 102%.
- ii. Stocks - A "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 Poors 500 Index, unless prior approval is received from the Secretary of Finance.

No investment may be made in a single corporate entity which exceeds 5% of the total assets of the fund at the time of purchase without prior approval of the Secretary of Finance.

The Secretary of Administration and Finance shall be responsible for investment of all public funds collected or appropriated for use by the State. Funds under this arrangement shall include all appropriations from the State, whether funds are appropriated from the State Treasury or funds from other sources. Any funds in excess of the amount necessary for the operation of the State shall be deposited or invested to earn the safest optimum interest. The Secretary shall determine the amount to be invested with the consideration that such amount should not cause disruption of any government service due to low or lack of funds in the operational budget. The Secretary shall cause all investments to be made into financially secure institutions in Pohnpei or abroad as determined by the financial institution paying the highest rate of interest on savings when the investment is made.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2019

(2) Deposits and Investments, Continued

The investment policy for the Compact Trust Fund (the Trust Fund), which was adopted by the Trust Fund Committee on September 15, 2010 and amended through December 17, 2013 requires the Trust Fund to allocate its managed investment portfolios among domestic and foreign equity and fixed income securities. All or a portion of the Trust Fund may be invested in exchange traded funds ("ETFs"), mutual funds, real estate investment trusts ("REITs"), separate accounts and common trust funds (commingled vehicles), hedge funds, private equity funds, and other pooled investment vehicles ("pooled vehicles"). A common trust fund is similar to an open-ended investment company or mutual fund, but participation is limited to investors with trust accounts. Commingled and pooled vehicles that invest exclusively in marketable fixed income securities are considered to be fixed income securities for the purpose of compliance with the Trust Fund's investment policy.

The fair values of ETFs, mutual funds, and common trust funds are generally determined by the fair value of the underlying marketable equity and debt securities owned, which are principally common stocks and bonds, respectively. Publicly traded ETFs, mutual funds, and similar vehicles may trade at prices above or below the fair values of the underlying investments held; therefore the fair value of such investments may differ from the sum of the fair values of the underlying investments owned. The core fixed income portfolios may be invested in debt securities issued by the U.S. government and government agencies, foreign governments, domestic and international corporate securities, including asset-backed and mortgage-backed obligations. The fixed income portfolio may invest in convertible and high yield debt securities; however the average quality of the fixed income portfolio must be rated "investment grade" by at least one nationally recognized rating agency at the time of purchase. The Trust Fund's fixed income investment objective is for each portfolio to achieve total return similar to a relevant index, such as Barclays Capital Aggregate Index and the Bank of America Merrill Lynch Global High Yield Index.

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

Private equity funds are a form of pooled investment vehicle, typically limited partnerships controlled by a private equity firm that acts as general partner. The general partner seeks to obtain specific dollar commitments from qualified institutional and accredited investors to invest capital in the fund as limited partners. The passive limited partners fund pro rata portions of their commitments when the general partner has identified an appropriate opportunity, which may be venture capital in the form of equity securities, convertible debt securities, or real estate for which no active markets exist. Venture capital is often used to finance new products and technologies, expand working capital, make acquisitions, or finance leveraged buyouts. A typical private equity fund could make between 15 and 25 separate investments over a ten-year life, with no single investment exceeding 10% of the total capital commitment. The fair values of the underlying investments held by each private equity fund are generally determined by management of the equity investee or as determined by the general partner or manager of the private equity fund and is based upon the Trust Fund's percentage ownership of the underlying investments. Investments in private equity funds generally tend to be illiquid for significant periods of time.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2019

(2) Deposits and Investments, Continued

Hedge funds are a form of pooled investment vehicle, generally a limited partnership or a foreign (off-shore) investment corporation, that seeks to maximize absolute returns whose offering memorandum allows for the fund to take both long and short positions, use leverage and derivatives, and invest in many markets. Hedge funds often take large risks using a broad range of speculative strategies, including investing in unconventional and illiquid investments. The fair value of the Trust Fund's investment in a hedge fund is determined by the hedge fund manager and is based upon the Trust Fund's percentage ownership of the underlying investments.

Commingled separate accounts invested in real estate and related assets are carried at fair value of the underlying investments. The fair value of separate account investments in real property real estate partnerships are generally determined based on independent appraisals obtained no less frequently than annually. The fair value of separate account investments in real estate partnerships are generally determined based upon the equity method of accounting, and the fair value of underlying investments in real estate loans and mortgages are generally determined through the use of cash flow forecasting or other models by management of the insurance company that manages the separate account.

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

A. Deposits

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

As of September 30, 2019, the carrying amount of the primary government's total cash and cash equivalents was \$8,833,295 and the corresponding bank balances were \$11,785,567, which are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2019, bank deposits in the amount of \$500,000 were FDIC insured.

As of September 30, 2019, the carrying amount of the discretely presented component units' total cash and cash equivalents and time certificates of deposit was \$9,708,343 and the corresponding bank balances were \$10,308,098 which were maintained in financial institutions subject to FDIC insurance. As of September 30, 2019, bank deposits in the amount of \$1,654,388 were FDIC insured. The component units do not require collateralization of their cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Therefore, these deposits are exposed to custodial credit risk.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2019

(2) Deposits and Investments, Continued

B. Investments

Primary Government:

As of September 30, 2019, the State's investments are as follows:

General Fund:

Fixed income	\$ 3,470,312
Domestic equities	1,272,450
Common equities	5,695,931
Cash management account	<u>222,421</u>

10,661,114

Compact Trust Fund:

Common trust funds:

Domestic Equity	4,596,075
International Equity	4,248,282
Private Equity	117,979
Fixed Income	3,134,690
Hedge Fund	837,420
Real Estate	1,684,110
Global Equity	2,035,095
Private Equity - diversified	1,348,061
Money market funds	<u>2,513</u>

18,004,225

\$ 28,665,339

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2019

(2) Deposits and Investments, Continued

B. Investments, Continued

Primary Government, Continued:

As of September 30, 2019, the State's fixed income securities, including their Moody's Investors Service credit ratings, had the following maturities:

<u>Investment Type</u>	<u>Investment Maturities (In Years)</u>					<u>Credit Ratings</u>
	<u>Fair Value</u>	<u>Current</u>	<u>1-5</u>	<u>6-10</u>	<u>Over 10</u>	
U.S. Treasury Notes and Bonds	\$ 435,408	\$ 44,945	\$186,381	\$ 43,693	\$160,389	Aaa
U.S. Government Agencies Obligations:						
Federal Farm Credit Bank	85,513	-	37,305	48,208	-	Aaa
Federal Home Loan Bank	58,895	-	9,689	49,206	-	Aaa
Federal Home Loan Mortgage	11,399	-	107	-	11,292	Aaa
Federal National Mortgage	29,032	-	-	-	29,032	Aaa
Overseas Private Inv Corp	68,218	-	-	68,218	-	Aaa
Private Export Funding Secured	-	-	-	-	-	Aaa
Government National Mortgage	784	-	-	-	784	Aaa
Tennessee Valley Authority	89,679	-	20,569	-	69,110	Aaa
Freddie Mac Home Loan	16,762	-	16,762	-	-	Aaa
Municipal obligations	105,692	29,872	34,717	24,369	16,734	Aaa
Corporate Bonds	164,204	27,884	95,246	13,060	28,014	Aaa
Corporate Bonds	49,306	-	9,887	15,478	23,941	A1
Corporate Bonds	98,915	3,745	55,630	39,540	-	A2
Corporate Bonds	41,427	-	22,615	-	18,812	A3
Corporate Bonds	24,356	9,308	5,673	9,375	-	Aa1
Corporate Bonds	29,935	7,442	22,493	-	-	Aa2
Corporate Bonds	32,654	11,160	21,494	-	-	Aa3
Corporate Bonds	15,115	-	-	15,115	-	Ba1
Corporate Bonds	70,867	-	5,762	31,912	33,193	Baa1
Corporate Bonds	9,217	-	-	-	9,217	Baa2
Corporate Bonds	17,882	-	-	-	17,882	Baa3
Corporate Bonds	4,682	-	-	4,682	-	Not Ltd
Corporate Bonds	34,019	-	-	34,019	-	Unrated
	<u>\$1,493,961</u>	<u>\$134,356</u>	<u>\$544,330</u>	<u>\$396,875</u>	<u>\$418,400</u>	

<u>Investment Type (no aging schedule)</u>	<u>Fair Value</u>	<u>Credit Ratings</u>
U.S. Treasury Notes and Bonds	\$ 193,864	Aaa
U.S. Government Agencies Obligations	36,003	Aa3
Mortgage Backed	1,007,127	Aaa
Asset-Backed	81,230	Caa1
Corporate Bonds - Industrial	259,052	A3
Corporate Bonds - Finance	205,475	Baa1
Corporate Bonds - Yankee Bond	54,725	A2
Corporate Bonds - Utilities	45,349	A2
Corporate Bonds - Others	93,526	Aa1
	<u>\$ 1,976,351</u>	

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2019

(2) Deposits and Investments, Continued

B. Investments, Continued

Primary Government, Continued:

The State has the following recurring fair value measurements as of September 30, 2019:

General Fund:	Total	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level:				
Fixed income:				
U.S. Treasury obligations	\$ 629,272	\$ -	\$ 629,272	\$ -
U.S. Government Agencies	396,285	-	396,285	-
Municipal obligations	1,194,049	-	1,194,049	-
Corporate notes	<u>1,250,706</u>	<u>-</u>	<u>1,250,706</u>	<u>-</u>
	3,470,312	-	3,470,312	-
Equity securities:				
U.S. equities	<u>5,695,931</u>	<u>5,695,931</u>	<u>-</u>	<u>-</u>
Total investments at fair value	9,166,243	\$ <u>5,695,931</u>	\$ <u>3,470,312</u>	\$ <u>-</u>
Investments measured at NAV:				
Equity investment in Bank of the FSM	1,272,450			
Investments measured amortized cost:				
Cash management account	<u>222,421</u>			
	<u>\$ 10,661,114</u>			
Compact Trust Fund:				
	Total	Level 1	Level 2	Level 3
Investments at fair value level:				
Common trust funds:				
Domestic Equity	\$ 4,596,075	\$ 4,596,075	\$ -	\$ -
International Equity	4,248,282	4,248,282	-	-
Fixed Income	3,134,690	3,134,690	-	-
Private Equity	<u>117,979</u>	<u>-</u>	<u>-</u>	<u>117,979</u>
Total investments at fair value	12,097,026	\$ <u>11,979,047</u>	\$ <u>-</u>	\$ <u>117,979</u>
Investments measured at NAV:				
Hedge Fund	837,420			
Real Estate	1,684,110			
Global Equity	2,035,095			
Private Equity - diversified	1,348,061			
Investments measured at amortized cost:				
Money market funds	<u>2,513</u>			
	<u>\$ 18,004,225</u>			

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.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2019

(2) Deposits and Investments, Continued

B. Investments, Continued

Primary Government, Continued:

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, 2019.

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. GASB Statement No. 40 requires disclosure by issuer and amount of investments in any one issuer that represents five percent (5%) or more of total investments for the State. As of September 30, 2019, the State did not hold an investment in any one issuer that represented more than 5% of the State's total investments.

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

The Trust Fund's fixed income allocation consists of a Mercer Investment Management Opportunistic Fixed Income mutual fund ("MIM OFI") and a Mercer Investment Management Core Fixed Income Fund ("MIM CFI"); the performance of these funds is expected to closely replicate the performance of 50% of the JP Morgan Government Bond Index Emerging Market Global Diversified Index and 50% Bank of America/Merrill Lynch Global High Yield and the Barclays Capital U.S. Aggregate Bond Index, respectively. The bonds held by MIM CFI vary in credit quality with an average overall rating of "Aa3" as rated by Moody's as of September 30, 2019. High yield debt receiving a credit rating below "A" comprises approximately 26.8% of the MIM CFI fixed income portfolio as rated by Moody's at September 30, 2019. At September 30, 2019, the weighted average maturity of the bonds comprising MIM CFI is 9.92 years.

The bonds held by MIM OFI vary in credit quality with an average overall rating of "Baa1" as rated by Moody's as of September 30, 2019. High yield debt receiving a credit rating below "A" comprises approximately 52.1% of the MIM OFI fixed income portfolio as rated by Moody's at September 30, 2019. At September 30, 2019, the weighted average maturity of the bonds comprising MIM OFI is 7.69 years.

The Trust Fund's investment policy does not require direct investment in fixed maturity securities ("Bonds") as a means of managing its exposure to loss of principal due to increasing interest rates. The Trust Fund's investment policy requires the performance of each investment class to be periodically compared with an associated benchmark. Bonds and bond funds generally decrease in value in response to rising interest rates. Bonds, however, have a fixed date of maturity and do not have exposure to loss of principal from rising interest rates, whereas shares of a common trust fund, ETF, or similar investment vehicle have no maturity date.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2019

(2) Deposits and Investments, Continued

B. Investments, Continued

Primary Government, Continued:

The Trust Fund's exposure to foreign currency risk is derived from its investment in common trust funds, ETFs and REITs that hold investments in securities of foreign issuers and sovereigns. Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair values of an investment or deposit. At September 30, 2019, the Trust Fund held approximately \$209,299,000 in securities of foreign issuers held in common trust funds. Of this amount, approximately \$42,676,000 was held in securities whose functional currency is the Euro, \$20,125,000 whose functional currency is the British pound, \$34,385,000 whose functional currency is the Japanese yen, and \$112,113,000 in functional currencies of 35 other countries. Foreign currency exposure data is not available for the Trust Fund's investment in the Hedge Funds and its investments in Global Private Equity Funds, which comprise 12.8% of invested assets at September 30, 2019.

The Trust Fund's investment in hedge funds includes ownership of the Mercer Hedge Fund Series A ("Mercer Hedge Fund") and the Blackstone Partners Offshore Fund Ltd. Mercer Hedge Funds Investors SPC, who incorporated the Mercer Hedge Fund, and the Blackstone Partners Offshore Fund Ltd. are registered under the Mutual Funds Law of the Cayman Islands. The fair value of the Trust Fund's position in the hedge fund pools are equivalent to the value of the pool shares.

The State owns 50,000 shares of the outstanding common stock of the Bank of the Federated States of Micronesia, which engages in commercial banking services in the FSM. An equity investment in the common stock of the Bank of the Federated States of Micronesia (investee) is stated at the net asset value (NAV). The NAV is used as a practical expedient to estimate fair value. The NAV is determined based on the total shareholders' equities reported by the investee.

Discretely Presented Component Units:

Investments of the discretely presented component units are as follows:

Pohnpei Port Authority:	
Domestic equities	\$ <u>272,304</u>
Investments measured at NAV:	
Equity investment in Bank of the FSM	\$ <u>272,304</u>

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2019

(3) Receivables

Primary Government:

Receivables as of September 30, 2019, for the primary government's individual major governmental funds, and nonmajor governmental funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Grants Assistance</u>	<u>Compact Trust</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Receivables:					
General	\$ 2,292,108	\$ -	\$ -	\$ -	\$ 2,292,108
Taxes	1,518,632	-	-	-	1,518,632
Due from FSM National Government	-	3,734,776	-	-	3,734,776
Other	<u>35,000</u>	<u>11,546</u>	<u>-</u>	<u>-</u>	<u>46,546</u>
	3,845,740	3,746,322	-	-	7,592,062
Allowance for uncollectable accounts	<u>(2,292,108)</u>	<u>(1,522,317)</u>	<u>-</u>	<u>-</u>	<u>(3,814,425)</u>
	<u>\$ 1,553,632</u>	<u>\$ 2,224,005</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,777,637</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. During the year ended September 30, 2019, a reconciliation through September 30, 2017 resulted in a repayment of approximately \$104,696. Management is of the opinion that 2019 reconciliation efforts will be favorable and thus no allowance for uncollectible accounts is considered necessary.

Discretely Presented Component Units:

Receivables as of September 30, 2019, for the discretely presented component units, including applicable allowances for uncollectible accounts, are as follows:

	<u>Pohnpei Utilities Corporation</u>	<u>Pohnpei Port Authority</u>	<u>Pohnpei Transportation Authority</u>	<u>Small Business Guarantee and Finance Corporation</u>	<u>Pohnpei State Housing Authority</u>	<u>Total</u>
General	\$ 8,271,575	\$ 948,651	\$ 126,854	\$ 50,695	\$ -	\$ 9,397,775
Loans	-	-	-	1,134,444	8,395,240	9,529,684
Other	<u>1,525,448</u>	<u>229,868</u>	<u>-</u>	<u>-</u>	<u>68,424</u>	<u>1,823,740</u>
	9,797,023	1,178,519	126,854	1,185,139	8,463,664	20,751,199
Less: allowance for uncollectibles	<u>(7,418,295)</u>	<u>(488,460)</u>	<u>-</u>	<u>(565,399)</u>	<u>(5,011,783)</u>	<u>(13,483,937)</u>
	<u>\$ 2,378,728</u>	<u>\$ 690,059</u>	<u>\$ 126,854</u>	<u>\$ 619,740</u>	<u>\$ 3,451,881</u>	<u>\$ 7,267,262</u>

Loans receivable consist of the following:

Small Business Guarantee and Finance Corporation

Loans to qualified businesses under Micro Loan and Loan Guarantee Programs with interest at 9% per annum.

\$ 1,134,444

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2019

(3) Receivables, Continued

Discretely Presented Component Units, Continued:

Pohnpei State Housing Authority (PSHA)

PSHA's loan portfolio is derived from three sources: (1) capital contributions of Compact of Free Association Capital Account Funds - Capital Projects by Pohnpei State to fund the Housing Development Loan Fund; (2) Housing Preservation Grant (HPG) loans from a grant extended by the United States Department of Agriculture (USDA) Rural Development through the Housing and Community Facilities Program; and (3) Rural Development loans under the USDA funded Direct Single Family Housing Program. Loans are stated at face value, net of an allowance for loan losses. The allowance represents an amount which, in management's judgment, will be adequate to absorb possible losses on existing loans that may become uncollectible. Management's judgment in determining the adequacy of the allowance is based on evaluations of the collectability of loans. The allowance for loan losses are reported based on certain assumptions pertaining to PSHA's periodic review and evaluation of the loan portfolio, which is subject to change. A summary of loans receivable as of September 30, 2019 are presented below:

Pohnpei State Housing Authority loans	\$ 6,880,606
HPG loans	342,551
USDA Rural Development loans	<u>1,172,083</u>
	<u>\$ 8,395,240</u>

All loans, other than the USDA RD loans, bear interest rate fixed substantially at 4.5% per annum with terms ranging from 3 to 25 years. The USDA RD loans are non-interest bearing.

(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, 2019, are summarized as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Grants Assistance	General	\$ 1,378,479
Nonmajor governmental funds	General	7,623,620
General	Grants Assistance	1,745,347
General	Nonmajor governmental funds	<u>2,347</u>
		<u>\$ 10,749,793</u>

The amount recorded as due from component units of the primary government does not equal the corresponding due to primary government of the discretely presented component units of \$1,704,416 due to an allowance for doubtful accounts recorded by the General Fund of \$1,704,416.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2019

(5) Capital Assets

Capital asset activities for the year ended September 30, 2019, are as follows:

Primary Government:

	Balance October 1, 2018	Additions	Retirements	Balance September 30, 2019
Governmental activities:				
Capital assets being depreciated:				
Buildings	\$ 24,841,744	\$ -	\$ -	\$ 24,841,744
Machinery, equipment, others	26,059,369	802,472	-	26,861,841
Infrastructure	<u>53,690,078</u>	<u>-</u>	<u>-</u>	<u>53,690,078</u>
	104,591,191	802,472	-	105,393,663
Less accumulated depreciation for:				
Buildings	(7,390,072)	(414,109)	-	(7,804,181)
Machinery, equipment, others	(24,551,460)	(716,353)	-	(25,267,813)
Infrastructure	<u>(47,634,241)</u>	<u>(1,046,163)</u>	<u>-</u>	<u>(48,680,404)</u>
	<u>(79,575,773)</u>	<u>(2,176,625)</u>	<u>-</u>	<u>(81,752,398)</u>
Governmental activities capital assets, net	<u>\$ 25,015,418</u>	<u>\$(1,374,153)</u>	<u>\$ -</u>	<u>\$ 23,641,265</u>

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

General government	\$ 285,695
Land and natural resources	31,092
Education	289,796
Health services	193,708
Public safety	259,092
Boards and commissions	<u>1,117,242</u>
	<u>\$ 2,176,625</u>

Discretely Presented Component Units:

	Balance October 1, 2018	Additions	Retirements	Balance September 30, 2019
Depreciable assets:				
Buildings	\$ 17,956,498	\$ 211,025	\$ -	\$ 18,167,523
Utility plant	66,614,188	1,529,853	-	68,144,041
Machinery, equipment and others	<u>6,931,669</u>	<u>735,074</u>	<u>(54,010)</u>	<u>7,612,733</u>
Total capital assets, being depreciated	91,502,355	2,475,952	(54,010)	93,924,297
Less accumulated depreciation	<u>(55,642,959)</u>	<u>(2,914,283)</u>	<u>54,010</u>	<u>(58,503,232)</u>
	35,859,396	(438,331)	-	35,421,065
Nondepreciable assets:				
Land	2,776,034	-	-	2,776,034
Construction work-in-progress	<u>864,886</u>	<u>752,674</u>	<u>(555,264)</u>	<u>1,062,296</u>
	3,640,920	752,674	(555,264)	3,838,330
	<u>\$ 39,500,316</u>	<u>\$ 314,343</u>	<u>\$ (555,264)</u>	<u>\$ 39,259,395</u>

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2019

(6) Short-term Debt

Discretely Presented Component Units:

Pohnpei Utilities Corporation (PUC)

Line of credit with a bank in the original amount of \$190,000, interest at 5% over the TCD rate (5.25% per annum at September 30, 2019), collateralized by a time certificate of deposit (TCD) with the bank, and expires on September 2019.

Short-term activity for the year ended September 30, 2019, was as follows:

	Balance October 1, <u>2018</u>	<u>Additions</u>	<u>Reductions</u>	Balance September 30, 2019
Note payable:				
PUC	\$ <u>536,636</u>	\$ <u>-</u>	\$ <u>(212,023)</u>	\$ <u>324,613</u>

(7) Long-Term Obligations

Primary Government:

The State implemented an Early Retirement Scheme (ERS) in which employees holding certain nonessential positions as identified by the State were retired early with a payout of the equivalent of two-years wages. This ERS program is funded by a \$4,200,000 loan from the Asian Development Bank (ADB) (Loan Number 1520 (SF)) through the FSM National Government, non-interest bearing with a service charge of 1% per annum on the amount of the loan withdrawn from the Loan Account. The activities of the ERS Program are recorded in the General Fund.

The ADB loan has a grace period of ten years with the first payment due in February 2008 and the last payment in August 2037. However, pursuant to the terms of the Financing Agreement between the State and the FSM National Government, the State is required to deposit into the ERS Trust account held in the name of the State within the FSM National Government investment portfolio, 100% of the outstanding principal balance by September 30, 2002.

Funds for the repayment of the ADB loan are expected to be derived from the annual appropriations for salaries and wages earmarked for the positions abolished under the Early Retirement Scheme. The Financing Agreement requires the State to continue to appropriate salaries for the abolished positions and deposit the appropriate funds into the ERS Trust Account. These funds had not been deposited to the Trust Account as of September 30, 2002. Of the required \$4,200,000 identified for future debt service payments, \$4,463,563 is deposited in an investment account held jointly with the FSM National Government. That investment account is restricted for the repayment of this debt. As of September 30, 2019, the balance payable on this loan amounted to \$2,988,627.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2019

(7) Long-Term Obligations, Continued

Primary Government, Continued:

The State also entered into an agreement with the FSM National Government to borrow a portion of the proceeds of the FSM National Government Program Loans with the ADB (Loan Number 1873 (SF) and Loan Number 1874 FSM (SF)) for the purpose of promoting private sector development in Pohnpei, with interest at 1% to 1.5% per annum. Principal payments shall be made in 32 equal semi-annual payments with the first payment due on May 15, 2010 and the last payment on November 15, 2025. As of September 30, 2019, the balances payable on these loans amounted to \$190,869 and \$558,188, respectively.

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>
2020	\$ 239,223	\$ 30,143	\$ 269,366
2021	239,223	28,179	267,402
2022	239,223	26,216	265,439
2023	239,223	24,253	263,476
2024	239,223	22,290	261,513
2025-2029	1,086,665	83,452	1,170,117
2030-2034	1,013,587	41,796	1,055,383
2035-2037	<u>441,317</u>	<u>7,298</u>	<u>448,615</u>
	\$ <u>3,737,684</u>	\$ <u>263,627</u>	\$ <u>4,001,311</u>

Discretely Presented Component Units:

Pohnpei Utilities Corporation (PUC)

Loan payable to the State, facilitated by an ADB loan (Loan Number 1459-FSM) to the FSM National Government; original amount of \$2,413,487. Repayments as allocated by the FSM National Government indicates annual principal payment of \$95,315 through FY2017 and \$98,297 for FY2018 through FY2036, including interest at 1.0% per annum. \$ 1,613,531

Loan payable to United States Department of Agriculture, Rural Utilities Service (RUS), original amount of \$578,000, due in monthly installments of \$2,654 from October 2006 to July 2044. The loan is collateralized by a revenue pledge. The loan bears fixed interest of 4.5% per annum. 468,441

Loan payable to the State, facilitated by an ADB loan (Loan Number 2099-FSM) to the FSM National Government, original amount of \$5,624,910. Repayments as allocated by the FSM National Government indicates annual principal payment of \$255,678 through FY2035, with interest payable at 1.0% per annum during the grace period and at 1.5% thereafter. Proceeds are used for infrastructure projects to overhaul sewage pumps, extend sewage lines, and for treatment plants. 3,714,675

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2019

(7) Long-Term Obligations, Continued

Pohnpei Utilities Corporation (PUC), Continued

Discretely Presented Component Units, Continued:

Loan payable to the State, facilitated by an ADB loan (Loan Number 2100-FSM) to the FSM National Government, original amount of \$1,445,549, principal due in semi-annual installments of varying amounts as a percentage of total drawings through 2029. Interest is payable at LIBOR plus 0.6% (effective rate of 0.88% at September 30, 2016). Proceeds are used for infrastructure projects to overhaul sewage pumps, extend sewage lines, and for treatment plants.

1,358,366

Loan payable to bank, original amount of \$830,000, interest at 7% per annum and monthly installments of \$7,529 from December 15, 2014 to November 15, 2029. The loan is collateralized by a certain chattel mortgage on the three generators purchased in 2015.

638,970

\$ 7,793,983

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 466,511	\$ 160,458	\$ 626,969
2021	479,108	150,597	629,705
2022	492,942	140,371	633,313
2023	508,015	129,551	637,566
2024	524,590	118,227	642,817
2025-2029	2,901,368	391,934	3,293,302
2030-2034	1,714,191	139,489	1,853,680
2035-2039	586,756	49,026	635,782
2040-2044	<u>120,502</u>	<u>11,852</u>	<u>132,354</u>
	\$ <u>7,793,983</u>	\$ <u>1,291,505</u>	\$ <u>9,085,488</u>

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2019

(8) Change in Long-Term Obligations

Primary Government:

Long-term liabilities will be liquidated in the future from governmental funds. During the year ended September 30, 2019, the following changes occurred in liabilities reported as part of the primary government's long-term liabilities in the statement of net position:

	Balance October 1, 2018	Additions	Reductions	Balance September 30, 2019	Due Within One Year
Loans payable:					
ADB loans:					
Loan 1520	\$ 3,212,520	\$ -	\$ (223,893)	\$ 2,988,627	\$ 169,821
Loan 1873	228,002	-	(37,133)	190,869	30,032
Loan 1874	<u>580,822</u>	<u>-</u>	<u>(22,634)</u>	<u>558,188</u>	<u>39,370</u>
	4,021,344	-	(283,660)	3,737,684	239,223
Other:					
Compensated absences	292,941	510,081	(503,574)	299,448	299,448
Claims and judgments	<u>210,968</u>	<u>-</u>	<u>-</u>	<u>210,968</u>	<u>-</u>
	<u>\$ 4,525,253</u>	<u>\$ 510,081</u>	<u>\$ (787,234)</u>	<u>\$ 4,248,100</u>	<u>\$ 538,671</u>

When the ADB extends credit to a particular country, the loan is booked in Special Drawing Rights (SDRs) but the actual loan is delivered in the currency of the borrower, at the current exchange rate between the currency and the SDR. The value of the SDR is subject to periodic review by the International Monetary Fund, which may result in the recognition of a foreign exchange gain or loss. During the year ended September 30, 2019, the State recognized a foreign exchange gain of \$71,711 associated with valuation of the SDR, which is presented as a special item in the accompanying financial statements, and which results in a reduction in ADB loans payable.

Discretely Presented Component Units:

During the year ended September 30, 2019, the following changes occurred in long-term obligations of the discretely presented component units:

	Balance October 1, 2018	Additions	Reductions	Balance September 30, 2019	Due Within One Year
Loans payable:					
Pohnpei Utilities Corporation	\$ <u>8,402,614</u>	\$ <u>-</u>	\$ <u>(608,631)</u>	\$ <u>7,793,983</u>	\$ <u>466,511</u>

(9) Contingencies and Commitments

Sick Leave

It is the policy of the State to record expenditures for sick leave when leave is actually taken. Sick leave is compensated time for absence during working hours arising from employee illness or injury.

**STATE OF POHNPEI
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Notes to Financial Statements
September 30, 2019

(9) Contingencies and Commitments, Continued

Encumbrances

The State utilizes encumbrance accounting to identify fund obligations. Encumbrances represent commitments related to unperformed contracts for goods. At September 30, 2019, the State has significant encumbrances summarized as follows:

	<u>General</u>	<u>Grants Assistance</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Encumbrances	<u>\$236,362</u>	<u>\$6,516,650</u>	<u>\$1,037,940</u>	<u>\$7,790,952</u>

Federal Grants

The State participates in a number of federally assisted grant programs and other various U.S. Department of the Interior grants. These programs are subject to financial and compliance audits to ascertain if Federal laws and guidelines have been followed. Cumulative questioned costs have been set forth in the State's Single Audit Report for the year ended September 30, 2019. In addition, the State is considered to have responsibility for any questioned costs that may result from Single Audits of subgrantees who have not satisfied the audit requirements of the Uniform Guidance. The ultimate disposition of these questioned costs can be determined only by final action of the respective grantor agencies. Therefore, no provision for any liability that may result upon resolution of this matter has been made in the accompanying financial statements.

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

Loan Guarantees

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

PSHA's management is of the opinion that the primary government will become ultimately liable for such defaulted liabilities to USDA Rural Development. Therefore, such loans and related liability are not recorded by PSHA in the accompanying financial statements. The State is of the opinion that these loans have not been communicated timely in accordance with the underlying agreement and therefore, does not believe that it is liable for the balance.

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Notes to Financial Statements
September 30, 2019

(9) Contingencies and Commitments, Continued

Litigation

The State is party to several legal proceedings arising from governmental operations. Claims are filed with the State's Attorney General. Approved claims are usually paid under general appropriations to the affected government agency. The State Attorney General is of the opinion that the probable outcome of suits existing at September 30, 2019, is not predictable but could have a material impact on the accompanying financial statements. Such impact has currently been estimated to approximate \$210,968.

Insurance Coverage

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

Other

The State Legislature has authorized various Compact Infrastructure and Infrastructure Maintenance projects. However, the State Legislature has required that additional approvals be provided by that body prior to these projects being expended. As a result, no continuing appropriation has been recorded or will be recorded for these authorizations until such time as the additional requirements have been satisfied. State law mandates that 30% of fishing fines be shared with applicable municipalities. Given the lack of certain legal clarifications, no specific dollar amount can be determined to be recorded as either a continuing appropriation or as a liability due to the municipalities.

(10) Self-Insurance Fund - Component Units

In accordance with Section 2(5) of State Law 3L-41-93, an amendment was made to the original enabling legislation for Pohnpei Utilities Corporation (PUC) establishing a self-insurance fund to defray costs of any unforeseen accidents or disasters. The funds are accumulated in a restricted self-insurance fund, held by a trustee, in the name of PUC. No other insurance is maintained by PUC.

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

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

**STATE OF POHNPEI
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Notes to Financial Statements
September 30, 2019

(11) 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>Grant Assistance Fund</u>	<u>Compact Trust Fund</u>	<u>Nonmajor Fund</u>	<u>Total Governmental Funds</u>
Non-spendable:					
General government	\$ 149,383	\$ -	\$ -	\$ -	\$ 149,383
Economic development	-	-	-	16,211	16,211
Pacific Islands Development Bank	1,300,000	-	-	-	1,300,000
Bank of the FSM	1,272,450	-	-	-	1,272,450
Permanent fund principal	-	-	18,004,225	-	18,004,225
Restricted for:					
General government	3,673,894	246,571	-	-	3,920,465
Debt service	4,360,103	-	-	-	4,360,103
USDA development loans	362,889	-	-	-	362,889
Education	-	14,609	-	-	14,609
Health services	3,524,689	4,787	-	-	3,529,476
Committed:					
General government	414,074	-	-	2,109,459	2,523,533
Economic development	-	-	-	839,250	839,250
Health services	-	-	-	4,170,196	4,170,196
Assigned	236,362	-	-	-	236,362
Unassigned	<u>(495,171)</u>	<u>-</u>	<u>-</u>	<u>20,310</u>	<u>(474,861)</u>
	<u>\$14,798,673</u>	<u>\$265,967</u>	<u>\$18,004,225</u>	<u>\$7,155,426</u>	<u>\$40,224,291</u>

(12) Budgetary Compliance

For the year ended September 30, 2019, material over-expenditures exceeded appropriations within the General Fund for the following:

Department of Treasury and Administration	\$ 1,526,563
Department of Education	\$ 174,186
Department of Health	\$ 8,114
Office of Fisheries & Aquaculture	\$ 3,139
Public Land Board	\$ 362
Environment Protection Agency	\$ 18,191
Debt service	\$ 249,360

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

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Financial Statements
September 30, 2019

(13) Asian Development Bank (ADB) Loan Guarantee

The State has guaranteed certain loan obligations of Pohnpei Utilities Corporation (PUC), which are subsidiary loans of the FSM National Government payable to the ADB. The loans require annual principal and interest payments through September 30, 2036. As a result of prior default by PUC in remitting loan payments to the FSM National Government, the FSM National Government has withheld certain revenue shares owed to the State. During the year ended September 30, 2019, the FSM National Government withheld revenue share in the amount of \$539,312 associated with this guarantee. The State has not made the determination whether it is more likely than not that the State would be required to pay the remaining portion of PUC's debt service payments based on this guarantee. Accordingly, the State has not recognized a liability for the discounted present value of future outflows expected to be incurred as a result. As at September 30, 2019, PUC has recorded long-term debt associated with ADB loans of \$6,686,572.

(14) Subsequent Event

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. As of December 26, 2020, there have been no confirmed cases of COVID-19 in the Federated States of Micronesia. The State has determined that should the pandemic reach the FSM, it may negatively impact the State's results of operations and financial position and the State may become dependent upon the financial support of the FSM National Government. However, the effect of the pandemic on FSM National Government is also uncertain and future available funding may be limited. Therefore, while the State expects this matter to potentially have a negative impact on its operations and financial position, the related financial impact cannot be reasonably estimated at this time.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

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

YEAR ENDED SEPTEMBER 30, 2019

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
Year Ended September 30, 2019

	<u>Budgeted Amounts</u>		Actual - Budgetary Basis (see Note 1)	Variance with <u>Final Budget -</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
FSM revenue sharing	\$ 8,156,955	\$ 8,156,955	\$ 9,460,117	\$ 1,303,162
State taxes	2,716,478	2,716,478	3,376,546	660,068
Fees and charges	411,537	411,537	493,132	81,595
Net change in the fair value of investments	1,389,091	1,389,091	601,958	(787,133)
Other	-	-	256,748	256,748
Total revenues	<u>12,674,061</u>	<u>12,674,061</u>	<u>14,188,501</u>	<u>1,514,440</u>
Expenditures:				
Current:				
General government	3,993,608	4,255,086	5,486,049	(1,230,963)
Department of Land and Natural Resources	465,369	509,723	461,633	48,090
Department of Education	282,165	293,475	467,661	(174,186)
Department of Health Services	231,210	234,330	242,444	(8,114)
Department of Public Safety	1,291,426	1,474,077	1,297,615	176,462
Office of the Attorney-General	631,074	638,484	510,815	127,669
Department of Public Works	391,479	395,379	354,398	40,981
Department of Resource and Development	694,797	709,617	492,061	217,556
Boards, commissions and other	1,118,258	1,248,847	1,166,053	82,794
Payments to non-governmental agencies	175,360	286,310	288,991	(2,681)
Local revenue share payments to municipal governments	2,422,301	2,422,301	2,422,300	1
Debt service	-	-	249,360	(249,360)
Total expenditures	<u>11,697,047</u>	<u>12,467,629</u>	<u>13,439,380</u>	<u>(971,751)</u>
Net change in fund balance	977,014	206,432	749,121	542,689
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	-	-	236,362	236,362
	977,014	206,432	985,483	779,051
Fund balance at the beginning of the year	<u>13,813,190</u>	<u>13,813,190</u>	<u>13,813,190</u>	<u>-</u>
Fund balance at the end of the year	<u>\$ 14,790,204</u>	<u>\$ 14,019,622</u>	<u>\$ 14,798,673</u>	<u>\$ 779,051</u>

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

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Required Supplementary Information – Budgetary Reporting
September 30, 2019

(1) Budgetary Information

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

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

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

See Accompanying Independent Auditors' Report.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

OTHER SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2019

STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA

Combining Schedule of Expenditures by Account
Governmental Funds
Year Ended September 30, 2019

		Special Revenue	Permanent		
	General	Grants Assistance	Compact Trust	Other Governmental Funds	Total
Expenditures:					
Salaries and wages:					
Regular	\$ 4,595,119	\$ 10,312,582	\$ -	\$ 74,277	\$ 14,981,978
Overtime	167,779	611,197	-	-	778,976
Fringe benefits	1,478,766	2,183,635	-	16,114	3,678,515
Travel and transportation	323,940	438,501	-	46,468	808,909
Books and instructional materials	-	544,605	-	-	544,605
Communications	122,426	180,345	-	10,196	312,967
Dues, membership, and subscription	41,030	2,551	-	-	43,581
Food stuffs	192,351	426,757	-	8,365	627,473
Freight and port charges	3,543	18,151	-	3,760	25,454
Non-capitalized equipment	99,957	133,584	-	8,851	242,392
Capital outlays	271,464	634,186	-	20,326	925,976
Office supplies and materials	291,044	1,134,138	-	134,904	1,560,086
POL	71,150	296,289	-	98,584	466,023
Printing and reproduction	59,488	65,778	-	16,686	141,952
Rental services	51,010	105,552	-	1,128	157,690
Repairs and maintenance	36,425	80,673	-	17,612	134,710
Utilities	272,540	765,347	-	50,731	1,088,618
Miscellaneous goods and services	87,924	37,773	-	449,309	575,006
Subsidies and contributions	196,000	-	-	-	196,000
Medical referrals	-	17,535	-	-	17,535
Medical supplies	-	710,644	-	1,001,305	1,711,949
Contractual services	322,353	4,303,280	-	552,962	5,178,595
Housing allowance	76,527	162,262	-	-	238,789
Non-payroll compensation	607	62,391	-	-	62,998
Court settlements	57,115	-	-	292,302	349,417
Scholarships and allowances	-	260,159	-	-	260,159
Insurance	22,951	-	-	-	22,951
Official allowance	115,000	-	-	-	115,000
Meeting allowance	9,975	21,990	-	(51)	31,914
Leased housing, buildings and land	2,318	-	-	-	2,318
Principal repayment	249,360	-	-	-	249,360
Payments to municipalities	2,395,388	-	-	-	2,395,388
Bad debt expense	1,556,695	-	-	-	1,556,695
Bank charges	29,523	-	-	-	29,523
Miscellaneous	3,250	-	-	-	3,250
	<u>\$ 13,203,018</u>	<u>\$ 23,509,905</u>	<u>\$ -</u>	<u>\$ 2,803,829</u>	<u>\$ 39,516,752</u>

See Accompanying Independent Auditors' Report.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Statement of Revenues, Expenditures by Function,
and Changes in Fund Balance
General Fund
Year Ended September 30, 2019
(with comparative totals for the year ended September 30, 2018)

	<u>2019</u>	<u>2018</u>
Revenues:		
FSM revenue sharing:		
Gross revenue taxes	\$ 3,094,757	\$ 3,370,695
Import taxes	3,191,370	3,762,217
Income taxes	2,913,527	2,462,250
Other taxes	<u>260,463</u>	<u>290,276</u>
	<u>9,460,117</u>	<u>9,885,438</u>
State taxes:		
Sales tax	3,233,031	2,942,177
Hotel tax	<u>143,515</u>	<u>118,557</u>
	<u>3,376,546</u>	<u>3,060,734</u>
Fees and charges:		
Licenses and fees:	<u>493,132</u>	<u>387,921</u>
Net change in the fair value of investments	<u>601,958</u>	<u>980,375</u>
Other revenues	<u>256,748</u>	<u>11,016</u>
Total revenues	<u>14,188,501</u>	<u>14,325,484</u>
Expenditures:		
Current:		
General government:		
Governor and staff	368,772	359,675
Department of Treasury and Administration	2,225,917	2,173,661
Office of Pohnpei Public Auditor	308,818	18,823
Judiciary Branch	741,625	667,292
Legislative Branch	<u>1,687,385</u>	<u>1,687,912</u>
	<u>5,332,517</u>	<u>4,907,363</u>
Department of Land and Natural Resources:		
Office of the Director	87,344	49,130
Division of Public Land	27,421	6,065
Division of Surveying and Mapping	216,065	198,760
Division of Forestry and Marine Conservation	-	-
Division of Historic Preservation	60,561	51,094
Division of Parks and Recreation	<u>67,217</u>	<u>70,123</u>
	<u>458,608</u>	<u>375,172</u>
Department of Education:		
Division of Primary Education	<u>466,027</u>	<u>133,666</u>
Department of Health:		
Medical services	140,605	81,470
Office of Social Affairs	<u>99,603</u>	<u>66,531</u>
	<u>240,208</u>	<u>148,001</u>
Department of Public Safety:		
Office of the Director	70,494	74,758
Fish and Wildlife	79,585	88,675
Police Commission	23,638	23,676
Division of Fire & Emergency	194,280	46,072
Division of Police and Security	702,262	729,697
Division of Correction and Rehabilitation	<u>217,113</u>	<u>231,846</u>
	<u>1,287,372</u>	<u>1,194,724</u>
Office of the Attorney-General	<u>500,628</u>	<u>411,565</u>
Public Works	<u>334,425</u>	<u>185,846</u>

See Accompanying Independent Auditors' Report.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Statement of Revenues, Expenditures by Function,
and Changes in Fund Balance, Continued
General Fund
Year Ended September 30, 2019
(with comparative totals for the year ended September 30, 2018)

	<u>2019</u>	<u>2018</u>
Expenditures, continued:		
Current:		
Department of Resource and Development		
Office of Director	97,073	130,620
Division of Agriculture	152,576	139,726
Division of Natural Resources	88,402	95,501
Division of Toursim	113,313	73,980
Division of Commerce and Industry	21,151	9,786
	<u>472,515</u>	<u>449,613</u>
Boards, commissions and other:		
Office of Social Affairs	-	66,531
Election Commissioner's Office	103,190	65,376
Pohnpei Public Broadcasting Corporation	159,682	160,896
Public Land Board	15,955	-
Pohnpei Housing Authority	119,437	123,139
Sports and Recreation	171,342	116,887
Micronesian Games	5,338	234,829
Office of Fisheries and Aquaculture	234,567	206,424
Environmental Protection Agency	340,916	61,276
	<u>1,150,427</u>	<u>1,035,358</u>
Payments to non-governmental agencies:		
Small Business Guarantee and Finance Corporation	153,000	44,000
Pohnpei Public Library	-	60,108
Micronesian Legal Services Corporation	43,000	43,000
U.S.D.A. Rural Development	90,777	89,644
Emergency No. 182	-	110,011
Other	1,854	-
	<u>288,631</u>	<u>346,763</u>
Local revenue share payments to municipal governments	<u>2,422,300</u>	<u>2,531,021</u>
Debt service:		
Principal repayment	211,949	218,115
Debt interest payments	37,411	44,747
	<u>249,360</u>	<u>262,862</u>
Total expenditures	<u>13,203,018</u>	<u>11,915,423</u>
Net change in fund balance	985,483	2,410,061
Fund balance at the beginning of the year	<u>13,813,190</u>	<u>11,403,129</u>
Fund balance at the end of the year	<u>\$ 14,798,673</u>	<u>\$ 13,813,190</u>

See Accompanying Independent Auditors' Report.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Statement of Revenues, Expenditures by Function and Changes in Fund Balance
Budget and Actual - General Fund
Year Ended September 30, 2019

	Budgeted Amounts		Actual - Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
FSM revenue sharing	\$ 8,156,955	\$ 8,156,955	\$ 9,460,117	\$ 1,303,162
State taxes:				
Sales tax	2,602,994	2,602,994	3,233,031	630,037
Hotel tax	113,484	113,484	143,515	30,031
	<u>2,716,478</u>	<u>2,716,478</u>	<u>3,376,546</u>	<u>660,068</u>
Fees and charges:				
Licenses and fees	411,537	411,537	493,132	81,595
Net change in the fair value of investments	<u>1,389,091</u>	<u>1,389,091</u>	<u>601,958</u>	<u>(787,133)</u>
Other	-	-	256,748	256,748
Total revenues	<u>12,674,061</u>	<u>12,674,061</u>	<u>14,188,501</u>	<u>1,514,440</u>
Expenditures:				
Current:				
General government:				
Governor and staff	421,308	454,082	422,878	31,204
Department of Treasury and Administration	696,802	715,366	2,241,929	(1,526,563)
Office of the Pohnpei Public Auditor	291,503	320,993	315,088	5,905
Judiciary Branch	720,019	801,099	756,194	44,905
Legislative Branch	<u>1,863,976</u>	<u>1,963,546</u>	<u>1,749,960</u>	<u>213,586</u>
	<u>3,993,608</u>	<u>4,255,086</u>	<u>5,486,049</u>	<u>(1,230,963)</u>
Department of Land and Natural Resources:				
Office of the Director	86,704	87,874	87,471	403
Division of Public Land	31,310	57,334	27,421	29,913
Division of Surveying and Mapping	212,959	220,369	216,212	4,157
Division of Forestry and Marine Conservation	-	-	-	-
Division of Historic Preservation	63,695	65,645	61,008	4,637
Division of Parks and Recreation	<u>70,701</u>	<u>78,501</u>	<u>69,521</u>	<u>8,980</u>
	<u>465,369</u>	<u>509,723</u>	<u>461,633</u>	<u>48,090</u>
Department of Education:				
Divisions of Primary & Secondary Education	<u>282,165</u>	<u>293,475</u>	<u>467,661</u>	<u>(174,186)</u>
Department of Health Services:				
Division of Medical Services	89,364	90,144	140,605	(50,461)
Division of Social Service	<u>141,846</u>	<u>144,186</u>	<u>101,839</u>	<u>42,347</u>
	<u>231,210</u>	<u>234,330</u>	<u>242,444</u>	<u>(8,114)</u>
Department of Public Safety:				
Office of the Director	72,093	73,263	71,160	2,103
Police Commission	24,226	24,616	24,248	368
Division of Police and Security	742,054	770,134	704,213	65,921
Division of Correction and Rehabilitation	232,940	241,910	217,660	24,250
Division of Fire & Emergency	129,213	270,134	195,624	74,510
Fish and Wildlife	<u>90,900</u>	<u>94,020</u>	<u>84,710</u>	<u>9,310</u>
	<u>1,291,426</u>	<u>1,474,077</u>	<u>1,297,615</u>	<u>176,462</u>
Office of the Attorney-General	<u>631,074</u>	<u>638,484</u>	<u>510,815</u>	<u>127,669</u>
Department of Public Works:				
Office of Transportation and Infrastructure	<u>391,479</u>	<u>395,379</u>	<u>354,398</u>	<u>40,981</u>

See Accompanying Independent Auditors' Report.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Statement of Revenues, Expenditures by Function and Changes in Fund Balance, Continued
Budget and Actual - General Fund
Year Ended September 30, 2019

	Budgeted Amounts		Actual -	Variance with
	Original	Final	Budgetary	Final Budget -
		-	Basis	Positive
				(Negative)
Expenditures, continued:				
Department of Resources and Development:				
Office of Director	120,450	121,620	100,712	20,908
Division of Agriculture	252,246	259,266	154,013	105,253
Division of Natural Resources	101,999	105,509	89,221	16,288
Division of Tourism	178,345	180,685	124,778	55,907
Division of Commerce & Industry	41,757	42,537	23,337	19,200
	<u>694,797</u>	<u>709,617</u>	<u>492,061</u>	<u>217,556</u>
Boards, commissions and other:				
	-	-	-	-
Election Commissioner's Office	68,280	104,450	103,190	1,260
Ethics Commission	-	2,000	-	2,000
Pohnpei Public Broadcasting Corporation	184,095	184,095	159,682	24,413
Public Land Board	15,805	15,805	16,167	(362)
Pohnpei Housing Authority	159,895	159,895	120,690	39,205
Sports and Recreation	131,679	179,189	171,078	8,111
Office of Fisheries and Aquaculture	234,644	242,444	245,583	(3,139)
Micronesian Games	7,134	36,830	7,333	29,497
Environmental Protection Agency	316,726	324,139	342,330	(18,191)
	<u>1,118,258</u>	<u>1,248,847</u>	<u>1,166,053</u>	<u>82,794</u>
Payments to non-governmental agencies:				
Small Business Guarantee and				
Finance Corporation	44,000	153,000	153,000	-
Pohnpei Public Library	-	-	-	-
Micronesian Legal Services Corporation	43,000	43,000	43,000	-
U.S.D.A. Rural Development	88,360	90,310	90,777	(467)
Others	-	-	2,214	(2,214)
	<u>175,360</u>	<u>286,310</u>	<u>288,991</u>	<u>(2,681)</u>
Local revenue share payments to municipal governments	<u>2,422,301</u>	<u>2,422,301</u>	<u>2,422,300</u>	<u>1</u>
Debt service:				
Principal repayment	-	-	211,949	(211,949)
Debt guarantee payments	-	-	37,411	(37,411)
	<u>-</u>	<u>-</u>	<u>249,360</u>	<u>(249,360)</u>
Total expenditures	<u>11,697,047</u>	<u>12,467,629</u>	<u>13,439,380</u>	<u>(971,751)</u>
Net change in fund balance	977,014	206,432	749,121	542,689
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	-	-	236,362	236,362
	977,014	206,432	985,483	779,051
Fund balance at the beginning of the year	<u>13,813,190</u>	<u>13,813,190</u>	<u>13,813,190</u>	<u>-</u>
Fund balance at the end of the year	<u>\$ 14,790,204</u>	<u>\$ 14,019,622</u>	<u>\$ 14,798,673</u>	<u>\$ 779,051</u>

See Accompanying Independent Auditors' Report.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

**NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS**

Combining Balance Sheet
September 30, 2019

	26	27	29	32	33	34	35	36	37	38	87	
	<u>Alien Registration Revolving</u>	<u>Pohnpei State Farmers' Revolving</u>	<u>Fisheries Enforcement and Development</u>	<u>Recycling Revolving</u>	<u>Paved Road Maintenance</u>	<u>Medical Supplies Revolving</u>	<u>Public Broadcasting Corporation</u>	<u>Health Care Premium</u>	<u>Department of Public Safety Fees</u>	<u>Environmental Quality</u>	<u>Public Lands Trust</u>	<u>Total</u>
<u>ASSETS</u>												
Due from other funds	\$ 362,730	\$ 23,932	\$ 309,857	\$ 548,764	\$ 1,647,865	\$ 2,724,917	\$ 9,914	\$ 1,876,725	\$ 95,698	\$ -	\$ 23,218	\$ 7,623,620
Advances	-	4,624	11,587	-	-	-	-	-	-	-	-	16,211
Total assets	<u>\$ 362,730</u>	<u>\$ 28,556</u>	<u>\$ 321,444</u>	<u>\$ 548,764</u>	<u>\$ 1,647,865</u>	<u>\$ 2,724,917</u>	<u>\$ 9,914</u>	<u>\$ 1,876,725</u>	<u>\$ 95,698</u>	<u>\$ -</u>	<u>\$ 23,218</u>	<u>\$ 7,639,831</u>
<u>LIABILITIES AND FUND BALANCES</u>												
Liabilities:												
Accounts payable	\$ -	\$ 3,502	\$ 19,755	\$ (384)	\$ 4,838	\$ 431,446	\$ 2,952	\$ -	\$ 19,388	\$ -	\$ 541	\$ 482,038
Other liabilities and accruals	-	-	-	-	-	-	-	-	-	-	20	20
Due to other funds	-	-	-	-	-	-	-	-	-	2,347	-	2,347
Total liabilities	<u>-</u>	<u>3,502</u>	<u>19,755</u>	<u>(384)</u>	<u>4,838</u>	<u>431,446</u>	<u>2,952</u>	<u>-</u>	<u>19,388</u>	<u>2,347</u>	<u>561</u>	<u>484,405</u>
Fund balances (deficit):												
Non-spendable	-	4,624	11,587	-	-	-	-	-	-	-	-	16,211
Committed	362,730	20,430	290,102	549,148	1,643,027	2,293,471	6,962	1,876,725	76,310	-	-	7,118,905
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,347)</u>	<u>22,657</u>	<u>20,310</u>
Total fund balances (deficit)	<u>362,730</u>	<u>25,054</u>	<u>301,689</u>	<u>549,148</u>	<u>1,643,027</u>	<u>2,293,471</u>	<u>6,962</u>	<u>1,876,725</u>	<u>76,310</u>	<u>(2,347)</u>	<u>22,657</u>	<u>7,155,426</u>
Total liabilities and fund balances	<u>\$ 362,730</u>	<u>\$ 28,556</u>	<u>\$ 321,444</u>	<u>\$ 548,764</u>	<u>\$ 1,647,865</u>	<u>\$ 2,724,917</u>	<u>\$ 9,914</u>	<u>\$ 1,876,725</u>	<u>\$ 95,698</u>	<u>\$ -</u>	<u>\$ 23,218</u>	<u>\$ 7,639,831</u>

See Accompanying Independent Auditors' Report.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS

Combining Statement of Revenues, Expenditures By Function,
and Changes in Fund Balances (Deficit)
Year Ended September 30, 2019

	26	27	29	32	33	34	35	36	37	38	87	
	<u>Alien Registration Revolving</u>	<u>Pohnpei State Farmers' Revolving</u>	<u>Fisheries Enforcement and Development</u>	<u>Recycling Revolving</u>	<u>Paved Road Maintenance</u>	<u>Medical Supplies Revolving</u>	<u>Public Broadcasting Corporation</u>	<u>Health Care Premium</u>	<u>Department of Public Safety Fees</u>	<u>Environmenta Quality</u>	<u>Public Lands Trust</u>	<u>Total</u>
Revenues:												
Excise tax	\$ -	\$ -	\$ -	\$ -	\$ 439,841	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 439,841
Fees and charges	<u>49,950</u>	<u>33,577</u>	<u>122,266</u>	<u>569,221</u>	<u>115,719</u>	<u>1,531,216</u>	<u>20,557</u>	<u>217,612</u>	<u>130,408</u>	<u>-</u>	<u>159,830</u>	<u>2,950,356</u>
Total revenues	<u>49,950</u>	<u>33,577</u>	<u>122,266</u>	<u>569,221</u>	<u>555,560</u>	<u>1,531,216</u>	<u>20,557</u>	<u>217,612</u>	<u>130,408</u>	<u>-</u>	<u>159,830</u>	<u>3,390,197</u>
Expenditures by function:												
Current:												
General government	-	18,778	187,354	453,561	147,686	-	26,937	-	144,011	-	93,899	1,072,226
Health services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,731,603</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,731,603</u>
Total expenditures	<u>-</u>	<u>18,778</u>	<u>187,354</u>	<u>453,561</u>	<u>147,686</u>	<u>1,731,603</u>	<u>26,937</u>	<u>-</u>	<u>144,011</u>	<u>-</u>	<u>93,899</u>	<u>2,803,829</u>
Excess (deficiency) of revenues over (under) expenditures	<u>49,950</u>	<u>14,799</u>	<u>(65,088)</u>	<u>115,660</u>	<u>407,874</u>	<u>(200,387)</u>	<u>(6,380)</u>	<u>217,612</u>	<u>(13,603)</u>	<u>-</u>	<u>65,931</u>	<u>586,368</u>
Net change in fund balances (deficit)	49,950	14,799	(65,088)	115,660	407,874	(200,387)	(6,380)	217,612	(13,603)	-	65,931	586,368
Fund balances (deficit) at the beginning of the year	<u>312,780</u>	<u>10,255</u>	<u>366,777</u>	<u>433,488</u>	<u>1,235,153</u>	<u>2,493,858</u>	<u>13,342</u>	<u>1,659,113</u>	<u>89,913</u>	<u>(2,347)</u>	<u>(43,274)</u>	<u>6,569,058</u>
Fund balances (deficit) at the end of the year	<u>\$ 362,730</u>	<u>\$ 25,054</u>	<u>\$ 301,689</u>	<u>\$ 549,148</u>	<u>\$ 1,643,027</u>	<u>\$ 2,293,471</u>	<u>\$ 6,962</u>	<u>\$ 1,876,725</u>	<u>\$ 76,310</u>	<u>\$ (2,347)</u>	<u>\$ 22,657</u>	<u>\$ 7,155,426</u>

See Accompanying Independent Auditors' Report.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS

Combining Statement of Revenues, Expenditures By Account,
and Changes in Fund Balances (Deficit)
Year Ended September 30, 2019

	26	27	29	32	33	34	35	36	37	38	87	
	Alien Registration Revolving	Pohnpei State Farmers' Revolving	Fisheries Enforcement and Development	Recycling Revolving	Paved Road Maintenance	Medical Supplies Revolving	Public Broadcasting Corporation	Health Care Premium	Department of Public Safety Fees	Environmental Quality	Public Lands Trust	Total
Revenues:												
Excise tax	\$ -	\$ -	\$ -	\$ -	\$ 439,841	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 439,841
Fees and charges	<u>49,950</u>	<u>33,577</u>	<u>122,266</u>	<u>569,221</u>	<u>115,719</u>	<u>1,531,216</u>	<u>20,557</u>	<u>217,612</u>	<u>130,408</u>	<u>-</u>	<u>159,830</u>	<u>2,950,356</u>
Total revenues	<u>49,950</u>	<u>33,577</u>	<u>122,266</u>	<u>569,221</u>	<u>555,560</u>	<u>1,531,216</u>	<u>20,557</u>	<u>217,612</u>	<u>130,408</u>	<u>-</u>	<u>159,830</u>	<u>3,390,197</u>
Expenditures by account:												
Salaries and wages:												
Regular	-	-	-	-	-	-	-	-	-	-	74,277	74,277
Benefits	-	-	-	-	-	-	-	-	-	-	16,114	16,114
Travel	-	-	15,358	-	-	26,237	-	-	4,873	-	-	46,468
Communications	-	-	5,664	-	-	318	30	-	4,184	-	-	10,196
Food stuff	-	-	7,575	250	-	-	-	-	540	-	-	8,365
Freight and port charges	-	279	727	2,754	-	-	-	-	-	-	-	3,760
Non-capitalized equipment	-	-	5,957	1,260	-	-	-	-	1,199	-	435	8,851
Capital outlay	-	-	18,241	-	-	-	2,085	-	-	-	-	20,326
Office supplies and materials	-	16,557	22,452	11,288	-	47,865	516	-	33,464	-	2,762	134,904
POL	-	1,587	32,361	-	-	-	4,519	-	60,000	-	117	98,584
Printing and reproduction	-	-	4,379	336	-	-	-	-	11,971	-	-	16,686
Rental	-	40	30	-	-	170	888	-	-	-	-	1,128
Repairs and maintenance	-	200	7,790	-	-	-	-	-	9,237	-	385	17,612
Utilities	-	-	25,931	-	-	-	6,800	-	18,000	-	-	50,731
Miscellaneous goods and services	-	115	10,649	437,673	-	329	-	-	543	-	-	449,309
Medical supplies	-	-	-	-	-	1,001,305	-	-	-	-	-	1,001,305
Contractual services	-	-	30,100	-	147,686	363,077	12,099	-	-	-	-	552,962
Court settlements	-	-	-	-	-	292,302	-	-	-	-	-	292,302
Meeting allowance	-	-	140	-	-	-	-	-	-	-	(191)	(51)
Total expenditures	<u>-</u>	<u>18,778</u>	<u>187,354</u>	<u>453,561</u>	<u>147,686</u>	<u>1,731,603</u>	<u>26,937</u>	<u>-</u>	<u>144,011</u>	<u>-</u>	<u>93,899</u>	<u>2,803,829</u>
Excess (deficiency) of revenues over (under) expenditures	<u>49,950</u>	<u>14,799</u>	<u>(65,088)</u>	<u>115,660</u>	<u>407,874</u>	<u>(200,387)</u>	<u>(6,380)</u>	<u>217,612</u>	<u>(13,603)</u>	<u>-</u>	<u>65,931</u>	<u>586,368</u>
Net change in fund balances (deficit)	49,950	14,799	(65,088)	115,660	407,874	(200,387)	(6,380)	217,612	(13,603)	-	65,931	586,368
Fund balances (deficit) at the beginning of the year	<u>312,780</u>	<u>10,255</u>	<u>366,777</u>	<u>433,488</u>	<u>1,235,153</u>	<u>2,493,858</u>	<u>13,342</u>	<u>1,659,113</u>	<u>89,913</u>	<u>(2,347)</u>	<u>(43,274)</u>	<u>6,569,058</u>
Fund balances (deficit) at the end of the year	<u>\$ 362,730</u>	<u>\$ 25,054</u>	<u>\$ 301,689</u>	<u>\$ 549,148</u>	<u>\$ 1,643,027</u>	<u>\$ 2,293,471</u>	<u>\$ 6,962</u>	<u>\$ 1,876,725</u>	<u>\$ 76,310</u>	<u>\$ (2,347)</u>	<u>\$ 22,657</u>	<u>\$ 7,155,426</u>

See Accompanying Independent Auditors' Report.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

GRANTS ASSISTANCE FUNDS

Combining Balance Sheet
September 30, 2019

	10	11	12	13	14	15	16	18	19	6	7	20	23	25	
	Section 211(a)(1) Education Sector	Section 211(a)(2) Health Sector	Section 211(a)(5) Environment	Section 211(a)(3) Private Sector Development	Section 211(a)(4) Capacity Building	Section 211(a)(1) Supplementa Education	Enhanced Reporting Accountability	Infrastructure Maintenance	Infrastructure	Section 221(b) Special Block Grant	Compact I Other Grants	U.S. Federal Grants	Non-U.S. Grants	CFSM Grants	Total
ASSETS															
Receivables:															
Due from FSM National and grantor agencies	\$ 862,686	\$ -	\$ 22,543	\$ -	\$ -	\$ 100,316	\$ 28,835	\$ -	\$ 464,495	\$ -	\$ -	\$ 147,642	\$ -	\$ 582,014	\$ 2,208,531
Other	-	-	-	-	-	-	-	-	-	-	-	-	11,546	3,928	15,474
Due from other funds	-	470,065	-	135,695	160,613	122,547	-	186,384	-	44,188	35,588	-	223,399	-	1,378,479
Advances	-	14,027	-	-	-	4,710	-	-	270,744	-	-	54,667	4,814	10,585	359,547
Restricted cash	-	7,700	-	-	-	-	-	-	-	-	-	-	-	-	7,700
	<u>\$ 862,686</u>	<u>\$ 491,792</u>	<u>\$ 22,543</u>	<u>\$ 135,695</u>	<u>\$ 160,613</u>	<u>\$ 227,573</u>	<u>\$ 28,835</u>	<u>\$ 186,384</u>	<u>\$ 735,239</u>	<u>\$ 44,188</u>	<u>\$ 35,588</u>	<u>\$ 202,309</u>	<u>\$ 239,759</u>	<u>\$ 596,527</u>	<u>\$ 3,969,731</u>
LIABILITIES AND FUND BALANCES (DEFICIT)															
Liabilities:															
Accounts payable	\$ 248,674	\$ 277,393	\$ -	\$ -	\$ 14,963	\$ 217,206	\$ 13,373	\$ 799	\$ 86,662	\$ -	\$ -	\$ 60,340	\$ 5,362	\$ 12,637	\$ 937,409
Other liabilities and accruals	-	7,439	(7,372)	-	7,328	2,874	7,697	-	-	-	-	14,803	-	218	32,987
Unearned revenues	-	202,173	-	135,158	137,138	-	-	262,918	217,115	-	-	22,560	10,959	-	988,021
Due to other funds	606,896	-	29,915	-	-	-	7,765	-	412,493	-	-	104,606	-	583,672	1,745,347
Total liabilities	<u>855,570</u>	<u>487,005</u>	<u>22,543</u>	<u>135,158</u>	<u>159,429</u>	<u>220,080</u>	<u>28,835</u>	<u>263,717</u>	<u>716,270</u>	<u>-</u>	<u>-</u>	<u>202,309</u>	<u>16,321</u>	<u>596,527</u>	<u>3,703,764</u>
Fund balances:															
Restricted	7,116	4,787	-	537	1,184	7,493	-	(77,333)	18,969	44,188	35,588	-	223,438	-	265,967
Total fund balances	<u>7,116</u>	<u>4,787</u>	<u>-</u>	<u>537</u>	<u>1,184</u>	<u>7,493</u>	<u>-</u>	<u>(77,333)</u>	<u>18,969</u>	<u>44,188</u>	<u>35,588</u>	<u>-</u>	<u>223,438</u>	<u>-</u>	<u>265,967</u>
Total liabilities and fund balances	<u>\$ 862,686</u>	<u>\$ 491,792</u>	<u>\$ 22,543</u>	<u>\$ 135,695</u>	<u>\$ 160,613</u>	<u>\$ 227,573</u>	<u>\$ 28,835</u>	<u>\$ 186,384</u>	<u>\$ 735,239</u>	<u>\$ 44,188</u>	<u>\$ 35,588</u>	<u>\$ 202,309</u>	<u>\$ 239,759</u>	<u>\$ 596,527</u>	<u>\$ 3,969,731</u>

See Accompanying Independent Auditors' Report.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

GRANTS ASSISTANCE FUNDS

Combining Statement of Revenues, Expenditures by Function,
and Changes in Fund Balances (Deficit)
Year Ended September 30, 2019

	10	11	12	13	14	15	16	18	19	6	7	20	23	25	
	Section 211(a)(1) Education Sector	Section 211(a)(2) Health Sector	Section 211(a)(5) Environment	Section 211(a)(3) Private Sector Development	Section 211(a)(4) Capacity Building	Section 211(a)(1) Supplemental Education	Enhanced Reporting Accountability	Infrastructure Maintenance	Infrastructure	Section 221(b) Special Block Grant	Compact I Other Grants	U.S. Federal Grants	Non-U.S. Grants	CFSM Grants	Total
Revenues:															
Compact funding	\$ 7,675,034	\$ 6,003,247	\$ 26,132	\$ -	\$ 102,004	\$ 2,523,464	\$ 353,835	\$ 53,959	\$ 3,317,268	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,054,943
CFSM grants	-	-	-	-	-	-	-	-	-	-	-	-	-	590,211	590,211
Federal contributions and other grants	-	-	-	-	-	-	-	-	-	-	-	2,761,776	342,500	-	3,104,276
	<u>7,675,034</u>	<u>6,003,247</u>	<u>26,132</u>	<u>-</u>	<u>102,004</u>	<u>2,523,464</u>	<u>353,835</u>	<u>53,959</u>	<u>3,317,268</u>	<u>-</u>	<u>-</u>	<u>2,761,776</u>	<u>342,500</u>	<u>590,211</u>	<u>23,749,430</u>
Expenditures by function:															
Current:															
General government	-	-	26,132	-	102,004	-	353,835	-	-	-	-	83,066	102,975	590,211	1,258,223
Land and natural resources	-	-	-	-	-	-	-	-	-	-	-	85,255	-	-	85,255
Education	7,675,034	-	-	-	-	2,523,464	-	-	-	-	-	979,448	-	-	11,177,946
Health services	-	6,003,247	-	-	-	-	-	-	-	-	-	1,614,007	-	-	7,617,254
Capital projects	-	-	-	-	-	-	-	53,959	3,317,268	-	-	-	-	-	3,371,227
Total expenditures	<u>7,675,034</u>	<u>6,003,247</u>	<u>26,132</u>	<u>-</u>	<u>102,004</u>	<u>2,523,464</u>	<u>353,835</u>	<u>53,959</u>	<u>3,317,268</u>	<u>-</u>	<u>-</u>	<u>2,761,776</u>	<u>102,975</u>	<u>590,211</u>	<u>23,509,905</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>239,525</u>	<u>-</u>	<u>239,525</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>239,525</u>	<u>-</u>	<u>239,525</u>
Fund balances (deficit) at the beginning of the year	<u>7,116</u>	<u>4,787</u>	<u>-</u>	<u>537</u>	<u>1,184</u>	<u>7,493</u>	<u>-</u>	<u>(77,333)</u>	<u>18,969</u>	<u>44,188</u>	<u>35,588</u>	<u>-</u>	<u>(16,087)</u>	<u>-</u>	<u>26,442</u>
Fund balances at the end of the year	<u>\$ 7,116</u>	<u>\$ 4,787</u>	<u>\$ -</u>	<u>\$ 537</u>	<u>\$ 1,184</u>	<u>\$ 7,493</u>	<u>\$ -</u>	<u>\$ (77,333)</u>	<u>\$ 18,969</u>	<u>\$ 44,188</u>	<u>\$ 35,588</u>	<u>\$ -</u>	<u>\$ 223,438</u>	<u>\$ -</u>	<u>\$ 265,967</u>

See Accompanying Independent Auditors' Report.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

GRANTS ASSISTANCE FUNDS

Combining Statement of Revenues, Expenditures by Account,
and Changes in Fund Balances (Deficit)
Year Ended September 30, 2019

	10 Section 211(a)(1) Education Sector	11 Section 211(a)(2) Health Sector	12 Section 211(a)(5) Environment	13 Section 211(a)(3) Private Sector Development	14 Section 211(a)(4) Capacity Building	15 Section 211(a)(1) Supplemental Education	16 Enhanced Reporting Accountability	18 Infrastructure Maintenance	19 Infrastructure	6 Section 221(b) Special Block Grant	7 Compact 1 Other Grants	20 U.S. Federal Grants	23 Non-U.S. Grants	25 CFSM Grants	Total
Revenues:															
Compact funding	\$ 7,675,034	\$ 6,003,247	\$ 26,132	\$ -	\$ 102,004	\$ 2,523,464	\$ 353,835	\$ 53,959	\$ 3,317,268	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,054,943
CFSM grants	-	-	-	-	-	-	-	-	-	-	-	-	-	590,211	590,211
Federal contributions and other grants	-	-	-	-	-	-	-	-	-	-	-	2,761,776	342,500	-	3,104,276
	<u>7,675,034</u>	<u>6,003,247</u>	<u>26,132</u>	<u>-</u>	<u>102,004</u>	<u>2,523,464</u>	<u>353,835</u>	<u>53,959</u>	<u>3,317,268</u>	<u>-</u>	<u>-</u>	<u>2,761,776</u>	<u>342,500</u>	<u>590,211</u>	<u>23,749,430</u>
Expenditures by account:															
Salaries and wages:															
Regular	4,539,761	2,540,393	-	-	44,700	981,811	261,729	-	352,693	-	-	1,531,208	10,106	50,181	10,312,582
Overtime	-	481,164	-	-	-	-	4,328	-	-	-	-	116,166	-	9,539	611,197
Fringe benefits	1,067,533	468,328	-	-	2,977	270,013	51,679	-	26,370	-	-	289,571	834	6,330	2,183,635
Travel and transportation	17,342	103,429	-	-	3,165	75,614	-	-	34,864	-	-	191,704	339	12,044	438,501
Communications	127,075	5,374	-	-	106	14,904	-	-	8,475	-	-	24,411	-	-	180,345
Dues, membership, and subscriptions	-	(1,000)	-	-	-	-	-	-	-	-	-	3,551	-	-	2,551
Food stuffs	113,869	111,825	-	-	-	182,898	-	-	250	-	-	2,740	500	14,675	426,757
Freight and port charges	2,417	7,247	-	-	-	-	-	-	8,093	-	-	267	-	127	18,151
Non-capitalized equipment and furniture:	42,834	20,248	-	-	2,705	51,568	2,230	-	-	-	-	11,809	-	2,190	133,584
Capital outlays	60,055	314,225	-	-	9,655	122,412	5,286	-	9,828	-	-	35,701	67,823	9,201	634,186
Office supplies and materials	184,489	173,541	24,912	-	10,118	178,289	27,114	-	322,920	-	-	157,305	120	55,330	1,134,138
Books and instructional supplies	381,747	-	-	-	-	162,858	-	-	-	-	-	-	-	-	544,605
POL	97,141	27,624	1,220	-	-	119,300	361	-	3,698	-	-	46,336	609	-	296,289
Printing and reproduction	950	25,205	-	-	-	-	239	-	1,800	-	-	37,584	-	-	65,778
Rental services	15,500	16,198	-	-	-	5,872	-	-	12,175	-	-	39,742	3,115	12,950	105,552
Repairs and maintenance	44,980	19,478	-	-	-	9,958	869	-	1,134	-	-	4,169	-	85	80,673
Utilities	131,547	561,032	-	-	-	28,700	-	-	5,000	-	-	36,568	-	2,500	765,347
Medical referrals	-	17,535	-	-	-	-	-	-	-	-	-	-	-	-	17,535
Medical supplies	-	683,388	-	-	-	-	-	-	-	-	-	27,256	-	-	710,644
Contractual services	572,949	267,919	-	-	28,578	298,746	-	53,959	2,484,914	-	-	179,758	7,448	409,009	4,303,280
Scholarships and allowances	260,159	-	-	-	-	-	-	-	-	-	-	-	-	-	260,159
Housing allowance	-	138,242	-	-	-	-	-	-	16,200	-	-	7,820	-	-	162,262
Meeting allowance	520	6,760	-	-	-	1,000	-	-	-	-	-	13,710	-	-	21,990
Non-payroll compensation	14,166	-	-	-	-	19,521	-	-	28,704	-	-	-	-	-	62,391
Miscellaneous goods and services	-	15,092	-	-	-	-	-	-	150	-	-	4,400	12,081	6,050	37,773
Bank charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	<u>7,675,034</u>	<u>6,003,247</u>	<u>26,132</u>	<u>-</u>	<u>102,004</u>	<u>2,523,464</u>	<u>353,835</u>	<u>53,959</u>	<u>3,317,268</u>	<u>-</u>	<u>-</u>	<u>2,761,776</u>	<u>102,975</u>	<u>590,211</u>	<u>23,509,905</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>239,525</u>	<u>-</u>	<u>239,525</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>239,525</u>	<u>-</u>	<u>239,525</u>
Fund balances (deficit) at the beginning of the year	<u>7,116</u>	<u>4,787</u>	<u>-</u>	<u>537</u>	<u>1,184</u>	<u>7,493</u>	<u>-</u>	<u>(77,333)</u>	<u>18,969</u>	<u>44,188</u>	<u>35,588</u>	<u>-</u>	<u>(16,087)</u>	<u>-</u>	<u>26,442</u>
Fund balances at the end of the year	<u>\$ 7,116</u>	<u>\$ 4,787</u>	<u>\$ -</u>	<u>\$ 537</u>	<u>\$ 1,184</u>	<u>\$ 7,493</u>	<u>\$ -</u>	<u>\$ (77,333)</u>	<u>\$ 18,969</u>	<u>\$ 44,188</u>	<u>\$ 35,588</u>	<u>\$ -</u>	<u>\$ 223,438</u>	<u>\$ -</u>	<u>\$ 265,967</u>

See Accompanying Independent Auditors' Report.

**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**

Honorable Reed B. Oliver
Governor, State of Pohnpei
Federated States of Micronesia:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, and each major fund of the State of Pohnpei (the State) as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the State's basic financial statements, and have issued our report thereon dated December 26, 2020. Our report was qualified with respect to GASB 70 noncompliance related to lack of recognition of a liability associated with a guaranteed debt obligation, and includes explanatory paragraphs concerning collectability of receivables and the impact of COVID-19. Our report includes a reference to other auditors who audited the financial statements of the Pohnpei Transportation Authority and the Small Business Guarantee and Finance Corporation, as described in our report on the State's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those other auditors.

For purposes of this report, our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants, and other matters did not include Pohnpei Utilities Corporation, Pohnpei Port Authority, and Pohnpei State Housing Authority, which were all audited by us. We have issued separate reports on our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters for these entities. Other auditors issued separate reports on their consideration of internal control over financial reporting and their tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the Pohnpei Transportation Authority and the Small Business Guarantee and Finance Corporation. The findings, if any, included in those reports are not included herein.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we do not express an opinion on the effectiveness of the State's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2019-008 and 2019-009 that we consider to be a material weakness.

Compliance and Other Matters

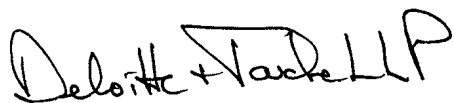
As part of obtaining reasonable assurance about whether the State's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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*.

The State's Response to Findings

The State's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The State's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



December 26, 2020

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Honorable Reed B. Oliver
Governor, State of Pohnpei
Federated States of Micronesia:

Report on Compliance for Each Major Federal Program

We have audited the State of Pohnpei's (the State's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the State's major federal programs for the year ended September 30, 2019. The State's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

As discussed in Note 3B to the Schedule of Expenditures of Federal Awards, the State's basic financial statements include the operations of certain entities whose federal awards are not included in the accompanying Schedule of Expenditures of Federal Awards for the year ended September 30, 2019. Our audit, described below, did not include the operations of the entities identified in Note 3B as these entities conducted separate audits in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), if required.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the State's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the Uniform Guidance. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the State's compliance.

Basis for Qualified Opinion on Each Major Federal Program

As described in Findings 2019-001, 2019-002 and 2019-004 in the accompanying Schedule of Findings and Questioned Costs, the State did not comply with requirements regarding the following:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2019-001	15.875	Economic, Social and Political Development of the Territories – Compact of Free Association, As Amended, Compact Sector Grants	Allowable Costs/Cost Principles
2019-002	15.875	Economic, Social and Political Development of the Territories – Compact of Free Association, As Amended, Compact Sector Grants	Procurement, Suspension, and Debarment
2019-004	93.224	Health Center Program (Community Health Centers, Migrant Health Center Health Care for the Homeless, and Public Housing Primary Care)	Allowable Costs/Cost Principles

Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to those programs.

Qualified Opinion on Each Major Federal Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2019-003 and 2019-005 through 2019-007. Our opinion on each major federal program is not modified with respect to these matters.

The State's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The State's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The State is responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The State's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

Management of the State is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the State's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2019-001, 2019-002, and 2019-004 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2019-003 and 2019-005 through 2019-007 to be significant deficiencies.

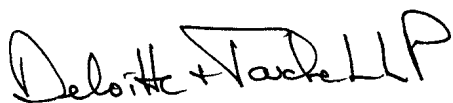
The State's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The State's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The State is responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The State's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, and each major fund of the State as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the State's basic financial statements. We issued our report thereon dated December 26, 2020, which contained a qualified opinion on those financial statements with respect to noncompliance with GASB 70 related to lack of recognition of a liability associated with a guaranteed debt obligation, and included explanatory paragraphs concerning collectability of receivables and the impact of COVID-19. Our report includes a reference to other auditors. We did not audit the financial statements of Pohnpei Transportation Authority and Small Business Guarantee and Finance Corporation which represent 8%, 7% and 8%, respectively, of the assets, net position, and 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 the Pohnpei Transportation Authority and the Small Business Guarantee and Finance Corporation, is based solely on the reports of the other auditors. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 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 auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



December 26, 2020

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Summary Schedule of Expenditures of Federal Awards, by Grantor
Year Ended September 30, 2019

Agency/Program	Expenditures
U.S. Department of Agriculture	\$ 45,092
U.S. Department of the Interior	20,177,834
U.S. Department of Education	979,448
U.S. Department of Health and Human Services	1,614,345
 GRAND TOTAL	 \$ <u>22,816,719</u>
 Reconciliation to the basic financial statements:	
Grants Assistance Fund	\$ 23,509,905
Less:	
Non-U.S. Federal Grants Fund expenditures	(102,975)
CFSM Grants Fund expenditures	<u>(590,211)</u>
	\$ <u>22,816,719</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA#	Pass-Through Entity Identifying #	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Urban and Community Forestry Program	10.675		\$ <u>45,092</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>45,092</u>
U.S. DEPARTMENT OF THE INTERIOR			
Pass-Through From the FSM National Government:		A4	
Economic, Social and Political Development of the Territories:	15.875		
Compact of Free Association, As Amended, Sector Grants:			
Compact II Education Sector	15.875		7,675,034
Compact II Health Sector	15.875		6,003,247
Compact II Environment Sector	15.875		26,132
Compact II Private Sector Capacity	15.875		-
Compact II Capacity Building Sector	15.875		102,004
Compact II Supplemental Education	15.875		2,523,464
Compact II ERA	15.875		353,835
Compact II Infrastructure Maintenance	15.875		53,959
Compact II Infrastructure Fund	15.875		3,317,268
Technical Assistance			
Office of State Auditor	15.875		<u>37,167</u>
Total CFDA 15.875			20,092,110
Historic Preservation Fund Grants-In-Aid	15.904		<u>85,724</u>
TOTAL U.S. DEPARTMENT OF THE INTERIOR			\$ <u>20,177,834</u>
U.S. DEPARTMENT OF EDUCATION			
Pass-Through From the FSM National Government:		A4	
Special Education Cluster (IDEA):			
Special Education - Grants to States	84.027		\$ <u>979,448</u>
Special Education Cluster (IDEA) Total and TOTAL U.S. DEPARTMENT OF EDUCATION			\$ <u>979,448</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA#	Pass-Through Entity Identifying #	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct Program:			
Health Center Program Cluster:			
Health Center Program (Consolidated Health Centers)	93.224		\$ 622,516
Health Center Program Cluster Total			<u>622,516</u>
Subtotal U.S. Department of Health and Human Services Direct Programs			<u>622,516</u>
Pass-Through From the FSM National Government:			
		A4	
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092		3,909
Project Grants and Cooperative Agreements for Tuberculosis			
Control Programs	93.116		120,812
State Systems Development Initiative Grant Program	93.110		11,254
Family Planning - Services	93.217		61,515
Substance Abuse and Mental Health Services - Projects of Regional and			
National Significance	93.243		296,797
Universal Newborn Hearing Screening UNHS	93.251		11,974
Immunization Cooperative Agreements	93.268		141,213
CDC & Prevention-Investigations and Technical Assistance	93.283		26,219
Prevention Health Services	93.758		10,000
OPIOID STR	93.788		25,498
Tobacco Prevention	93.945		20,707
Com. Cancer Control	93.898		34,943
HIV Care Formula- Ryan White	93.917		11,990
Block Grants for Community Mental Health Services	93.958		9,066
Block Grants for Prevention and Treatment of Substance Abuse	93.959		95,087
Maternal and Child Health Services Block Grant to the States	93.994		77,284
CCPI Cancer Pgm	93.UNKNOWN		<u>33,561</u>
Subtotal U.S. Department of Health and Human Services Pass-Through Programs			<u>991,829</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES TOTAL			\$ <u><u>1,614,345</u></u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u><u>22,816,719</u></u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2019

1. Scope

State of Pohnpei is one of the four States of the Federated States of Micronesia. All significant operations of State of Pohnpei are included in the scope of the Single Audit. The U.S. Department of the Interior has been designated as State of Pohnpei's cognizant agency for the Single Audit.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of State of Pohnpei under programs of the federal government for the year ended September 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of State of Pohnpei, it is not intended to and does not present the financial positions or changes in financial positions of State of Pohnpei.

3. Summary of Significant Accounting Policies

A. Basis of Accounting

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, consistent with the manner in which State of Pohnpei maintains its accounting records. All expenditures and capital outlays that represent the federal share are reported as expenditures. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented, where available.

B. Reporting Entity

For purposes of complying with the Single Audit Act of 1984, as amended in 1996, State of Pohnpei's reporting entity is defined in Note 1A to its September 30, 2019 basic financial statements; and all of the discretely presented component units are excluded. Accordingly, the accompanying Schedule presents the federal award programs administered by State of Pohnpei, as defined above, for the year ended September 30, 2019.

The federal expenditure totals for the excluded departments and component units as of September 30, 2019, are as follows:

<u>Department or Component Unit</u>	<u>Federal Expenditure Total</u>
Pohnpei Port Authority	\$ -
Pohnpei State Housing Authority	\$ -
Pohnpei Transportation Authority	\$ -
Pohnpei Utilities Corporation	\$ 801,844
Small Business Guarantee and Finance Corporation	\$ -

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2019

3. Summary of Significant Accounting Policies, Continued

C. Indirect Cost Allocation

State of Pohnpei did not receive any indirect cost allocation and did not elect to use the de minimis indirect cost rate allowed under the Uniform Guidance. State of Pohnpei did not charge indirect costs against federal programs.

D. CFDA #15.875

CFDA #15.875 represents the Office of Insular Affairs (OIA), U.S. Department of the Interior. Funding from this source is subject to varying rules and regulations since OIA administers the Compact of Free Association, which is a treaty, and is not a federal program. The Compact is comprised of various funded programs, each with separate compliance requirements. To maximize audit coverage of OIA funding, the OIG has recommended that programs administered under CFDA #15.875 be grouped by like compliance requirements and such groupings be separately evaluated for purposes of major program determinations.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs
Year Ended September 30, 2019

Section I - Summary of Auditors' Results

Financial Statements

- | | |
|--|--------------------------|
| 1. Type of report the auditors issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified and Qualified |
| Internal control over financial reporting: | |
| 2. Material weakness(es) identified? | Yes |
| 3. Significant deficiency(ies) identified? | None Reported |
| 4. Noncompliance material to financial statements noted? | No |

Federal Awards

Internal control over major federal programs:

- | | |
|---|-----------|
| 5. Material weakness(es) identified? | Yes |
| 6. Significant deficiency(ies) identified? | Yes |
| 7. Type of auditors' report issued on compliance for major federal programs: | Qualified |
| 8. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | Yes |
| 9. Identification of major federal programs: | |

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
15.875	Economic, Social and Political Development of the Territories – Compact of Free Association, As Amended, Sector Grants
93.224	Health Center Program Cluster: Health Center Program (Community Health Centers, Migrant Health Center Health Care for the Homeless, and Public Housing Primary Care)

- | | |
|--|-----------|
| 10. Dollar threshold used to distinguish between Type A and Type B Programs: | \$750,000 |
| 11. Auditee qualified as low-risk auditee? | No |

Section II – Financial Statements Findings

<u>Finding #</u>	<u>Finding</u>
2019-008	Cash Management
2019-009	Loan Guarantee Obligation

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2019

Section III - Federal Award Findings and Questioned Costs

<u>Finding #</u>	<u>CFDA #</u>	<u>Finding</u>	<u>Questioned Costs</u>
2019-001	15.875	Allowable Costs/Cost Principles	\$121,887
2019-002	15.875	Procurement and Suspension and Debarment	461,689
2019-003	15.875	Period of Performance	82,000
2019-004	93.224	Allowable Cost/Cost Principles	69,930
2019-005	15.875	Equipment and Real Property Management	-
2019-006	93.224	Reporting	-
2019-007	93.224	Sliding Fee Discount	-
			<hr/>
			\$735,506
			<hr/>

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2019

Finding No.: 2019-001
 Pass-Through Entity: Federated States of Micronesia National Government
 Federal Agency: U.S. Department of the Interior
 CFDA Program: 15.875 Economic, Social, and Political Development of the Territories
 Federal Award No.: Various Compact Sector Grants
 Compliance Requirement: Allowable Costs/Cost Principles
 Questioned Costs: \$121,887

Criteria: In accordance with applicable allowable costs/cost principles requirements, expenditures should be necessary and reasonable for program needs, and financial and programmatic records should be maintained on file for at least three years.

Condition:

- For 9 (or 36%) of 25 transactions tested, there was either partial or no financial, programmatic records and/or grantor approved budget (e.g., vendor invoices, contracts, receiving reports, etc.) on file to substantiate certain transactions.

Per Transaction Detail:						
No.	Date	Ref	Amount	Fund	Program	Year
1	09/27/2019	V190290	\$ 1,957	14	14100	19
2	12/07/2018	V190019	4,249	15	10100	18
3	02/21/2019	V190191	10,590	15	15232	18
4	08/30/2019	260474	14,000	10	10100	19
5	09/09/2019	259811	7,500	10	10100	19
6	09/10/2019	V190299	9,655	14	14141	19
7	02/21/2019	248857	10,000	10	10100	19
8	05/27/2019	250771	10,000	15	15130	18
9	09/23/2019	261672	14,556	18	18008	19
			<u>\$ 82,507</u>			

- For 2 (or 8%) of 25 transactions tested, Pohnpei State Department of Health did not provide any documentary evidence, such as actual timecard, to support "Stand By" compensation for the employee. Actual hours charged as "Stand By" was unreasonably high based on a standard work schedule of 8AM to 5PM, seven days a week. Pohnpei State Government Personnel Policies requires time and attendance sheet to support payroll compensation.

Per Transaction Detail:							
Date	Description	Hours	Amount	Fund	Prog	Yr.	Account
FY 2019	Stand By 20%	2747	\$ 8,102	11	11200	19	8010
FY 2019	Stand By 20%	6551	31,278	11	11200	19	8010
		<u>9298</u>	<u>\$39,380</u>				

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2019

Finding No.:	2019-001, Continued
Pass-Through Entity:	Federated States of Micronesia National Government
Federal Agency:	U.S. Department of the Interior
CFDA Program:	15.875 Economic, Social, and Political Development of the Territories
Federal Award No.:	Various Compact Sector Grants
Compliance Requirement:	Allowable Costs/Cost Principles
Questioned Costs:	\$121,887

Cause:

1. The Government lacks controls over compliance with maintaining underlying accounting records.
2. The Government lacks controls over compliance with applicable personnel policies and regulations governing the Compact Sector grants.

Effect: The Government is in noncompliance with the criteria. The total questioned cost is \$121,887

Recommendation: The Government should comply with grant requirements and should retain sufficient documentation on file to support compliance with those requirements. The Government should consider Compliance Oversight to perform a full understanding of the Uniform Guidance and Special Condition requirements for each US Federal and/or Compact Sector Grant received.

Views of Auditee and Corrective Action Plan: The Government agrees with the finding and describes corrective action in the corrective action plan.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2019

Finding No.: 2019-002
 Pass-Through Entity: Federated States of Micronesia National Government
 Federal Agency: U.S. Department of the Interior
 CFDA Program: 15.875 Economic, Social, and Political Development of the Territories
 Federal Award No.: Various Compact Sector Grants
 Compliance Requirement: Procurement and Suspension and Debarment
 Questioned Costs: \$461,689

Criteria: In accordance with applicable procurement and suspension and debarment requirements, procurements shall provide full and open competition among vendors, and allowable exceptions should be approved and documented in the procurement file.

Condition: For 8 (or 32%) of 25 transactions tested, no price quotation or bid documents were provided to support compliance with competitive procurement requirements.

Per Transaction Detail:						
No.	Date	Reference	Amount	Fund	Program	Year
1	12/28/2018	V190173	\$ 26,588	11	11500	18
2	07/26/2019	V190218	60,355	10	10100	19
3	09/25/2019	261972	36,621	15	10100	18
4	06/06/2019	255101	157,492	19	19010	18
5	01/25/2019	V190104	77,132	19	19201	18
6	08/19/2019	258557	15,000	10	10100	19
7	09/23/2019	261672	14,556	18	18008	19
8	08/30/2019	v190253	88,501	19	19201	18
			476,245			
Costs already questioned at 2019-001:			(14,556)			
			<u>\$ 461,689</u>			

Cause: The Government lacks controls over compliance with the criteria.

Effect: The Government is in noncompliance with the criteria. The total questioned cost presented at this finding is \$461,689.

Recommendation: The Government should comply with grant requirements and should retain sufficient documentation on file to support compliance with those requirements. The Government should consider Compliance Oversight to perform a full understanding of Uniform Guidance and Special Condition requirements for each US Federal and/or Compact Sector Grant received.

Views of Auditee and Corrective Action Plan: The Government agrees with the finding and describes corrective action in the corrective action plan.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2019

Finding No.: 2019-003
Pass-Through Entity: Federated States of Micronesia National Government
Federal Agency: U.S. Department of the Interior
CFDA Program: 15.875 Economic, Social, and Political Development of the Territories
Federal Award No.: Education Sector Grants
Compliance Requirement: Period of Performance
Questioned Costs: \$82,000

Criteria: The Government of Pohnpei State shall liquidate all obligations incurred under a grant after the end of the funding period, or as otherwise mutually agreed.

Condition: The following grant expenditure was recorded in FY 2019 past the period of performance.

Per Transaction Detail:						
No.	Date	Ref	Amount	Fund	Prog	Yr.
1	12/16/2018	V190174	\$82,000	10	10111	17
			<u>\$82,000</u>			

Cause: The Government lacks monitoring controls over period of performance requirements.

Effect: The Government is in noncompliance with the criteria. The total questioned cost presented at this finding is \$82,000.

Recommendation: The Government should comply with grant requirements and timely monitor compliance with period of performance requirements. The Government should consider Compliance Oversight to perform a full understanding of Uniform Guidance and Special Condition requirements for each US Federal and/or Compact Sector Grant received.

Views of Auditee and Corrective Action Plan: The Government agrees with the finding and describes corrective action in the corrective action plan.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2019

Finding No.: 2019-004
CFDA Program: 93.224-Health Center Program (Community Health Centers, Migrant Health Center Health Care for the Homeless, and Public Housing Primary Care)
Federal Award No.: H80CS04302-15-01
Compliance Requirement: Allowable Cost/Cost Principles
Questioned Costs: \$69,930

Criteria: In accordance with applicable allowable costs/cost principles, expenditures should be necessary and reasonable for program needs and should be in accordance with program requirements. Furthermore, financial and programmatic records should be maintained on file for at least three years.

Condition:

- For 10 (or 40%) of 25 transactions tested, Travel Advances for transportation cost was excessively estimated as it appears to circumvent the 80% advance and 20% claim upon return travel policy. Actual transportation cost receipts was significantly less than cash advanced to travelers for transportation cost. This is not a standard Pohnpei State's travel practice and this practice appears to be exclusively utilized by the Kolonia Community Health Center (CHC).

Per Transaction Detail:						
No.	Date	Ref	Amount	Prog	Yr.	Account
1	10/31/2018	242146	\$ 1,493	37100	18	8110
2	12/21/2018	241640	2,460	37100	18	8110
3	12/21/2018	241641	120	37100	18	8110
4	12/21/2018	241643	2,460	37100	18	8110
5	12/21/2018	241645	2,460	37100	18	8110
6	12/21/2018	241642	2,460	37100	18	8110
7	05/02/2019	241641	136	37100	18	8110
8	07/17/2019	241645	285	37100	18	8110
9	04/22/2019	249809	800	37100	19	8110
10	08/01/2019	257847	1,109	37100	19	8110
			<u>\$13,783</u>			

- Payroll overtime compensation charged to the CHC program account was traced to Pohnpei State Government employees hired under Compact Sector Grants CFDA#15.785.

Per Transaction Detail:						
No.	Date	Description	Amount	Fund	Prog	Yr.
1	FY 2019	OT	\$13,975	21	37100	19
2	FY 2019	ER - GLI	171	21	37100	19
3	FY 2019	ER HI206	556	21	37100	19
4	FY 2019	ER SS	1,077	21	37100	19
			<u>\$15,779</u>			

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2019

Finding No.: 2019-004, Continued
CFDA Program: 93.224-Health Center Program (Community Health Centers, Migrant Health Center Health Care for the Homeless, and Public Housing Primary Care)
Federal Award No.: H80CS04302-15-01
Compliance Requirement: Allowable Cost/Cost Principles
Questioned Costs: \$69,930

3. Pohnpei State Government Personnel Policies requires time and attendance sheets to support payroll compensation. CHC did not provide any documentary evidence such as actual timecard etc., to support overtime compensation for the employee. Absence of time and attendance information on the timesheet form submitted by CHC caused a potential risk that the hours recorded on the timesheet forms may not be accurate which could result in employees being paid for hours they did not work.

Per Transaction Detail:						
Date	Description	Hour	Amount	Fund	Prog	Yr.
10/09/2018	Overtime Hrs	610	\$ 5,226	21	37100	18
10/09/2018	Overtime Hrs	883	8,632	21	37100	18
10/09/2018	Overtime Hrs	7	3,106	21	37100	18
10/09/2018	Overtime Hrs	34	17,750	21	37100	18
10/09/2018	Overtime Hrs	24	5,654	21	37100	18
			<u>\$40,368</u>			

Cause:

1. There appears to be a lack of adherence to applicable travel advance policies and regulations governing the CHC grant.
2. The CHC grant was charged for overtime compensation of an employee from a different U.S federal funded program (Sector grants) as evidenced by the employee's Personnel Action Form.
3. There appears to be a lack of adherence to applicable personnel policies and regulations governing the CHC grant.

Effect: The Government is in noncompliance with the criteria. The total questioned cost is \$69,930.

Recommendation: The Government should comply with grant requirements and should retain sufficient documentation on file to support compliance with those requirements. The Government should consider Compliance Oversight to perform a full understanding of Uniform Guidance and Special Condition requirements for each US Federal and/or Compact Sector Grant received.

Views of Auditee and Corrective Action Plan: The Government agrees with the finding and describes corrective action in the corrective action plan.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2019

Finding No.:	2019-005
Pass-Through Entity:	Federated States of Micronesia National Government
CFDA Program:	DOI 15.875 Economic, Social, and Political Development of the Territories
Federal Award No.:	Compact Sector Grants
Compliance Requirement:	Equipment and Real Property Management
Questioned Costs:	\$0

Criteria: A physical inventory of property acquired in whole or in part under a Federal award, must be taken and the results reconciled with the property records at least once every two years, until disposition takes place.

Condition: The Government did not perform the required physical inventory of property acquired in whole or in part under a Federal award within the past two years.

Cause: The Government has weak internal controls over the receiving, recording, reviewing and tagging of capital assets by the supply officer prior to releasing the capital asset/equipment to a department.

Effect: The Government is in noncompliance with applicable equipment management requirements. No questioned cost is presented as we are unable to quantify the extent of noncompliance.

Identification as a Repeat Finding: Finding No. 2018-001

Recommendation: The Government's program management should perform the required physical inventory at least once every two years and reconcile results with the property records in accordance with the applicable Federal requirements.

Views of Auditee and Corrective Action Plan: The Government agrees with the finding and describes corrective action in the corrective action plan.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2019

Finding No.: 2019-006
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.224 Health Center Program
Grant Number: H80CS04302-15-01
Compliance Requirement: Reporting
Questioned Costs: \$0

Criteria: In accordance with the Community Health Center Grant Agreement: (a) A Federal Financial Report or Standard Form SF 425 or a reasonable facsimile thereof approved by the Government of the United States, shall be prepared annually and submitted within 90 days after the end of each federal fiscal year. The report shall include transaction information such as federal cash receipt, federal share of expenditures and recipient share; (b) A Federal Cash Transactions Report, or Standard Form SF 272 of the Government of the United States or a reasonable facsimile thereof approved by the Government of the United States, shall be submitted quarterly within 30 days of the end of the quarter to which it applies. Actual dates, project identification, and amounts of drawdowns for the quarter should be supplied in the —Remarks section of the form. Additionally, submitted reports should reconcile with underlying records.

Condition: The SF-425 Federal Financial Report, which covered the period October 1, 2018 to September 30, 2019, was not prepared and submitted to the Health Center Program for the following:

Fundware Account Number	CY_Exp	CY Drawdown	Grant Award No.
4-21-70-71-37100-19-8301 Contractual Ser	\$622,392	\$0.00	H80CS04302

Cause: The Government lacks internal controls to monitor and timely perform reconciliations between the general ledger and related reports.

Effect: Noncompliance with reporting requirements results from this condition. No questioned costs are presented as the related expenditures incurred under the grant were subject to testing and such were determined to be allowable.

Recommendation: The Government should comply with grant requirements and should retain grant sufficient documentation on file to support compliance with those requirements. The Government should consider Compliance Oversight to perform a full understanding of Uniform Guidance and Special Condition requirements for each US Federal and/or Compact Sector Grant received.

Views of Auditee and Corrective Action Plan: The Government agrees with the finding and describes corrective action in the corrective action plan.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2019

Finding No.:	2019-007
Federal Agency:	U.S. Department of Health and Human Services
CFDA Program:	93.224 Health Center Program
Grant Number:	H80CS04302-15-01
Compliance Requirement:	Sliding Fee Discount
Questioned Costs:	\$0

Criteria: In accordance with applicable Sliding Fee Discount requirements, the Health Center must prepare and apply a Sliding Fee Discount Schedule (SFDS) so that amounts owed for health center services by eligible patients are adjusted (discounted) based on patient's ability to pay.

Condition: CHC did not apply the sliding fee discount to each patient that received medical services from the health center.

Cause: The Government lacks internal controls to monitor and set up procedures to apply the sliding fee for each patient that receives medical services by CHC.

Effect: The Government is in noncompliance with applicable Sliding Fee Discount requirements. No questioned costs are presented as we are not able to quantify the extent of noncompliance with the sliding fee discounts.

Recommendation: The Government should comply with the criteria. The Government should consider Compliance Oversight to perform a full understanding of Uniform Guidance and Special Condition requirements for each US Federal and/or Compact Sector Grant received.

Views of Auditee and Corrective Action Plan: The Government agrees with the finding and describes corrective action in the corrective action plan.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2019

Finding No: 2019-008
Area: Cash Management

Criteria: To monitor and update the federal grants expenditure and reimbursement on a regular basis is fundamental and critical for maintaining accurate financial records and help minimize cash flow shortage in the general fund.

Condition: For the Community Health Clinic program, the Pohnpei State Government received cash one time within the fiscal year or in the subsequent fiscal year.

Cause: There were no monitoring procedures established for Health Center Program funds drawdowns. Funds were not drawn-down timely to fund program expenditures.

Effect: As a result of this condition, the general fund was utilized for Health Center Program expenditures, which caused cash flow shortages in the Pohnpei State Government general fund. Funds were received on January 18, 2019; however, this drawdown was for the reimbursement of expenditures incurred from October 1, 2017 to September 30, 2018.

Recommendation: The Pohnpei State Government, Division of Finance should monitor and update federal grants expenditures and should obtain timely Federal reimbursements.

Views of Auditee and Corrective Action Plan: The Government agrees with the finding and describes corrective action in the corrective action plan.

**STATE OF POHNPEI
FEDERATED STATES OF MICRONESIA**

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2019

Finding No: 2019-009
Area: Loan Guarantee Obligation

Criteria: ADB loans payable guaranteed by the State of Pohnpei should be recorded in the financial statements to comply with GASB 70.

Condition: ADB loans guaranteed by the State of Pohnpei on behalf of a component unit, which does not evidence the ability to repay the debt were not recorded in the accounting system to conform with GASB 70.

Cause: Management is of the opinion that such loans are not a State liability as drastic measures have been put in place or are being proposed at the component unit to allow it to return to profitable operations.

Effect: The departure from GASB 70 requirements resulted in a report modification.

Identification as a Repeat Finding: Finding No. 2018-002

Recommendation: State of Pohnpei should comply with GASB 70 requirements and record the debt until such time when the component unit evidences the ability to make required debt repayments.

Views of Auditee and Corrective Action Plan: The Government agrees with the finding and describes corrective action in the corrective action plan.



POHNPEI STATE GOVERNMENT

Department of Treasury and Administration

P.O. Box 1567

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Office of the Director

CORRECTIVE ACTION PLAN 2 CFR § 200.511(c) Year Ended September 30, 2019

Finding Number	Corrective Action Plan	Anticipated Completion Date	Responsible Person (Contact details)
2019-001	We agree with the finding and we have begun utilizing a checklist to ensure all documents are in place before a payment is made.	September 30, 2020	Ms. Judy Rodriguez New Chief of Finance rodrigjudz@gmail.com
2019-002	We agree with the finding - missing documents for QCs amounting to \$323,125.00 are being requested from the FSMNG PMU Office for prior projects awarded.	September 30, 2020	Mr. Daniel Isaac, PSG Contracting Officer PMU daniel.isaac@pnipmo.gov.fm and Ms. Judy Rodriguez Chief of Finance rodrigjudz@gmail.com
2019-003	We agree with the finding and we will look for the approval for the extension of the grant to clear the questioned cost during the FY2020 audit	September 30, 2020	Budget Officer and Program Manager, Director of Education And Ms. Judy Rodriguez Chief of Finance rodrigjudz@gmail.com
2019-004	We agree with the finding and beginning FY2021, all transportation costs for PCHC travelers will use the transportation rate in the PSG FMR	September 30, 2020	Ms. Judy Rodriguez Chief of Finance rodrigjudz@gmail.com
2019-005	We agree with the finding and we have created an Equipment & Real Property listing to update periodically: Supply will reconcile new equipment purchases with the departments/offices monthly and do the physical inventory bi-annually	September 30, 2020	Ms. Darlene Henry Procurement Officer madialexace@gmail.com and Ms. Judy Rodriguez Chief of Finance rodrigjudz@gmail.com

2019-006	We agree with the finding and the PCHC Executive Director and the Chief of Finance will prepare and ensure the SF425 and SF272 and all other pertinent reporting are done timely	September 30, 2020	Ms. Josephine M. Saimon jmsaimons@yahoo.com and Ms. Judy Rodriguez New Chief of Finance rodrigjudz@gmail.com
2019-007	We agree with the finding and the PCHC Executive Director will have the Board approve a SFDS that is feasible and can be implemented in FY2021	September 30, 2020	Ms. Josephine M. Saimon jmsaimons@yahoo.com
2019-008	We agree with the finding and the new Chief of Finance have assigned somebody to do the drawdown for the PCHC expenditures monthly.	September 30, 2020	Ms. Josephine M. Saimon jmsaimons@yahoo.com and Ms. Judy Rodriguez New Chief of Finance rodrigjudz@gmail.com
2019-009	We agree with the finding and we will try to request again for the Legislature to allow us to record PUC's ADB loans in our books for FY2021 to comply with GASB 70.	September 30, 2020	Ms. Christina Elnei Director/DOTA Email: elnei1221@gmail.com



POHNPEI STATE GOVERNMENT

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Office of the Director

Summary Schedule of Prior Year Audit Findings and Question Costs Year End September 30, 2019

<u>Finding Number</u>	<u>CFDA Number</u>	<u>Questioned Cost</u>	<u>Status</u>
2013-002	15.875	\$ 54,889	Not corrected or resolved
2014-001	15.875	-	Not corrected or resolved. See Finding 2015-001
2014-002	15.875	162,378	Not corrected or resolved
2015-003	15.875	367,407	Not corrected or resolved
2015-004	84.027	129	Not corrected or resolved
2017-001	15.875	-	Not corrected or resolved
2017-002	15.875	-	Not corrected or resolved
2018-001	15.875	-	Not corrected or resolved See Corrective Action Plan - Finding no. 2019-005
2018-002	-	-	Not corrected or resolved See Corrective Action Plan - Finding no. 2019-009
		<u>\$ 584,803</u>	