



# THE PERFORMETER®

## And A.F.T.E.R Analysis

A Financial Statement Analysis Using Indicators of the  
Financial Health and Success

and a

Status Report of Audit Findings, Timeliness and  
Exception Resolution (A.F.T.E.R.)

of

The Government of Guam  
as of and for the Year Ended September 30, 2013



**Crawford & Associates, P.C.**  
**Oklahoma City, Oklahoma**



# What Is The Performer®?

---

- An analysis that takes a government's financial statements and converts them into useful and understandable measures of financial performance
- Financial ratios and a copyrighted analysis methodology are used to arrive at an overall rating of 1-10
- The overall reading is a barometer of GovGuam's financial health and performance



# How to Use The Performer®

---

- Use the individual ratios to identify financial warning signals
- Use the overall rating as a collective benchmark of financial health and success of GovGuam as a whole
- Use the comparisons to prior years to monitor trends in financial indicators



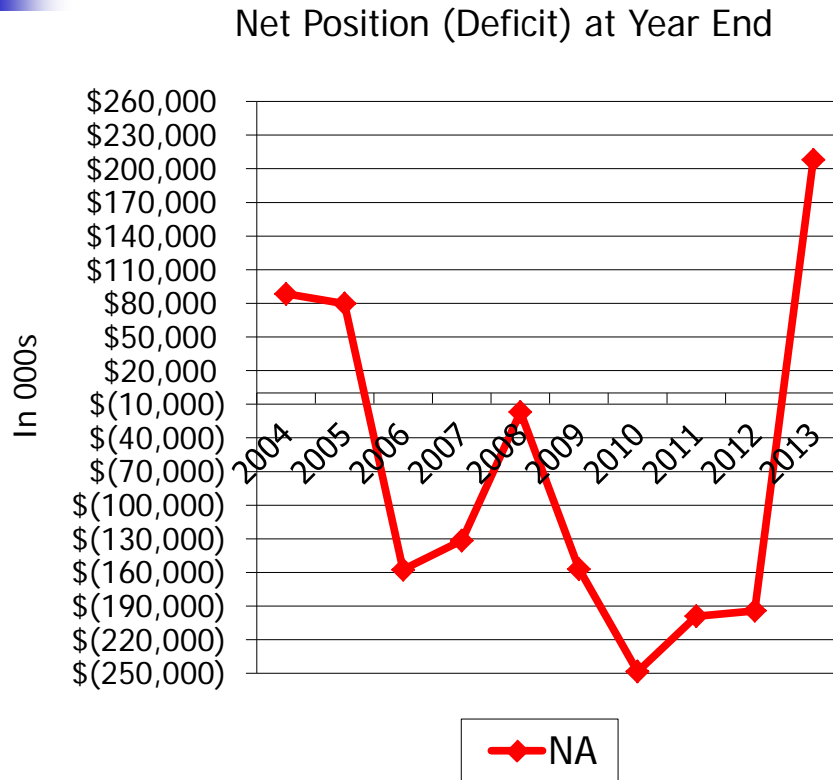
# Limitations of the Performer®

---

- The Performer® should not be used as the only source of financial information to evaluate GovGuam's performance and condition
- The analysis is an overall rating of GovGuam as a whole and not of specific activities, funds or units
- The Performer® is based on Crawford & Associates' professional judgment and is limited as to its intended use

# Change in Net Position (Deficit)

Did our overall financial condition improve, decline or remain steady over the past year?



Net position includes all assets of GovGuam, except for fiduciary funds held for the benefit of others. It is measured as the difference between total assets, including capital assets, plus deferred outflows, netted against total liabilities, including long-term debt, and deferred inflows.

For the year ended September 30, 2013, GovGuam's total net position increased by \$13.2 million or 6.8% from the prior year's **restated** net position amount, indicative of revenues earned for the year exceeding expenses incurred during the year.

During FY 2013, GovGuam established a permanent fund to account for land held in trust. The adjustment of the lands' book value to its fair value was an increase of approximately \$407 million, which is reported as an adjustment to the prior year's ending net position (FY 2012).

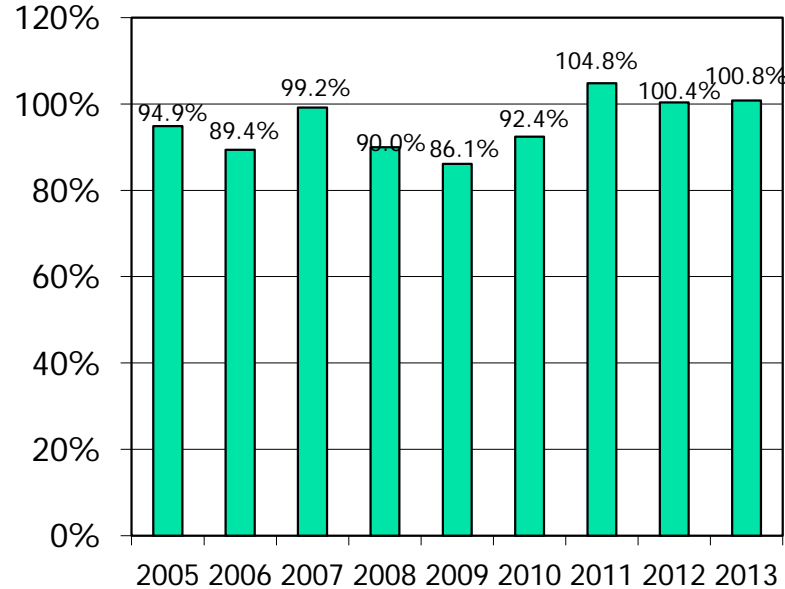
As of the end of FY 2013, due to the \$13.2 million increase of the current year and the net restatements of the prior year's ending net position (deficit) of \$388.9 million, the overall government-wide net position is now approximately \$207.9 million, a increase of \$402.1 million from the prior year unadjusted net position (**deficit**) previously reported of \$(194.2) million. The chart at left shows the cumulative effect in FY 2013 of both the restatement of FY 2012, and the current year's revenues exceeding expenses of \$13.2 million.

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
-50.2%	124.6%	-9.8%	-297.2%	16.5%	87.1%	-825.9%	-49.5%	21.3%	2.6%	6.8%

# Intergenerational Equity

## Who is paying for today's costs of services?

Revenues as a % of Annual Expenses



A measure of whether the government lived within its means in the measurement year, or was required to use prior year resources to fund a portion of current year costs, or shifted the funding of some of the current year costs to future periods. This measure also removes the effect of special items.

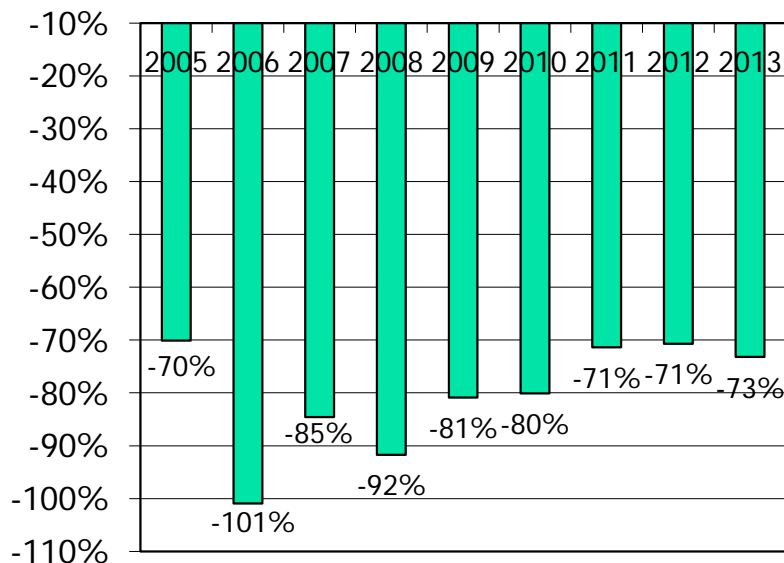
For the year ended September 30, 2013, GovGuam funded 100.8% of their current year expenses with current year revenues, which is considered an excellent percentage, and is relatively consistent with the percentage calculated in the prior year.

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
97.2%	97.6%	94.9%	89.4%	99.2%	90.0%	86.1%	92.4%	104.8%	100.4%	100.8%

# Level of Unrestricted Net Position

## How do our total rainy day funds look?

Unrestricted Net Position (Deficit) as a % of Annual Revenues



The level of the total unrestricted net position is an indication of the amount of unexpended and available resources GovGuam has at a point in time to fund emergencies, shortfalls or other unexpected needs.

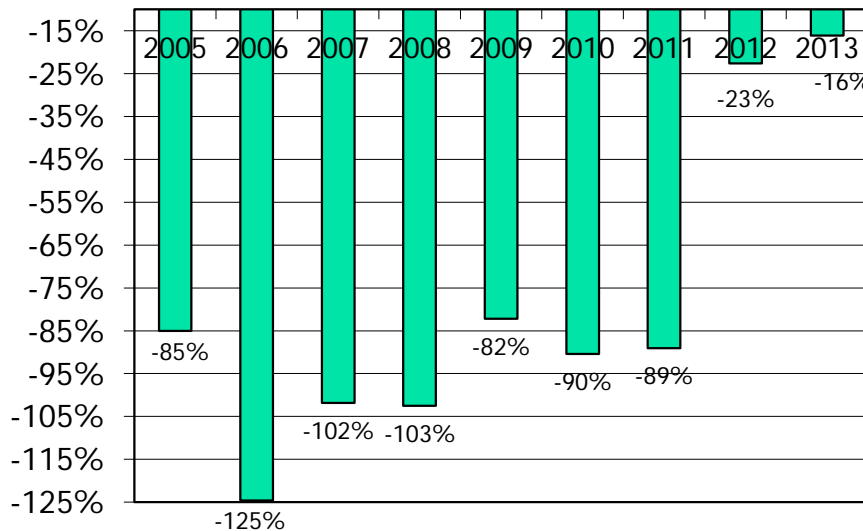
For the year ended September 30, 2013, GovGuam's total unrestricted net position is actually in a deficit position, and approximated 73.2% of annual total revenues, which represents an increase of 2.5% in the deficit-to-revenue percentage ratio calculated in the prior year.

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
-56.1%	-75.2%	-70.1%	-100.9%	-84.6%	-91.6%	-80.9%	-80.1%	-71.4%	-70.7%	-73.2%

# Level of Unassigned Fund Balance

## How does our unassigned fund balance carryover look?

Unassigned Fund Balance (Deficit) as a Percentage of Annual Revenues



The level of unassigned fund balance is an indication of the amount of unexpended, unencumbered and available resources GovGuam has at a point in time to carryover into the next fiscal year to fund budgetary emergencies, shortfalls or other unexpected needs. In this analysis, only the General Fund is considered.

For the year ended September 30, 2013, GovGuam's General Fund unassigned fund balance was actually in a deficit position, and was equal to 16.1% of its annual revenues. However, this represents a decrease in the size of the deficit when compared to the size of the deficit-to-revenue ratio in the prior year, but overall it does not represent an adequate amount of carryover to fund emergencies, shortfalls or other unexpected needs.

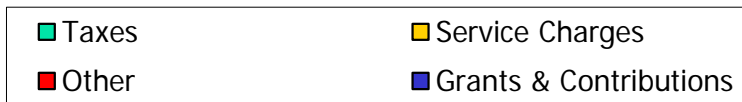
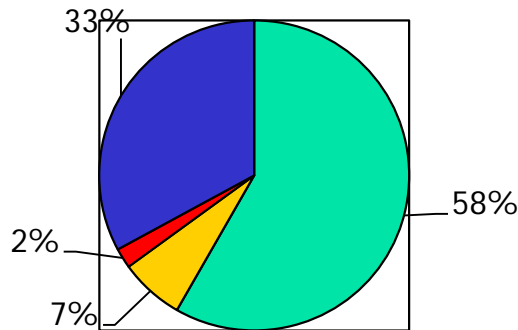
2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
-73.7%	-84.6%	-85%	-124.6	-101.8%	-102.5%	-82.2%	-90.4%	-89.1%	-22.6%	-16.1%



# Revenue Dispersion

How heavily are we relying on revenue sources we can't directly control?

2013 Revenue Percentages by Source



The percentage dispersion of revenue by source indicates how dependent GovGuam is on certain types of revenue. The more dependent GovGuam is on revenue sources beyond its direct control, such as taxes tied to the I.R.S. codes and revenues from other governments such as grants, the less favorable the dispersion.

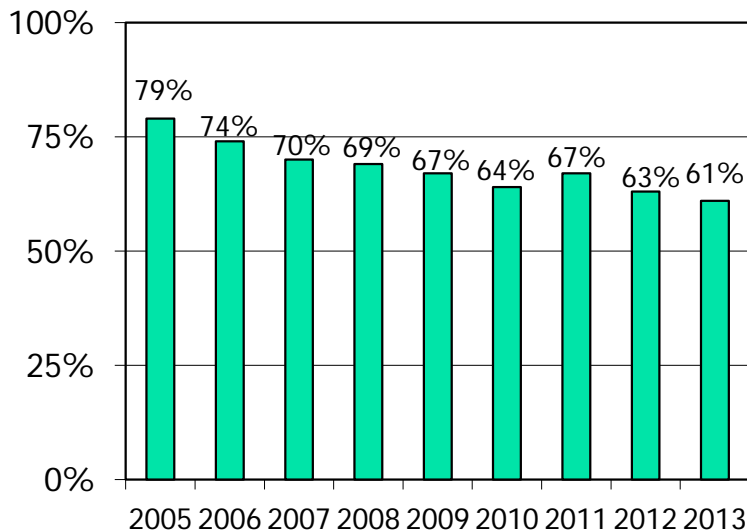
For the year ended September 30, 2013, GovGuam had direct control over 33.8% of its revenues, including charges for services and some local taxes. This ratio indicates GovGuam has exposure, as do most governments, to financial difficulties due to reliance (66.2%) non-controlled revenues.

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
35.6%	40.1%	36.7%	37.4%	35.6%	37.3%	33.9%	34.4%	30.5%	38.6%	33.8%

# Capital Asset Condition

How much useful life do we have left in our capital assets?

Percentage of Capital Assets' Useful Life Remaining



The capital asset condition ratio compares capital assets cost to accumulated depreciation to determine the overall percentage of useful life remaining. A low percentage could indicate an upcoming need to replace a significant amount of capital assets.

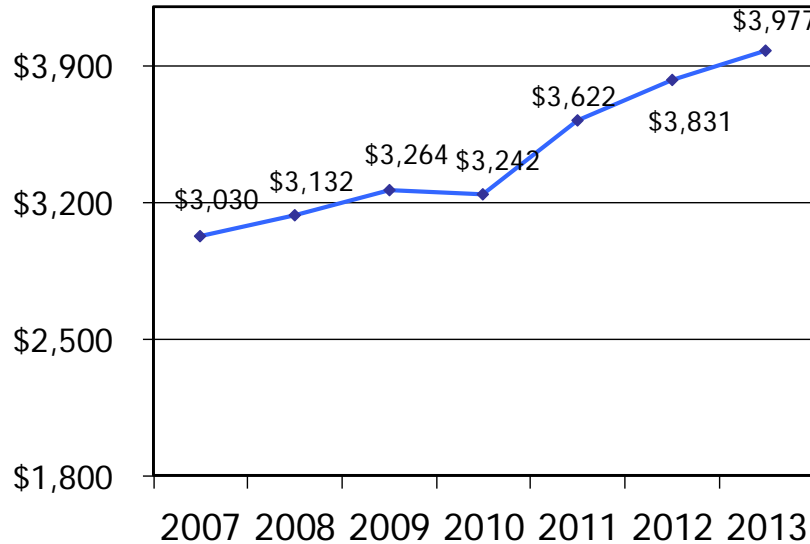
At September 30, 2013, GovGuam's depreciable capital assets amounted to \$1.3 billion while accumulated depreciation totaled \$506 million. This indicates that, on the average, GovGuam's capital assets have 61% of their useful lives remaining. This remains a favorable financial indicator, but does represent a consistent decline in remaining useful lives over the last 9 years.

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
62%	80%	79%	74%	70%	69%	67%	64%	67%	63%	61%

# Financing Margin - Taxes

Will our citizens be willing to pay increased taxes for operations or capital improvements, if needed?

Total Taxes Per Capita



The financial ratio of taxes per capita is an indication of GovGuam's tax burden on its citizens and other taxpayers. The ratio includes all taxes, including gross receipts, income and other taxes except for hotel taxes.

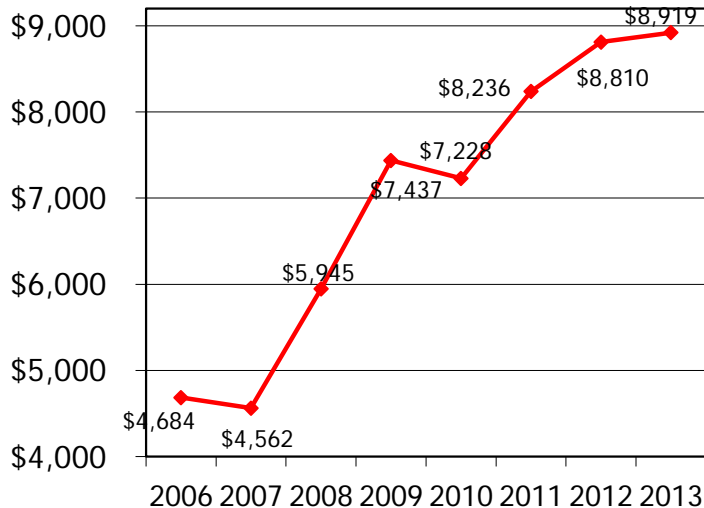
For the year ended September 30, 2013, total taxes amounted to \$633.8 million or \$3,977 per capita. This indicates a relatively high tax burden when compared to other insular governments, and it is an increase from the ratio of the prior year.

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
\$2,458	\$2,364	\$2,722	\$2,565	\$3,030	\$3,132	\$3,264	\$3,242	\$3,622	\$3,831	\$3,977

# Financing Margin - Debt

Will we be able to issue more debt, if needed?

Debt Per Capita



The financial ratio of debt per capita is an indication of GovGuam's debt burden on its citizens and other taxpayers.

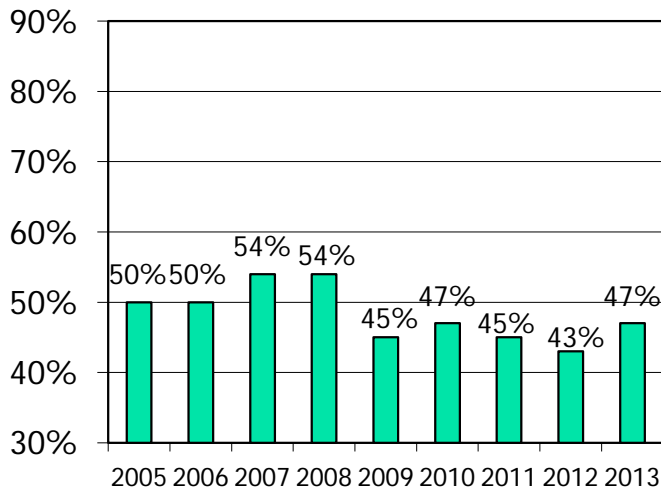
For the year ended September 30, 2013, GovGuam had \$1.4 billion of long-term debt or \$8,919 per capita which is considered a high debt burden on its citizens when compared to other insular governments. For consistency purposes of the comparison to prior years, the provision for tax refunds liability (approximately \$100 million) is included in this calculation.

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
\$2,807	\$4,462	\$4,316	\$4,684	\$4,562	\$5,945	\$7,437	\$7,228	\$8,236	\$8,810	\$8,919

# Pension Plan Funding Ratio

Will we be able to pay our employees when they retire?

**Plan Assets as a Percentage of Accrued Liability**



The pension funding ratio compares the actuarial fair value of the pension plan's assets to the actuarial accrued liability for pension benefits. A percentage less than 100% indicates the plan is under-funded at the valuation date.

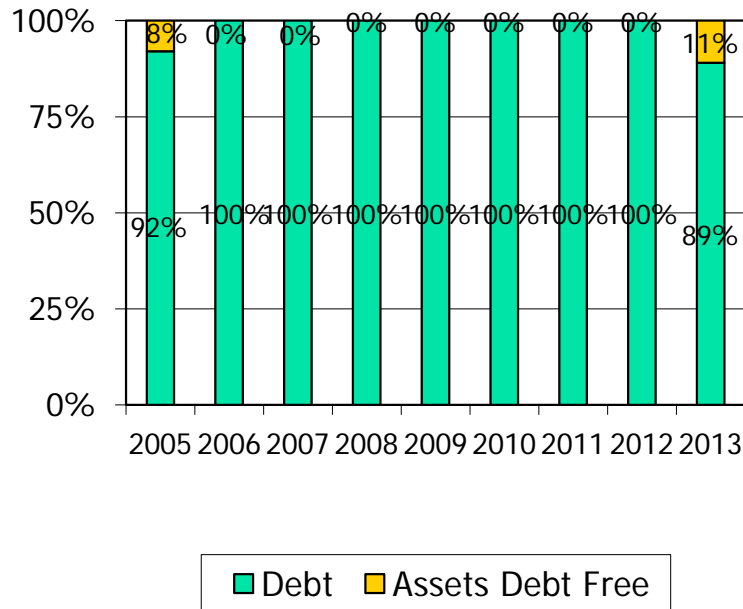
At September 30, 2013 (based upon the most recent actuarial information), GovGuam's pension plan assets were 47% of the accrued pension benefit liability, indicating the plan was less than half funded at the last valuation date. However, it is an increase in the funded ratio when compared to the prior year.

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
48%	48%	50%	50%	54%	54%	45%	47%	45%	43%	47%

# Debt to Assets

## Who really owns GovGuam?

Percentage of Debt to Assets



The debt to assets ratio measures the extent to which GovGuam had funded its assets with debt. The lower the debt percentage, the more equity GovGuam has in its assets.

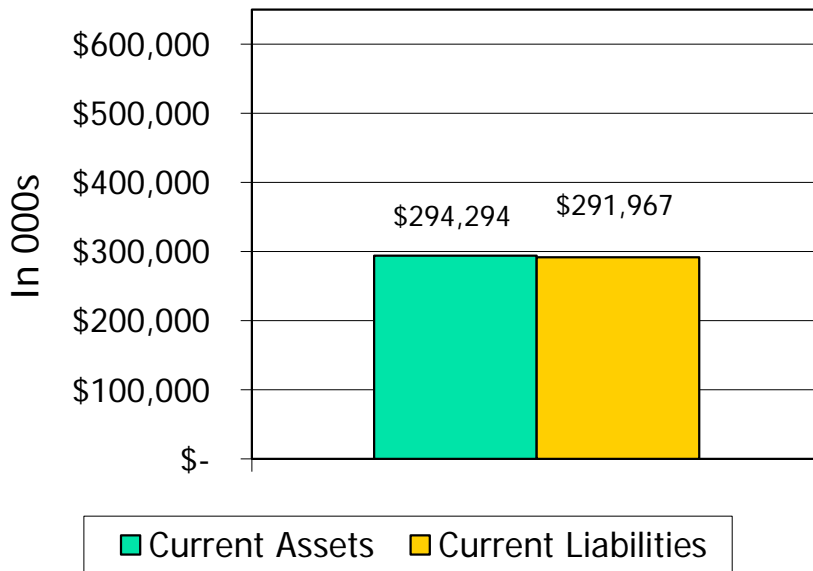
At September 30, 2013 89% of GovGuam's \$1.89 billion of total assets were funded with debt or other obligations. This is an unfavorable financial indicator and indicates that for each dollar of assets GovGuam owns, it owes \$89 cents of that dollar to others. However it is an improvement over the previous period, due to the restatement of the fair value of lands held in trust explained in slide 5.

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
93.1%	95%	91.5%	117.1%	116.4%	121.3%	112.9%	119.7%	113.3%	113.3%	89%

# Current Ratio

Will our vendors and employees be pleased with our ability to pay them on time?

Current Assets Compared to Current Liabilities



The current ratio is one measure of GovGuam's ability to pay its short-term obligations. The current ratio compares total current assets and liabilities. A current ratio of 2.00 to 1 indicates good current liquidity and an ability to meet the short-term obligations. This measure is that of only the General Fund, the primary operating fund of GovGuam.

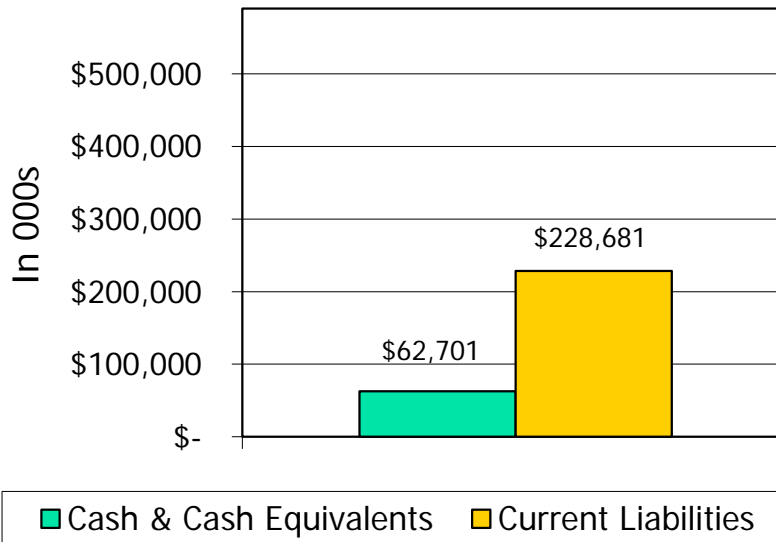
At September 30, 2013, GovGuam's General Fund had a ratio of current assets to current liabilities of 1.01 to 1. This indicates that GovGuam has \$1.01 of current assets to pay for every \$1.00 of current liabilities and is considered an unfavorable indicator of liquidity, and represents a slight decrease in the ratio of the prior year.

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
0.32	0.30	0.17	0.15	0.17	0.28	0.44	0.36	.48	1.10	1.01

# Quick Ratio

## How is our short-term cash position?

Cash and Cash Equivalents Compared to Current Liabilities



The quick ratio is another, more conservative, measure of GovGuam's ability to pay its short-term obligations. The quick ratio compares total cash and short-term investments to current liabilities. A quick ratio of 1.00 to 1 indicates adequate current liquidity and an ability to meet the short-term obligations with cash. This measurement is only of GovGuam's General Fund, the primary operating fund.

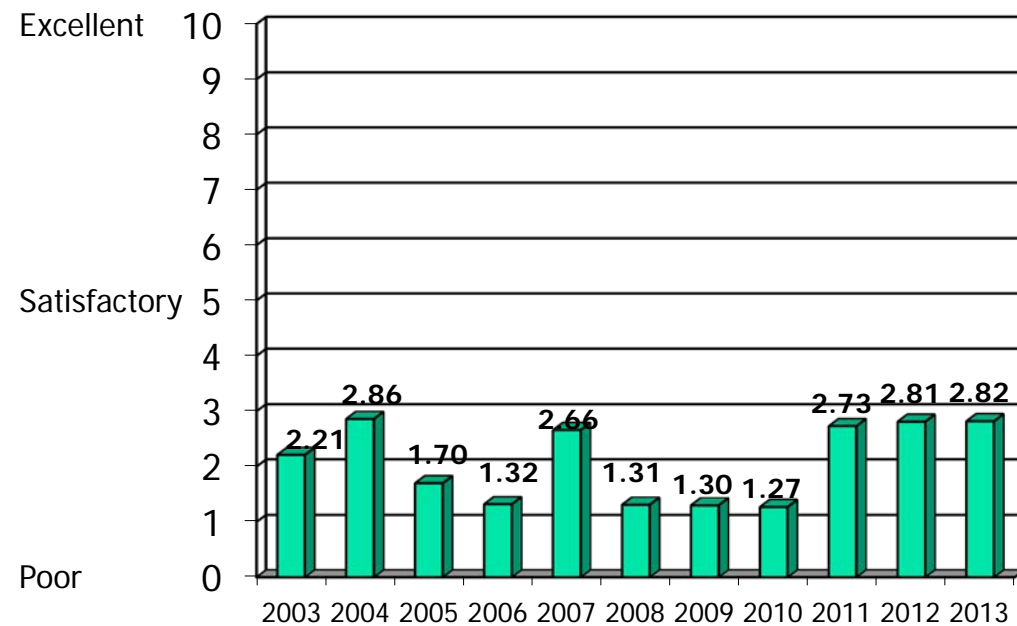
At September 30, 2013, GovGuam's General Fund had a ratio of cash and cash equivalents to current liabilities of 0.27 cents to \$1.00. This indicates that GovGuam had 27 cents in cash and short-term investments available to pay every \$1 of current liabilities, and is a possible indicator of short-term cash flow difficulties. It also represents a decrease of the ratio from the prior year.

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
0.05	0.07	0.02	0.03	0.05	0.08	0.05	0.04	0.03	.34	.27



# Performer<sup>®</sup> Reading

## Overall Reading



The 2013 reading of 2.82 indicates the evaluator's opinion that GovGuam's overall financial health and performance remained nearly identical to its rating of the previous year. Although the carrying value of lands held in trust increased significantly as explained in slide 5, that adjustment had very little effect in this rating. While some ratings improved slightly, others declined slightly, netting to a relatively identical score.

The government's continued and cumulative **unrestricted** net position **deficit**, a continued, but improved **deficit** position of the General Fund **unassigned** fund balance, relatively high taxes and debt per capita ratios when compared to other insular governments, and the pension plan funding shortfall are the primary causes for the continued low score. Although **improvements** have been made in many of the above categories, the improvements in these ratings were not enough to cause the overall score to change significantly.



# What is the A.F.T.E.R. Analysis?

---

The A.F.T.E.R. Analysis is very simply an analysis of the status of audit findings, the timeliness of the submission of the audit and the resolution of certain audit exceptions, this analysis can be used to track a government's progress towards eliminating its most significant findings and exceptions, along with tracking the timeliness of submission to the Federal Clearinghouse.



# A.F.T.E.R.

	2006	2007	2008	2009	2010	2011	2012	2013
Number of F.S. Opinion Qualifications/Exceptions	2	0	0	0	0	0	0	0
Number of Major Federal Program Qualifications/Exceptions	13	10	10	9	6	5	5	4
Number of F.S. Findings								
A. Internal Control and Compliance	0	0	0	0	0	0	0	0
B. Internal Control Only	2	1	0	0	3	6	4	3
C. Compliance Only	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	2	2	0	0	3	6	4	3
Percentage of Findings Repeated	0%	50%	0%	0%	0%	0%	100%	
Number of A-133 Findings								
A. Internal Control and Compliance	35	24	21	10	6	3	3	5
B. Internal Control Only	0	0	0	0	0	0	0	0
C. Compliance Only	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	35	24	21	10	6	3	3	5
Percentage of A-133 Findings Repeated	8.6%	2.9%	4.7%	10%	16.7%	33.3%	0%	
Number of months Y/E the F.S. were Released	9	9	9	9	9	9	9	9
Number of Qualifications/Exceptions Related to C.U.	1	0	0	0	0	0	0	0
\$ of Questioned Costs-Current Year	\$2,773,997	\$2,802,408	\$1,881,435	\$0	\$3,734	\$41,790	\$35,293	\$18,178
\$ of Questioned Costs- Cumulative	\$5,760,688	\$7,084,374	\$7,837,719	\$4,616,404	\$2,313,561	\$1,428,837	\$45,370	\$53,471
\$ of Questioned Costs Resolved – Current Year	\$7,522,338	\$1,478,722	\$1,128,090	\$3,221,315	\$2,306,577	\$926,514	\$1,418,760	\$10,077



# Thank You

---

- We would like to commend and thank GovGuam's management, the U.S. Department of Interior and the Graduate School for allowing us to present this financial analysis. We hope it serves as a useful and understandable compliment to GovGuam's annual financial report.
- Visit our website at [www.crawfordcpas.com](http://www.crawfordcpas.com) for other useful tools for governments.