



THE PERFORMETER[®]
and the 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 Chuuk
as of and for the Year Ended September 30, 2015



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 Chuuk'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 Chuuk as a whole

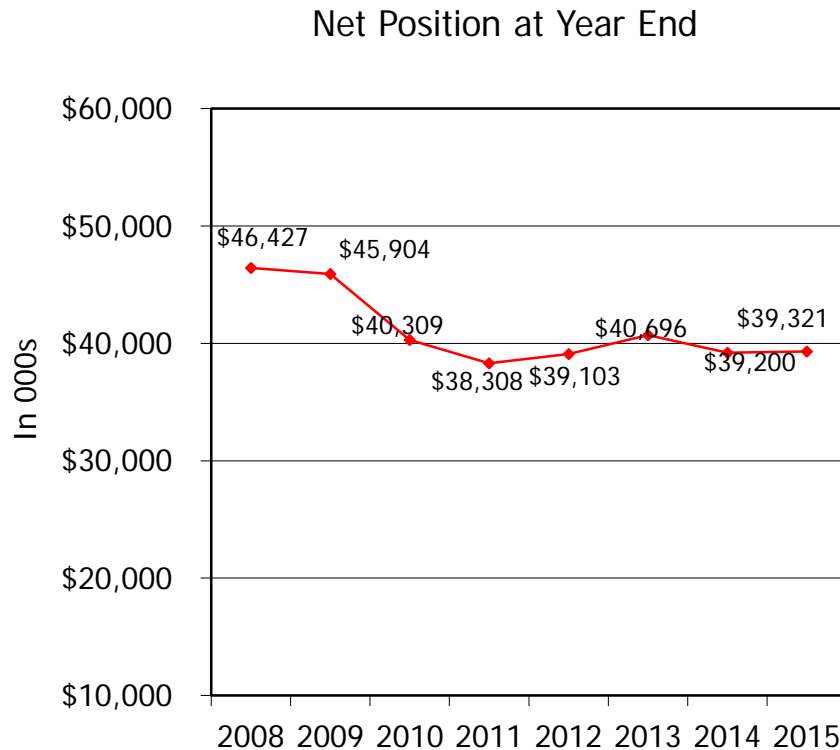


Limitations of the Performer®

- The Performer® should not be used as the only source of financial information to evaluate Chuuk's performance and condition
- The analysis is an overall rating of Chuuk 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

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



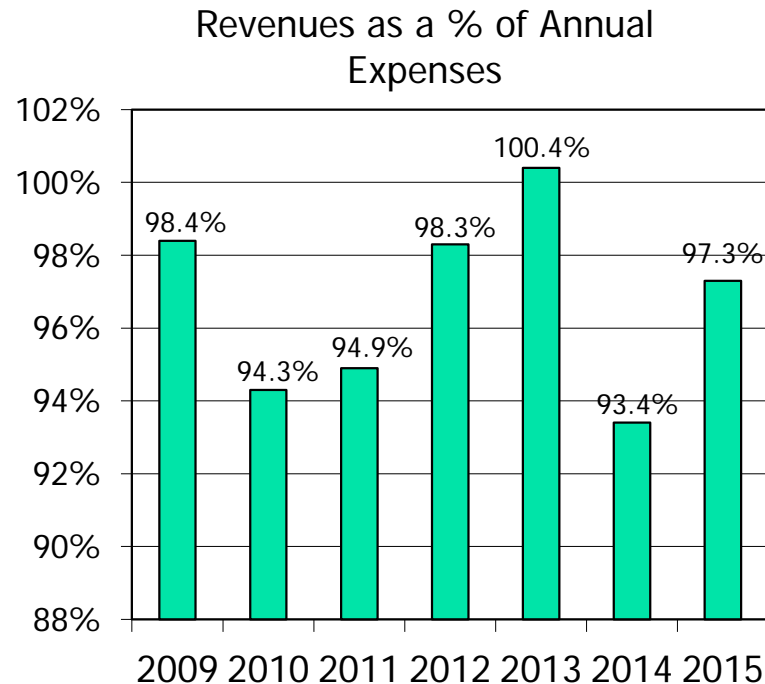
Net position includes all assets of Chuuk. It is measured as the difference between total assets, including capital assets, plus deferred outflows, netted against total liabilities, including long-term debt, and deferred inflows.

For the year ended September 30, 2015, total net position increased by \$120 thousand or 0.3% from the prior year. This represents a 4% improvement from the decline in net position of 3.7% in the previous year.

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
-3.5%	-6.5%	12.9%	-26.9%	-1.1%	-12.2%	-5.0%	2.1%	4.1%	-3.7%	0.3%

Intergenerational Equity

Who is paying for today's costs of services?



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.

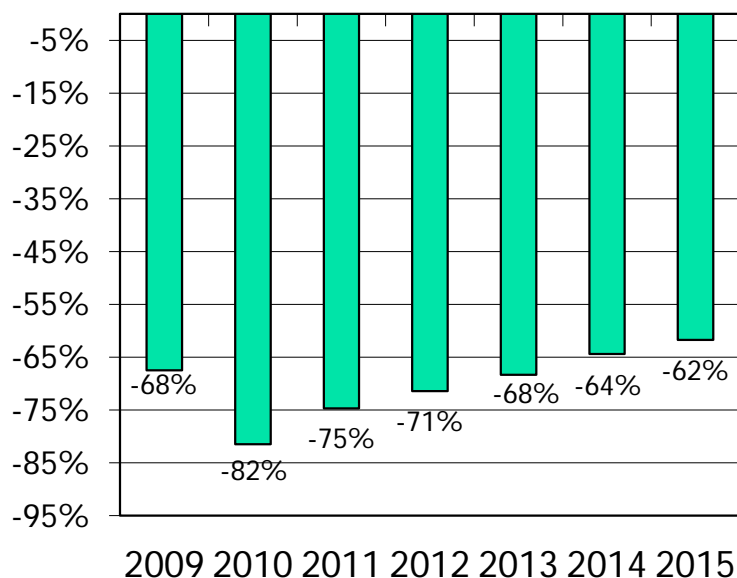
For the year ended September 30, 2015, Chuuk funded 97.3% of their expenses with current year revenues, which is considered an above satisfactory ratio, and represents an improvement in the ratio from the previous year.

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
86.7%	85.9%	107.4%	88.3%	98.4%	94.3%	94.9%	98.3%	100.4%	93.4%	97.3%

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

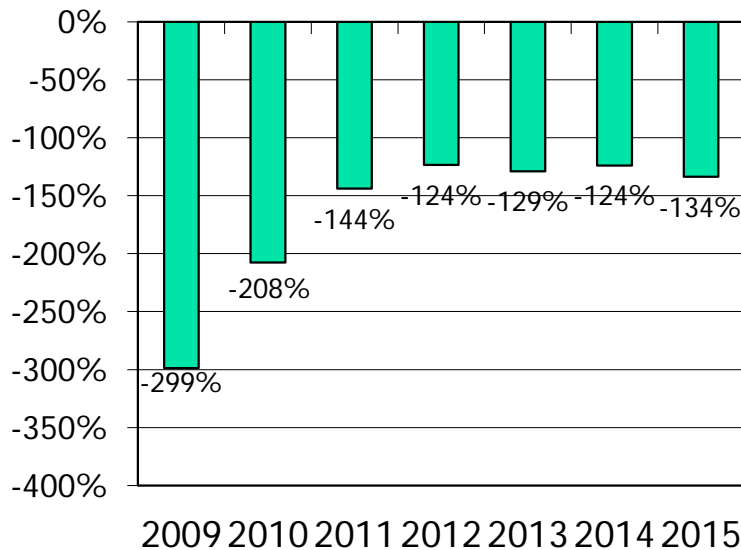
For the year ended September 30, 2015, Chuuk's total unrestricted net position (deficit) was a deficit of \$22 million, which is equivalent to 61.7% of annual total revenues, and is typically considered an unsatisfactory financial indicator. The amount of the unrestricted net asset deficit is relatively consistent with prior year, although the size of the deficit when compared to annual revenues was reduced during the year.

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
-88.0%	-76.0%	-81.6%	-92.1%	-67.5%	-81.5%	-74.7%	-71.4%	-68.3%	-64.4%	-61.7%

Level of Budgetary Fund Balance

How does our budgetary carryover look?

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



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

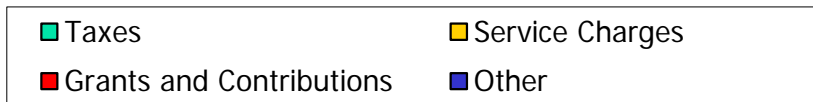
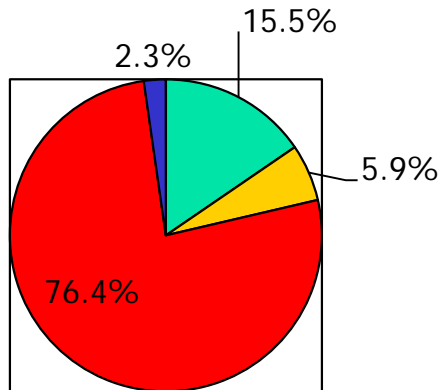
For the year ended September 30, 2015, Chuuk's unassigned fund balance (deficit) of the General Fund was a deficit of \$11 million, or the equivalent of 133.8% of General Fund revenues. This is considered a very unfavorable ratio, and represents a decline in the ratio of the prior year.

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
-354.8%	-358.3%	-326.5%	-372.8%	-298.8%	-207.7%	-144.3%	-123.5%	-128.9%	-124.1%	-133.8%

Revenue Dispersion

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

2015 Revenue Percentages by Source



The percentage dispersion of revenue by source indicates how dependent Chuuk is on certain types of revenue. The more dependent Chuuk is on revenue sources beyond its direct control, such as grants, the less favorable the dispersion.

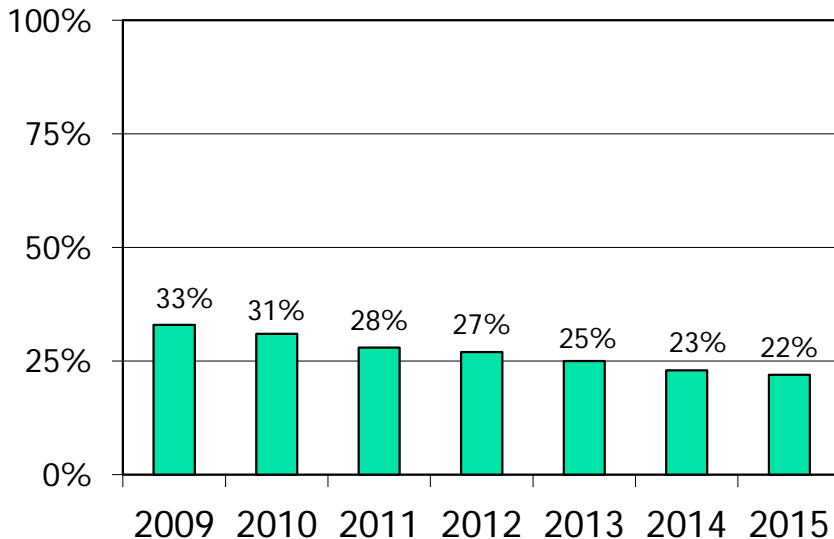
For the year ended September 30, 2015, Chuuk had direct control over 11.5% of its revenues. This ratio indicates Chuuk has significant exposure, as do most governments, to financial difficulties due to reliance (88.5%) on non-controlled revenues.

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
8.4%	7.4%	7.9%	10.2%	8.9%	10.2%	9.9%	12.3%	11.9%	11.3%	11.5%

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.

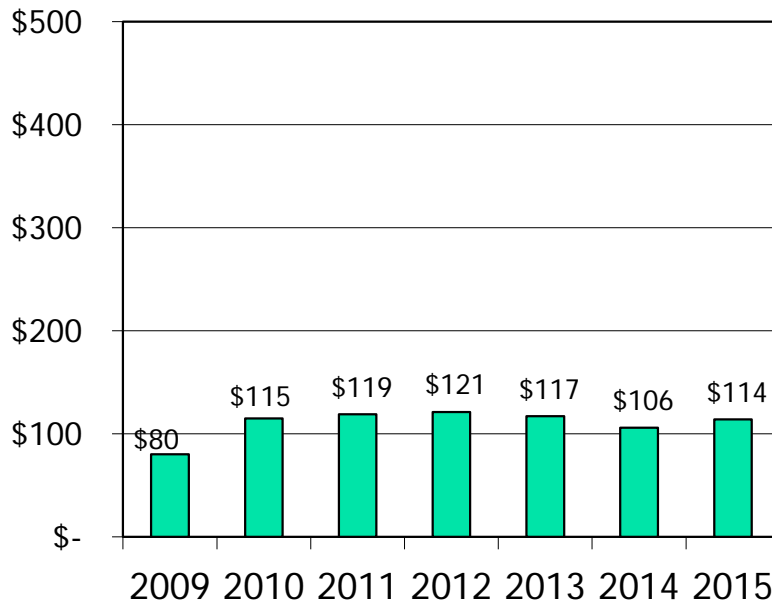
At September 30, 2015, Chuuk's depreciable capital assets amounted to \$104.5 million while accumulated depreciation totaled \$81.7 million. This indicates that, on the average, Chuuk's capital assets have 22% of their useful lives remaining. This is considered an unfavorable financial indicator, and continues a decline in the ratio since FY 2004.

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
74%	71%	66%	64%	33%	31%	28%	27%	25%	23%	22%

Financing Margin - Taxes

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

Total Taxes Per Capita



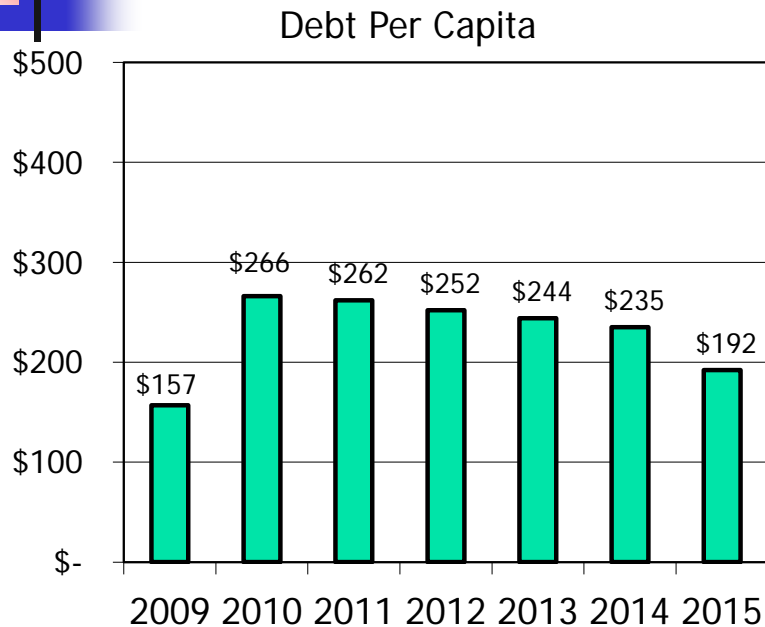
The financial ratio of taxes per capita is an indication of Chuuk's tax burden on its citizens and other taxpayers. The ratio includes all taxes, including revenue sharing and excise taxes.

For the year ended September 30, 2015, total taxes amounted to \$5.6 million or \$114 per capita. This is indicative of a very low tax burden on Chuuk's citizens when compared to other insular governments, and is considered an extremely favorable ratio.

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
\$85	\$87	\$72	\$72	\$80	\$115	\$119	\$121	\$117	\$106	\$114

Financing Margin - Debt

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



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

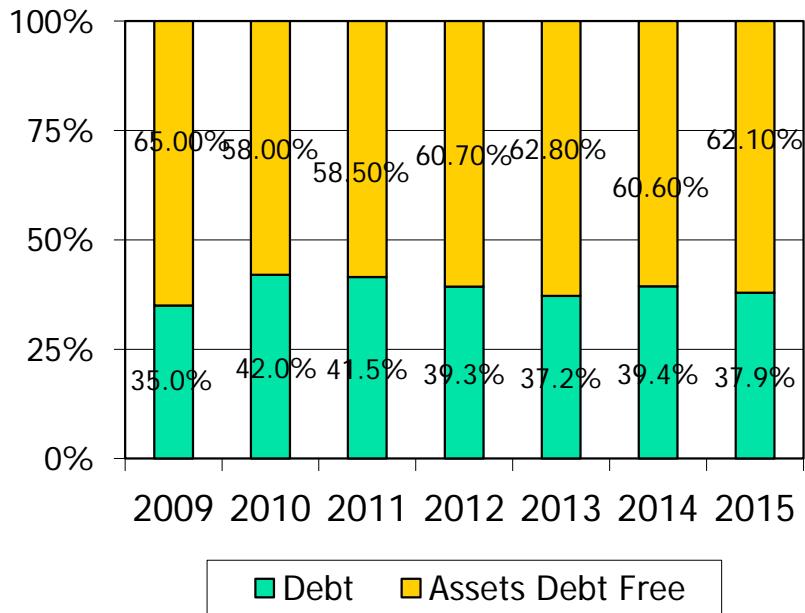
For the year ended September 30, 2015, Chuuk had \$9.3 million of long-term debt or \$192 per capita. This rating remains indicative of a relatively low debt burden on its citizens when compared with other insular governments. Along with being a relatively consistent ratio over the past several years, it is also considered a very favorable ratio.

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
\$108	\$111	\$125	\$152	\$157	\$266	\$262	\$252	\$244	\$235	\$192

Debt to Assets

Who really owns Chuuk?

Percentage of Debt to Assets



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

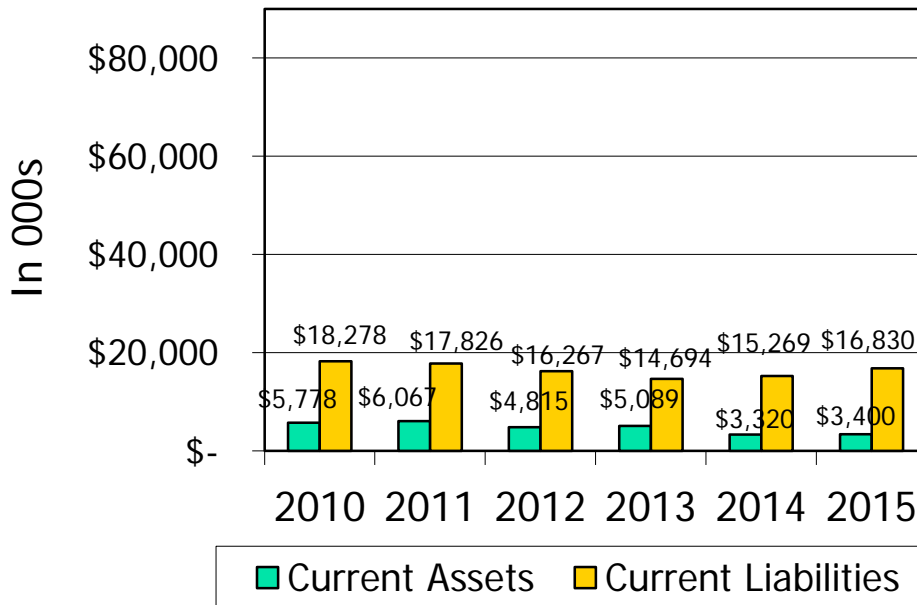
At September 30, 2015, 37.9% of Chuuk's \$63.3 million of total assets were funded with debt or other obligations. This is a relatively satisfactory financial indicator and indicates that for each dollar of assets Chuuk owns, it owes 37.9 cents of that dollar to others. This is a slight improvement in the ratio when compared to prior year ratio.

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
34.6%	36.1%	30.2%	28.9%	35.0%	42.0%	41.5%	39.3%	37.2%	39.4%	37.9%

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 Chuuk'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 ratio measures only the General Fund, Chuuk's primary operating fund.

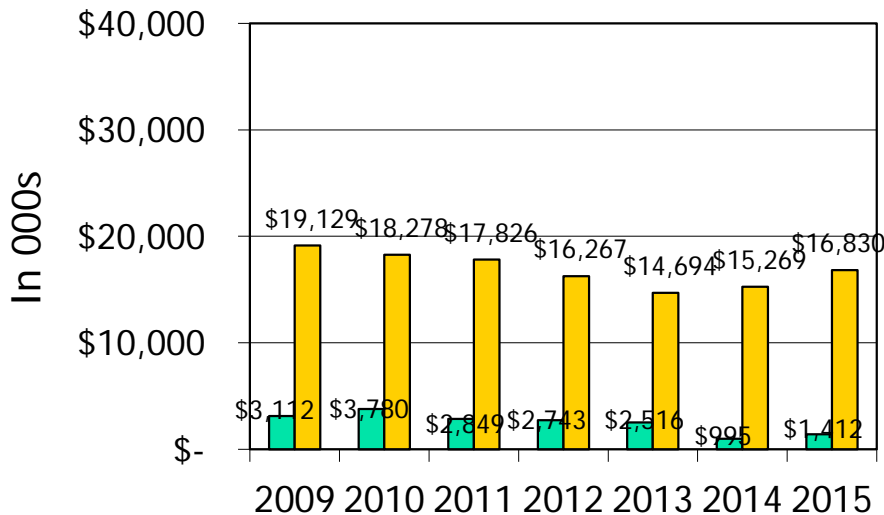
At September 30, 2015, Chuuk's General Fund had a ratio of current assets to current liabilities of .20 to 1. This indicates that Chuuk has 20 cents of current assets to fund each dollar of current liabilities. This is considered an unfavorable ratio and a decline of the ratio of the prior year.

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
.32	.16	.15	.32	.33	.32	.34	.30	.35	.22	.20

Quick Ratio

How is our short-term cash position?

Cash and Cash Equivalents Compared to Current Liabilities



■ Cash & Cash Equivalents ■ Current Liabilities

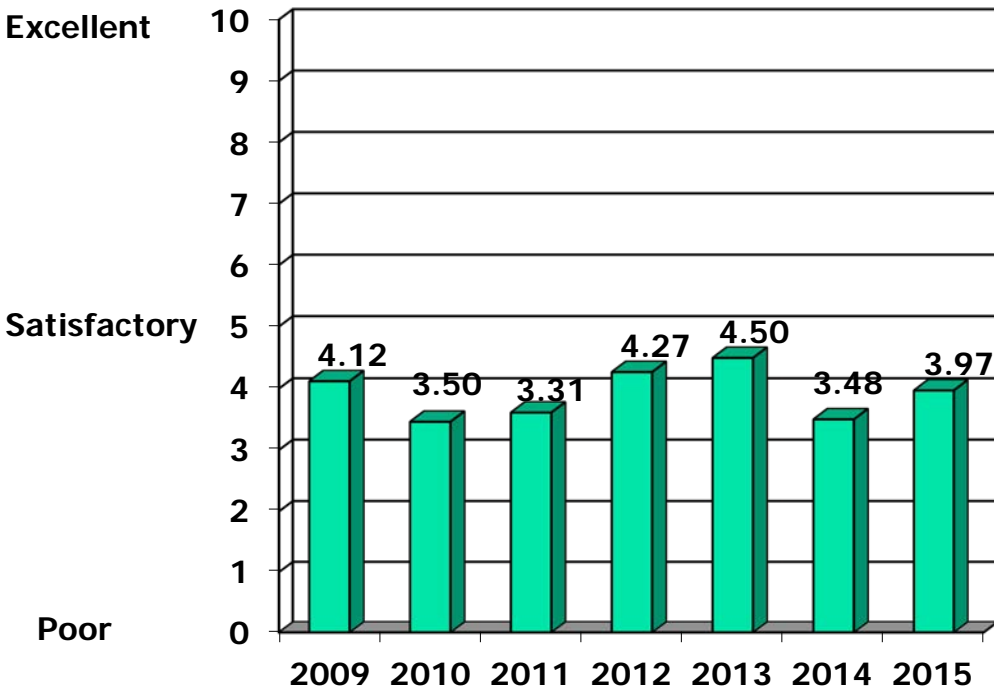
2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
.30	.13	.10	.17	.16	.21	.16	.17	.17	.07	.08

The quick ratio is another, more conservative, measure of Chuuk'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 ratio includes only the General Fund, Chuuk's primary operating fund.

At September 30, 2015, Chuuk's General Fund had a ratio of cash and cash equivalents to current liabilities of .08 to 1. This indicates that Chuuk has, for every one dollar of current liabilities, 8 cents of cash and cash equivalents to fund them. This is an unsatisfactory indicator of liquidity, but consistent with the ratio of the prior year.

Performmeter® Reading

Overall Reading



The 2015 reading of 3.97 indicates that in the evaluator's opinion, Chuuk's overall financial health and performance is considered less than satisfactory as of and for the fiscal year ended September 30, 2015, but does represent an improvement from the reading of the prior year.

Chuuk's improvement in reporting a positive change in net position and improved intergenerational equity contributed to the improvement in the overall score. However, the size of the unrestricted net position deficit, the size of the General Fund unassigned fund balance deficit, low revenue dispersion, and insufficient current and quick ratios remain the primary reasons for the less than satisfactory reading of the current year.



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.

	2009	2010	2011	2012	2013	2014	2015
Number of F.S. Opinion Qualifications/Exceptions	3	1	1	1	2	2	2
Number of Major Federal Program Qualifications/Exceptions	1	1	0	0	1	1	0
Number of F.S. Findings							
A. Internal Control and Compliance	0	0	0	0	0	0	0
B. Internal Control Only	3	1	5	4	5	2	2
C. Compliance Only	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	3	1	<u>5</u>	4	5	2	2
Percentage of Findings Repeated	67%	0%	20%	50%	60%	100%	100%
Number of A-133 Findings							
A. Internal Control and Compliance	2	1	1	1	3	2	4
B. Internal Control Only	0	0	0	0	1	1	0
C. Compliance Only	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	0	0	<u>0</u>
TOTAL	2	1	1	1	4	3	4
Percentage of A-133 Findings Repeated	50%	100%	100%	100%	25%	20%	25%
Number of months Y/E the F.S. were Released	9	9	9	9	9	9	9
Number of Qualifications/Exceptions Related to C.U.	1	1	1	0	0	0	0
\$ of Questioned Costs-Current Year	\$0	\$0	\$0	\$0	\$194,238	\$114,918	\$55,292
\$ of Questioned Costs- Cumulative	\$1,055,719	\$0	\$0	\$0	\$194,238	\$309,156	\$364,448
\$ of Questioned Costs Resolved – Current Year	\$1,000,607	\$1,055,719	\$0	\$0	\$0	\$0	\$0



Thank You

We would like to commend and thank Chuuk 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 Chuuk's annual financial report.

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