



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, 2015



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

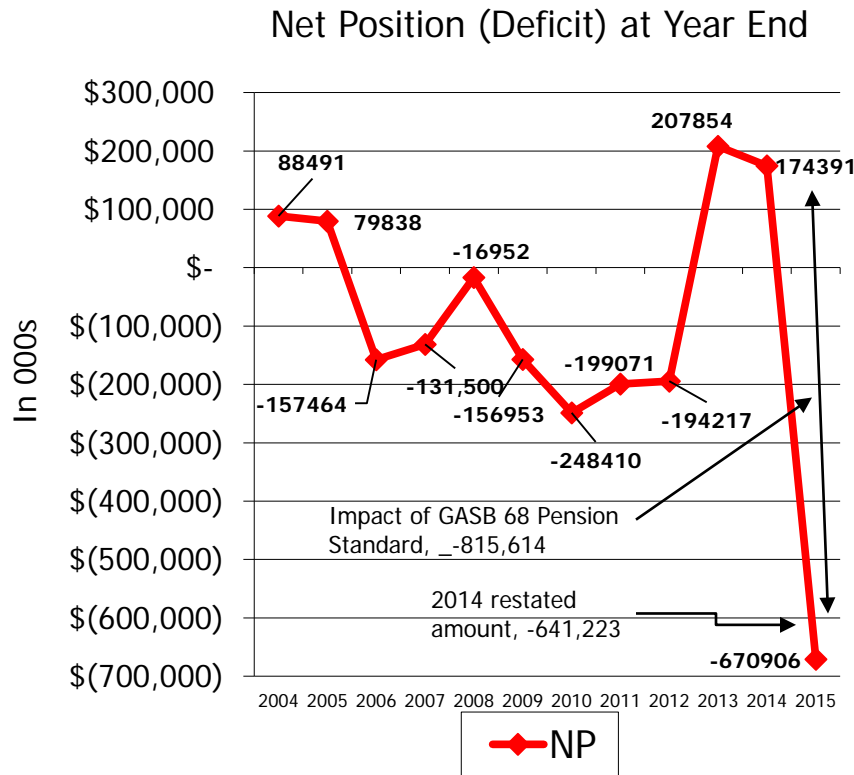


Limitations of the Performer®

- 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, 2015, GovGuam's total net position decreased by \$26.7 million or 4.6% from the prior year's "restated" net position amount, and the government-wide net position (deficit) is now approximately (\$670.9 million).

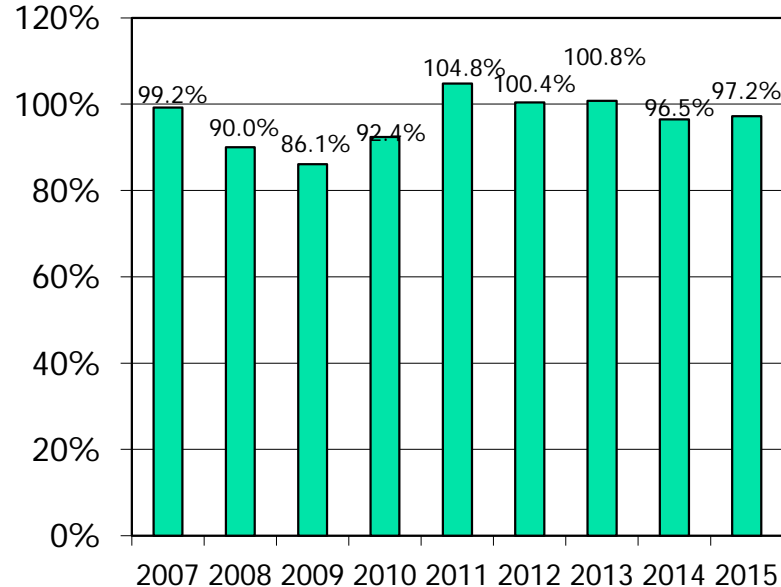
The chart at left shows the cumulative effect in FY 2015 of the current year's expenses exceeding revenues by \$26.7 million, via the restatement of the beginning net position (deficit) in 2014, but also the impact of the implementation of GASB Statement 68 pension standard, which caused a cumulative restatement and an increase of the beginning net position (deficit) of \$815,614.

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
-9.8%	-297.2%	16.5%	87.1%	-825.9%	-49.5%	21.3%	2.6%	6.8%	-16.1%	-4.6%

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.

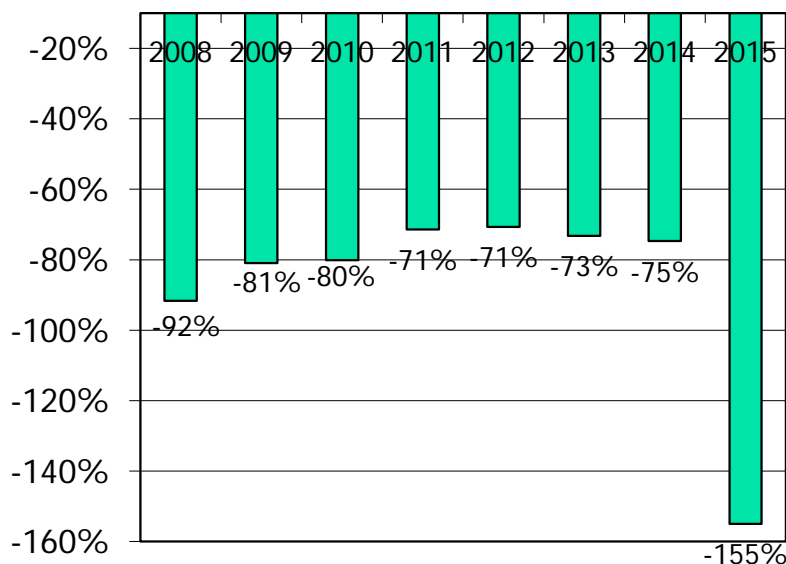
For the year ended September 30, 2015, GovGuam funded 97.2% of their current year expenses with current year revenues, which is considered an above satisfactory percentage, and represent a slight improvement in the ratio when compared to the ratio of the prior year.

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
94.9%	89.4%	99.2%	90.0%	86.1%	92.4%	104.8%	100.4%	100.8%	96.5%	97.2%

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.

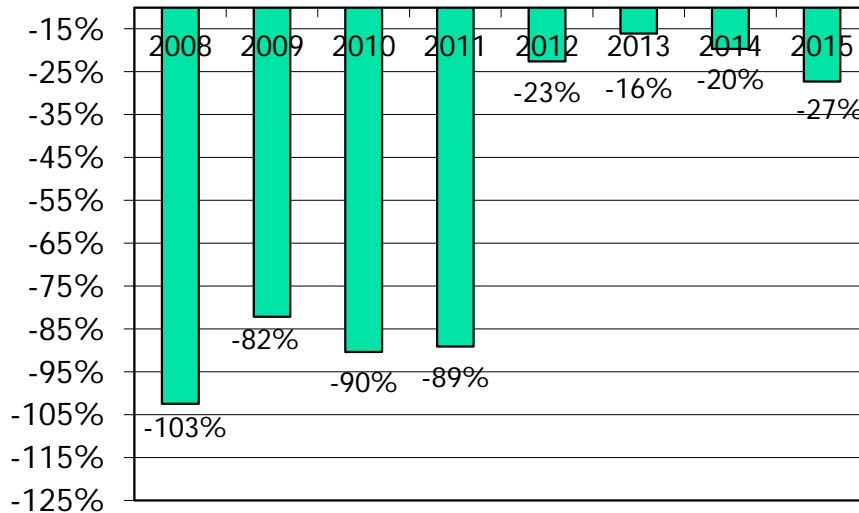
For the year ended September 30, 2015, GovGuam's total unrestricted net position remains in a deficit position, and approximated 155% of annual total revenues, which represents a significant increase in the deficit-to-revenue percentage ratio calculated in the prior year. This increase is due primarily to the impact of the GASB 68 pension standard implementation and the reporting of a net pension liability of approximately \$846 million for the first time in 2015.

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
-70.1%	-100.9%	-84.6%	-91.6%	-80.9%	-80.1%	-71.4%	-70.7%	-73.2%	-74.7%	-155%

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.

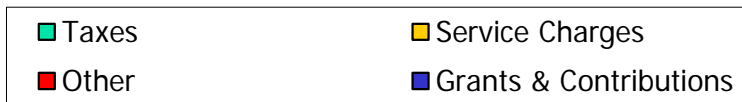
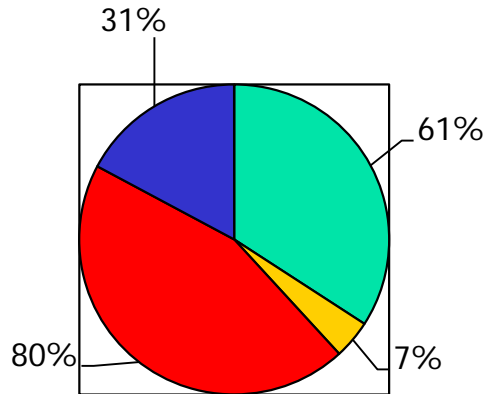
For the year ended September 30, 2015, GovGuam's General Fund unassigned fund balance remains in a deficit position, with the deficit being equal to 27.3% of its annual revenues. This represents an increase in the deficit-to-revenue ratio when compared to the deficit-to-revenue ratio in the prior year. Overall, it does not represent an adequate amount of carryover to fund emergencies, shortfalls or other unexpected needs, as no unassigned fund balance exists.

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2014
-85%	-124.6	-101.8%	-102.5%	-82.2%	-90.4%	-89.1%	-22.6%	-16.1%	-19.7%	-27.3%

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 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.

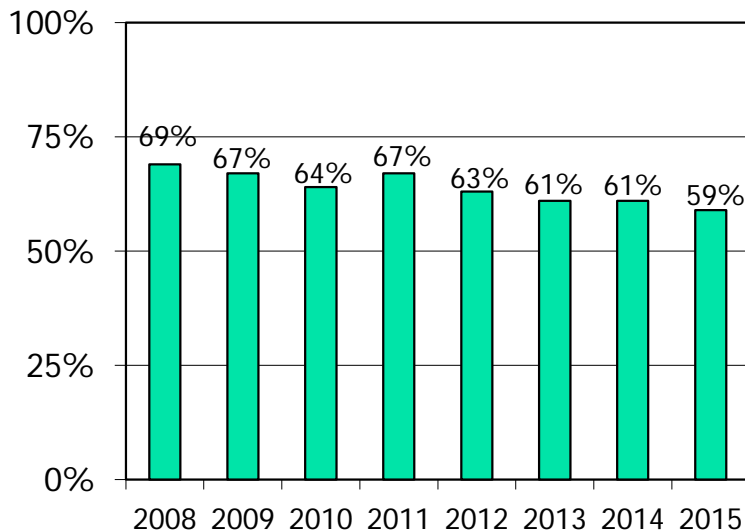
For the year ended September 30, 2015, GovGuam had direct control over 34.9% of its revenues, including charges for services and some local taxes. This ratio indicates GovGuam has exposure, as do most governments, to financial difficulties due to reliance (65.1%) non-controlled revenues.

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
36.7%	37.4%	35.6%	37.3%	33.9%	34.4%	30.5%	38.6%	33.8%	35.5%	34.9%

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.

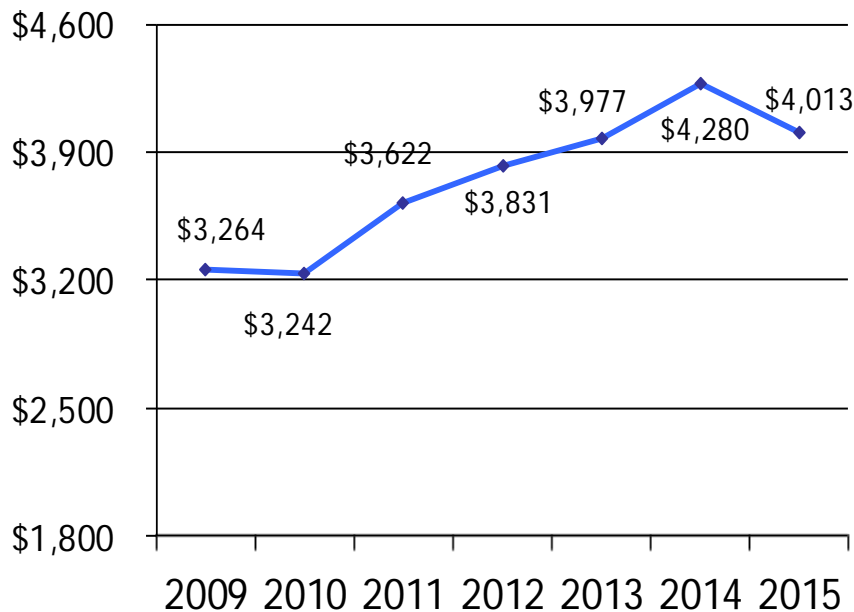
At September 30, 2015, GovGuam's depreciable capital assets amounted to \$1.5 billion while accumulated depreciation totaled \$602 million. This indicates that, on average, GovGuam's capital assets have 59% of their useful lives remaining. This represents a slight decline in the ratio when compared to the ratio of the prior year.

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
79%	74%	70%	69%	67%	64%	67%	63%	61%	61%	59%

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.

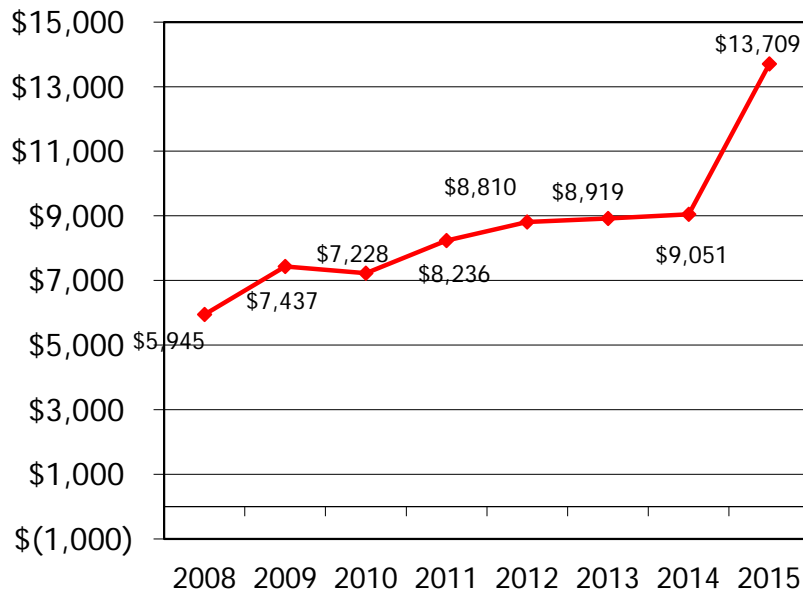
For the year ended September 30, 2015, total taxes amounted to \$685.6 million or \$4,013 per capita. This indicates a relatively high tax burden when compared to other insular governments, although it does represent a slight decrease from the ratio of the prior year.

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
\$2,722	\$2,565	\$3,030	\$3,132	\$3,264	\$3,242	\$3,622	\$3,831	\$3,977	\$4,280	\$4,013

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.

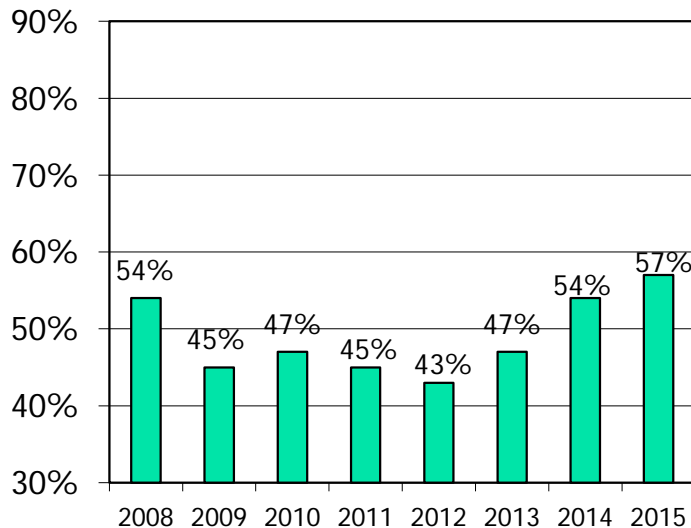
For the year ended September 30, 2015, GovGuam had \$2.3 billion of long-term debt or \$13,709 per capita which is considered a high debt burden on its citizens when compared to other insular governments. For consistency purposes of the comparison to prior years, the provision for tax refunds liability (approximately \$107 million) is included in this calculation. The significant increase in the ratio is due primarily to the addition of the long-term net pension liability added this year of \$846 million.

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
\$4,316	\$4,684	\$4,562	\$5,945	\$7,437	\$7,228	\$8,236	\$8,810	\$8,919	\$9,051	\$13,709

Pension Plan Funding Ratio

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

Pension Trust Fund Net Position as a Percentage of the Total Pension Liability



The pension funding ratio compares the Pension Trust Fund's Net Position to the Total Pension Liability for pension benefits. A percentage less than 100% indicates the plan is underfunded at the valuation date.

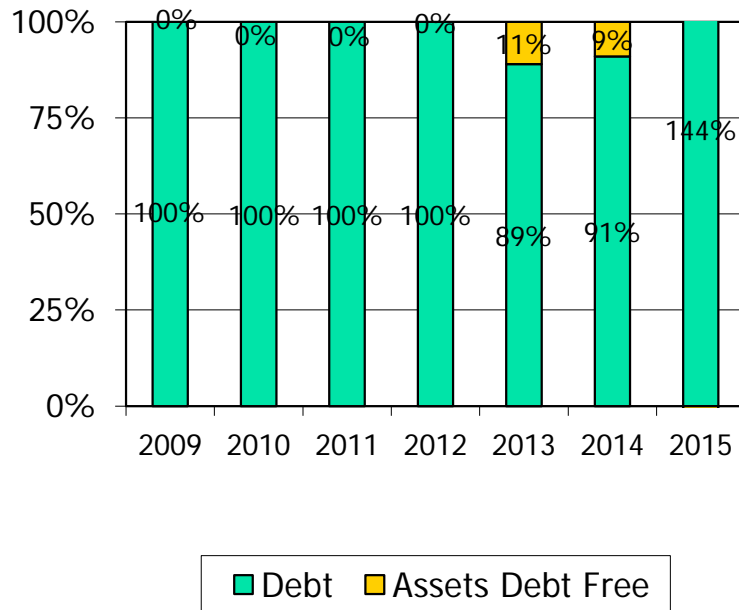
At September 30, 2015 (based upon the most recent actuarial information), GovGuam's pension plan net position was 57% of the total pension liability, indicating the plan increased its funded ratio from the prior valuation. Although the plan remains significantly underfunded, the government has taken significant steps to improve the funded status in each of the last several years. Currently, this plan is closed to employees hired in the years after 1996.

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
50%	50%	54%	54%	45%	47%	45%	43%	47%	54%	57%

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.

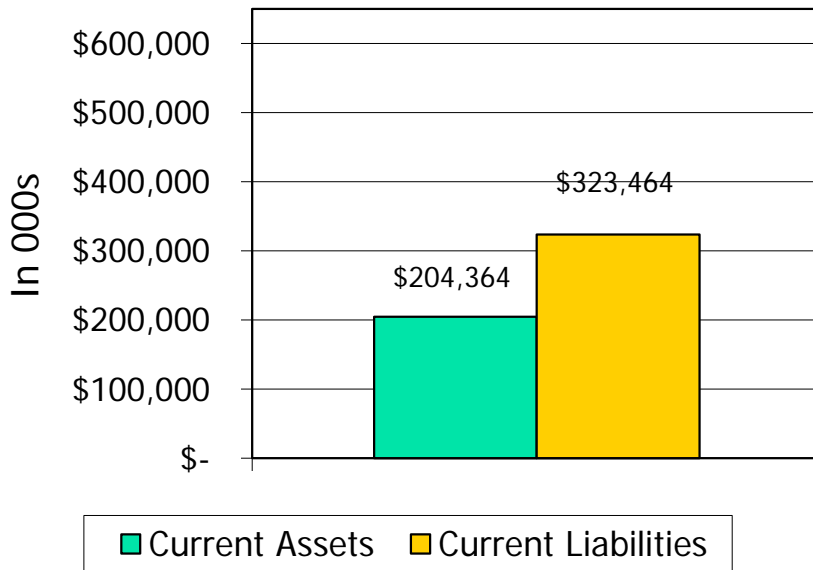
At September 30, 2015, 144% of GovGuam's \$1.82 billion of total assets were funded with debt or other obligations. This is an unfavorable financial indicator and indicates that for each dollar of assets GovGuam owns, it owes \$144 cents of that dollar to others. The significant jump in the ratio was due primarily to the reporting of approximately \$846 million of net pension liabilities for the first time in 2015.

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
91.5%	117.1%	116.4%	121.3%	112.9%	119.7%	113.3%	113.3%	89.0%	90.7%	143.8%

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.

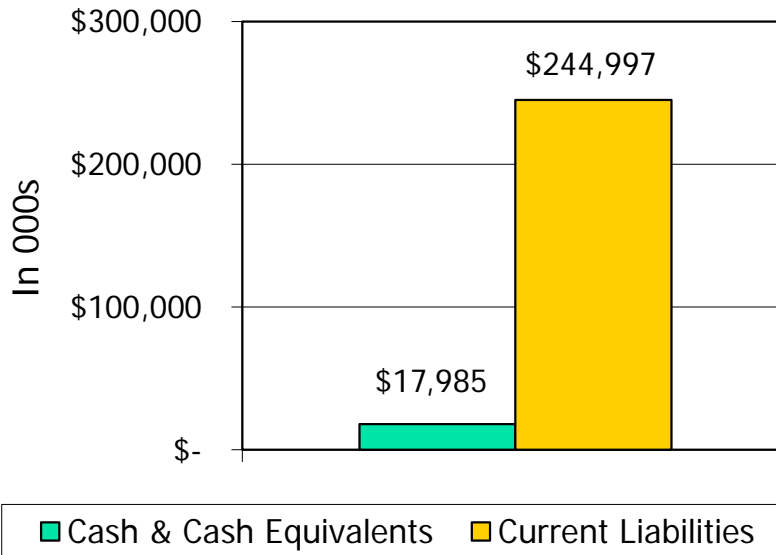
At September 30, 2015, GovGuam's General Fund had a ratio of current assets to current liabilities of 0.63 to 1. This indicates that GovGuam has 63 cents of current assets to pay for every \$1.00 of current liabilities and is considered an unfavorable indicator of liquidity, and represents a decline when compared to the current ratio of the prior year.

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
0.17	0.15	0.17	0.28	0.44	0.36	.48	1.10	1.01	.79	.63

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, 2015, GovGuam's General Fund had a ratio of cash and cash equivalents to current liabilities of 0.07 cents to \$1.00. This indicates that GovGuam had 7 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 decline when compared to the quick ratio of the prior year.

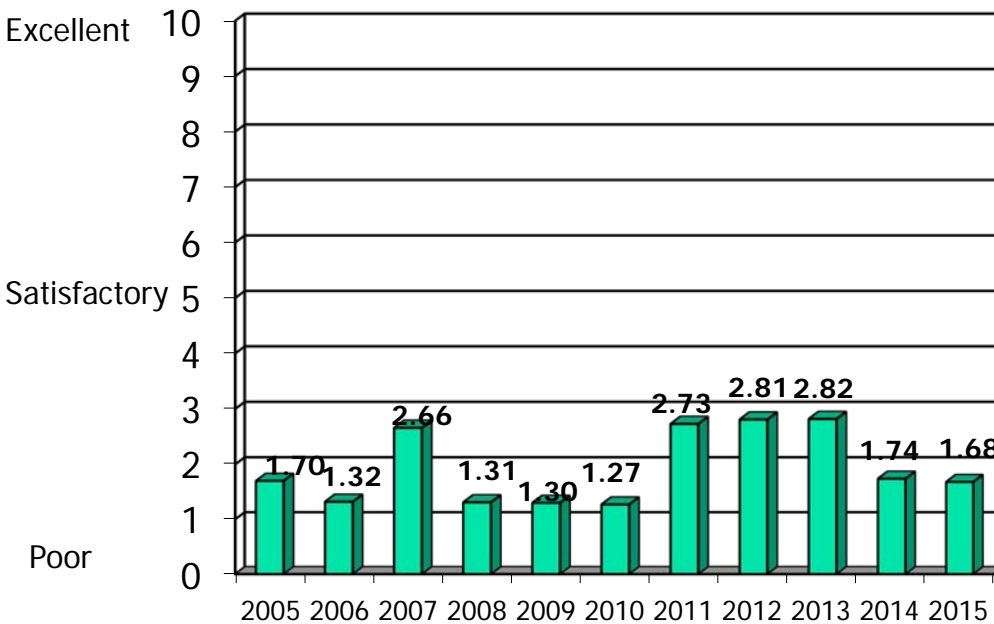
2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
0.02	0.03	0.05	0.08	0.05	0.04	0.03	0.34	0.27	0.23	0.07

Performer[®] Reading

Overall Reading

The 2015 reading of 1.68 indicates the evaluator's opinion that GovGuam's overall financial health and performance declined slightly when compared to the reading of the previous year.

The government's continued decline in its overall net position coupled with an increase in the size of the unrestricted net position deficit, an increase in the size of the General Fund unassigned fund balance deficit, worsening debt per capita numbers and lowered current and quick ratios are the primary causes for the overall decline in the rating. However, much of the government's slight decrease was due to the impact of the implementation of GASB Statement 68 related to pension accounting, and the recognition of approximately \$846 million of net pension liabilities for the first time.





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.

	2008	2009	2010	2011	2012	2013	2014	2015
Number of F.S. Opinion Qualifications/Exceptions	0	0	0	0	0	0	0	0
Number of Major Federal Program Qualifications/Exceptions	10	9	6	5	5	4	7	4
Number of F.S. Findings								
A. Internal Control and Compliance	0	0	0	0	0	0	0	0
B. Internal Control Only	0	0	3	6	4	3	3	1
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	0	0	3	6	4	3	3	1
Percentage of Findings Repeated	0%	0%	0%	0%	100%	100%	33%	0%
Number of A-133 Findings								
A. Internal Control and Compliance	21	10	6	3	3	5	6	8
B. Internal Control Only	0	0	0	0	0	0	1	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	21	10	6	3	3	5	7	8
Percentage of A-133 Findings Repeated	4.7%	10%	16.7%	33.3%	0%	0%	14%	12.5%
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.	0	0	0	0	0	0	0	0
\$ of Questioned Costs-Current Year	\$1,881,435	\$0	\$3,734	\$41,790	\$35,293	\$18,178	\$46,293	\$348
\$ of Questioned Costs- Cumulative	\$7,837,719	\$4,616,404	\$2,313,561	\$1,428,837	\$45,370	\$53,471	\$99,764	\$14,798
\$ of Questioned Costs Resolved – Current Year	\$1,128,090	\$3,221,315	\$2,306,577	\$926,514	\$1,418,760	\$10,077	\$0	\$85,314



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 for other useful tools for governments.