



GUAM

FISCAL YEAR 2016

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, 2016



This presentation is available online at <http://www.pitiviti.org>

WHAT IS THE PERFORMETER®?

- 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 the Government of Guam's financial health and performance

HOW TO USE THE PERFORMETER®

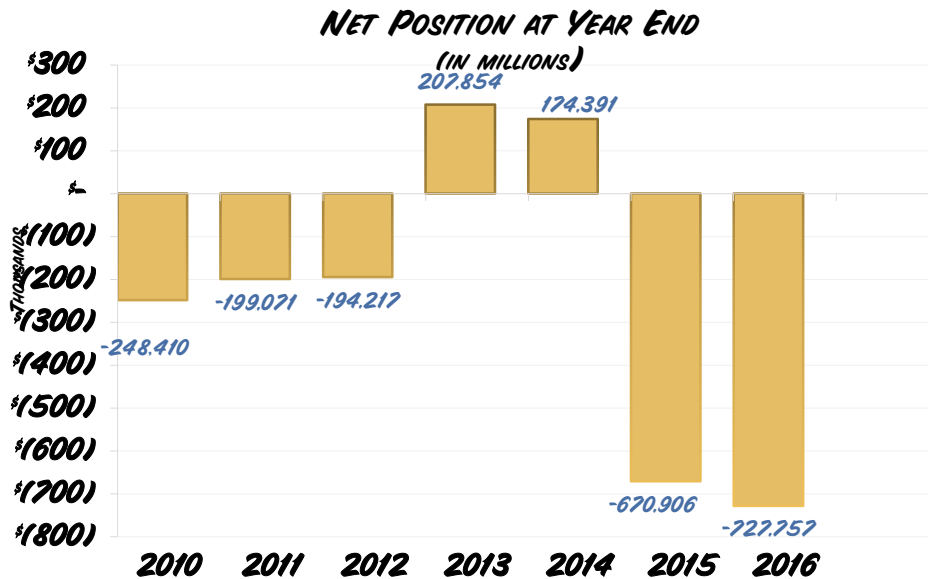
- Use the individual ratios to identify financial warning signals
- Use the overall rating as a collective benchmark of financial health and success of the Government of Guam's as a whole
- Use the comparisons to prior years to monitor trends in financial indicators

LIMITATIONS OF THE PERFORMETER®

- The Performer® should not be used as the only source of financial information to evaluate the Government of Guam's performance and condition
- The analysis is an overall rating of the Government of Guam's 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 the Government of Guam, 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, 2016, the Government of Guam's total net position decreased by \$56.9 million or 8.5% from the prior year's net position amount, and the government-wide net position (deficit) is now approximately (\$727.8 million).

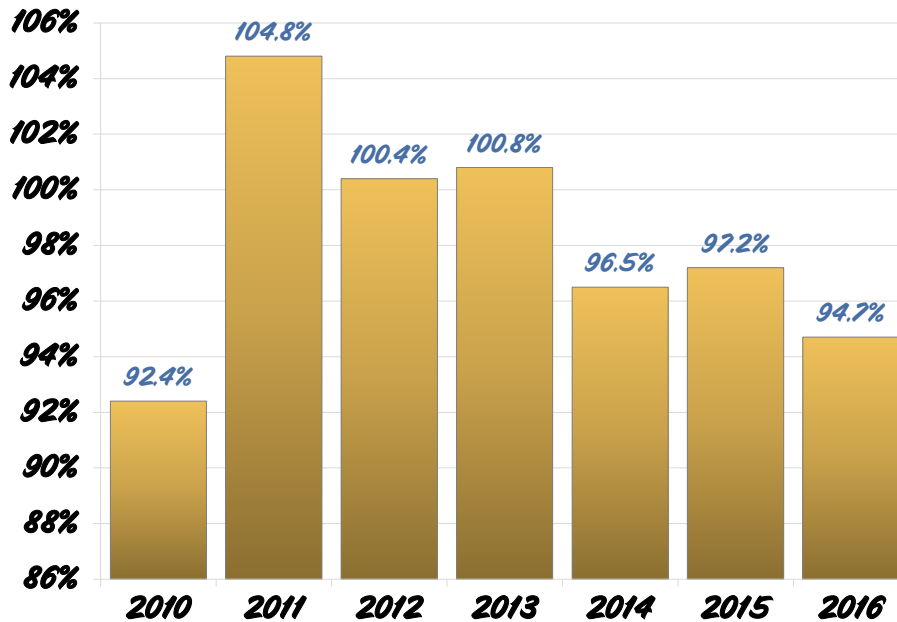
The chart at left shows the cumulative effect in FY 2016 of the current year's expenses exceeding revenues by \$56.9 million. This represents a significant increase in the deficit when compare to the prior year.

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
16.5%	87.1%	-825.9%	-49.5%	21.3%	2.6%	6.8%	-16.1%	-4.6%	-8.5%

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.

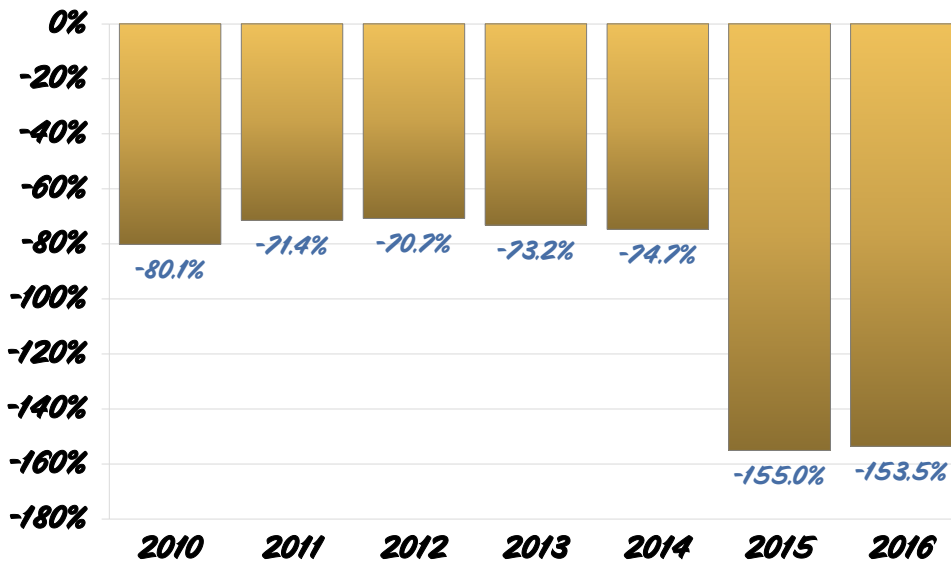
For the year ended September 30, 2016, the Government of Guam funded 94.7% of their current year expenses with current year revenues, which is considered a slightly below satisfactory percentage, and represent a decreased in the ratio when compared to the ratio of the prior year.

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
99.2%	90%	86.1%	92.4%	104.8%	100.4%	100.8%	96.5%	97.2%	94.7%

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 the Government of Guam has at a point in time to fund emergencies, shortfalls or other unexpected needs.

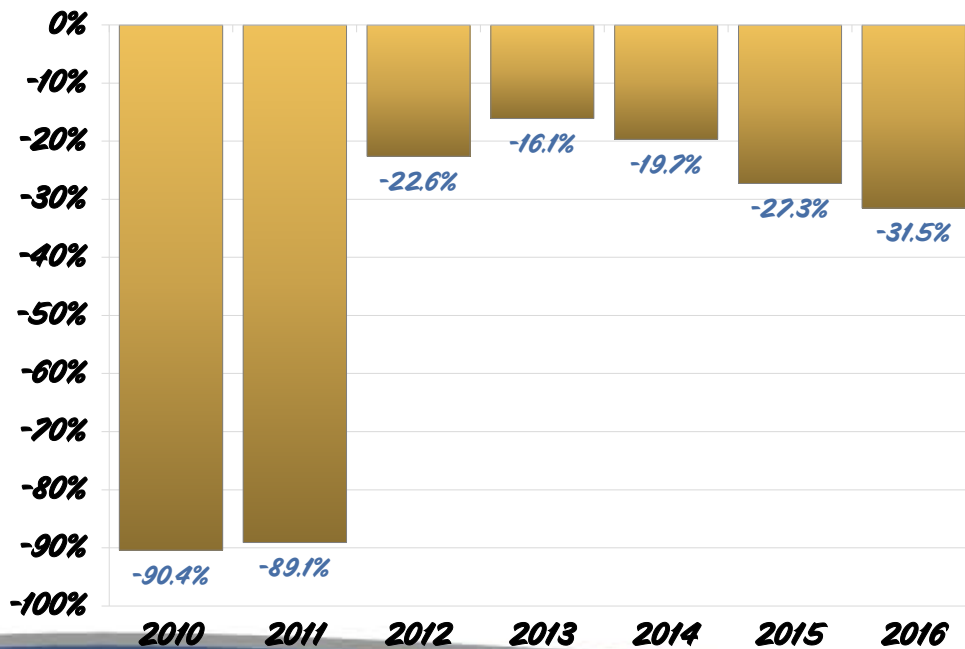
For the year ended September 30, 2016, the Government of Guam's total unrestricted net position remains in a deficit position, and approximated 154% of annual total revenues, which represents a slight decrease in the deficit-to-revenue percentage ratio calculated in the prior year.

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
-84.6%	-91.6%	-80.9%	-80.1%	-71.4%	-70.7%	-73.2%	-74.7%	-155.0%	-153.5%

LEVEL OF UNASSIGNED FUND BALANCE

HOW DOES OUR 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 the Government of Guam 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.

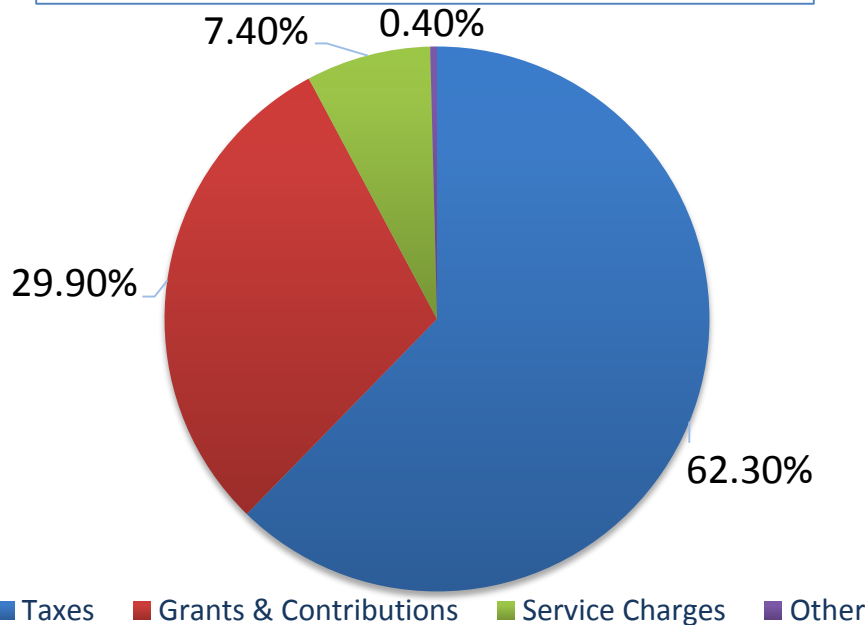
For the year ended September 30, 2016, the Government of Guam's General Fund unassigned fund balance remains in a deficit position, with the deficit being equal to 31.5% of its annual revenues. This represents an increase in the deficit-to-revenue ratio when compared to the deficit-to-revenue ratio in 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.

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
-101.8%	-102.5%	-82.2%	-90.4%	-89.1%	-22.6%	-16.1%	-19.7%	-27.3%	-31.5%

REVENUE DISPERSION

HOW HEAVILY ARE WE RELYING ON REVENUE SOURCES WE CAN'T DIRECTLY CONTROL?

2016 REVENUE PERCENTAGES BY SOURCE



The percentage dispersion of revenue by source indicates how dependent the Government of Guam is on certain types of revenue. The more dependent the Government of Guam 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.

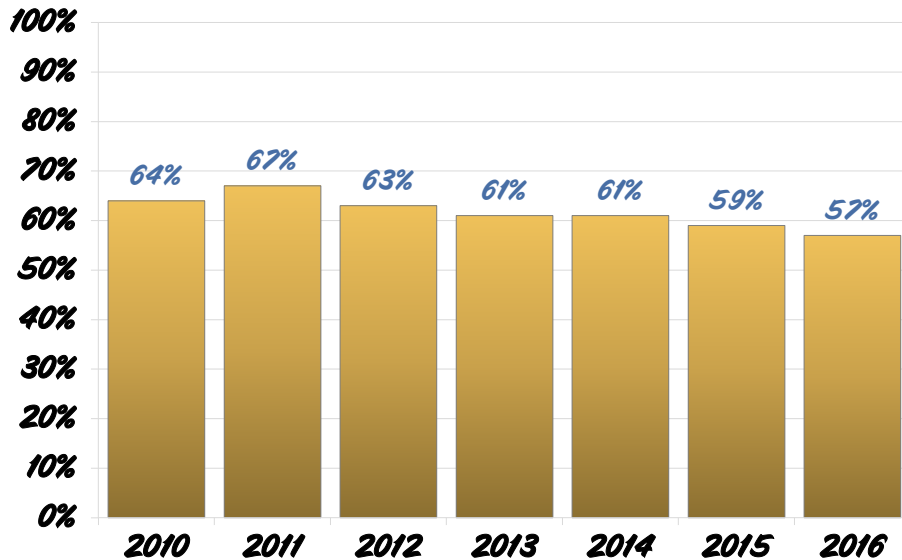
For the year ended September 30, 2016, the Government of Guam had direct control over 35.3% of its revenues, including charges for services and some local taxes. This ratio indicates the Government of Guam has exposure, as do most governments, to financial difficulties due to reliance (64.7%) non-controlled revenues.

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
35.6%	37.3%	33.9%	34.4%	30.5%	38.6%	33.8%	35.5%	34.9%	35.3%

CAPITAL ASSET CONDITION

HOW MUCH USEFUL LIFE DO WE HAVE LEFT IN OUR CAPITAL ASSETS?

PERCENTAGE OF CAPITAL ASSETS' USEFUL LIFE REMAINING



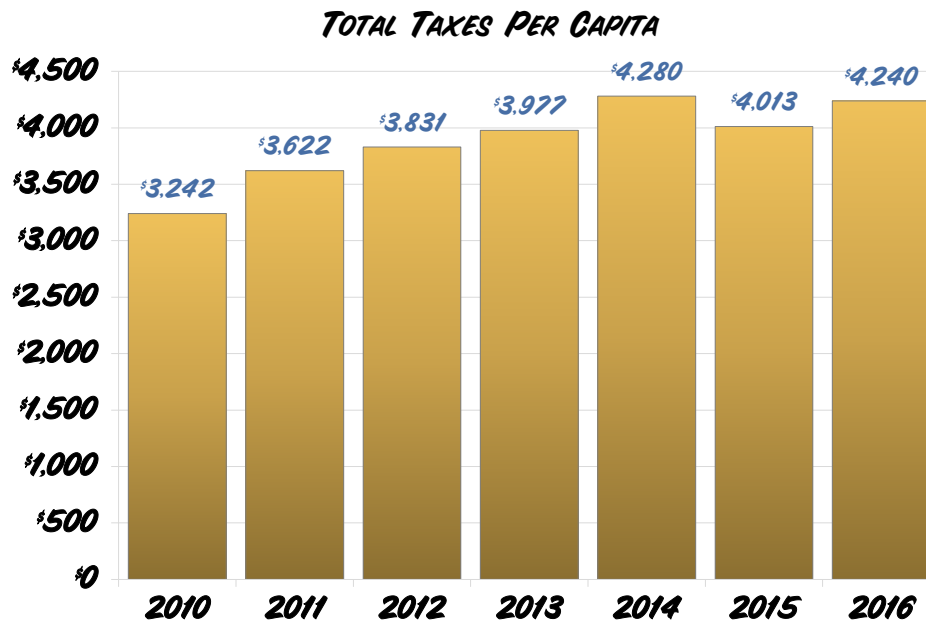
The capital asset condition ratio compares capital assets cost to accumulated depreciation to determine the overall percentage of useful life remaining. A low percentage could indicate an upcoming need to replace a significant amount of capital assets.

At September 30, 2016, the Government of Guam's depreciable capital assets amounted to \$1.5 billion while accumulated depreciation totaled \$654 million. This indicates that, on average, the Government of Guam's capital assets have 57% of their useful lives remaining. This represents a slight decline in the ratio when compared to the ratio of the prior year.

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
70%	69%	67%	64%	67%	63%	61%	61%	59%	57%

FINANCING MARGIN - TAXES

WILL OUR CITIZENS BE WILLING TO PAY INCREASED TAXES FOR OPERATIONS OR CAPITAL IMPROVEMENTS, IF NEEDED?



The financial ratio of taxes per capita is an indication of the Government of Guam'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.

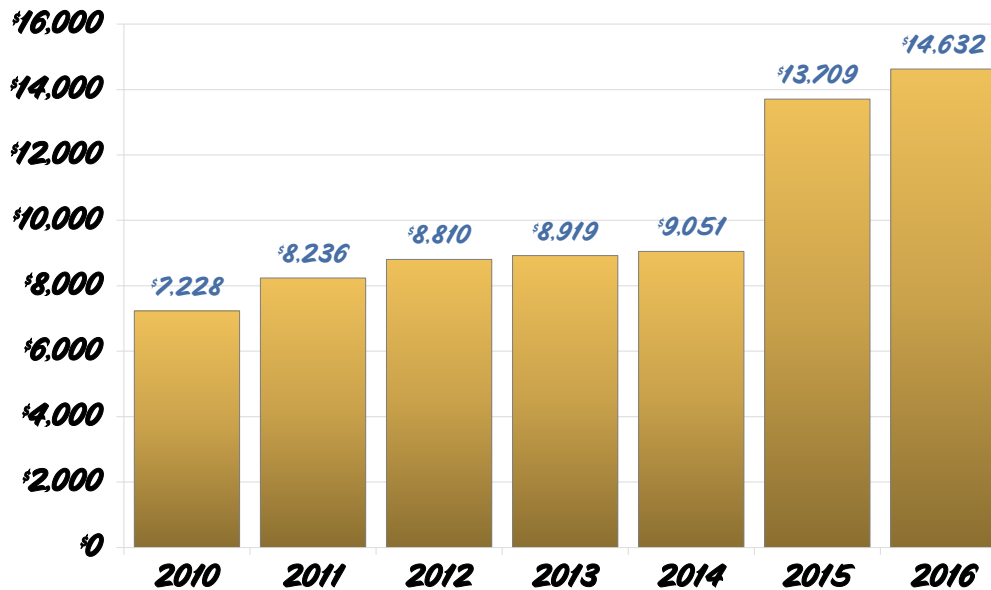
For the year ended September 30, 2016, total taxes amounted to \$724.4 million or \$4,240 per capita. This indicates a relatively high tax burden when compared to other insular governments, and it represent a slight increase from the ratio of the prior year.

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
\$3,030	\$3,132	\$3,264	\$3,242	\$3,622	\$3,831	\$3,977	\$4,280	\$4,013	\$4,240

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 the Government of Guam's debt burden on its citizens and other taxpayers.

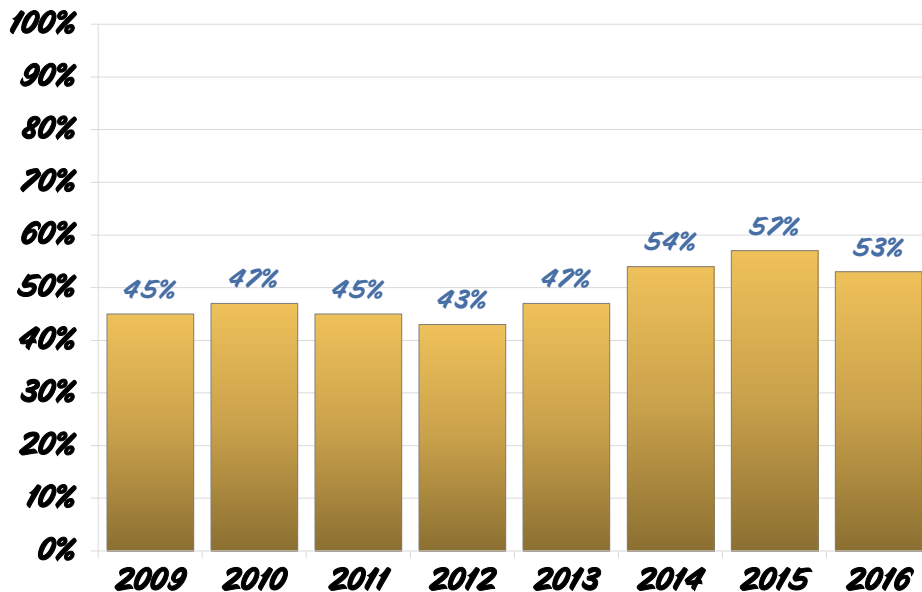
For the year ended September 30, 2016, the Government of Guam had \$2.5 billion of long-term debt or \$14,632 per capita which is considered a high debt burden on its citizens when compared to other insular governments. For consistency purposes of the comparison to prior years, the provision for tax refunds liability (approximately \$110 million) is included in this calculation. It represents an increase from the ratio of the prior year.

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
\$4,562	\$5,945	\$7,437	\$7,228	\$8,236	\$8,810	\$8,919	\$9,051	\$13,709	\$14,632

PENSION PLAN FUNDING RATIO

WILL WE BE ABLE TO PAY OUR EMPLOYEES WHEN THEY RETIRE?

PLAN NET POSITION AS A PERCENTAGE OF NET PENSION LIABILITY



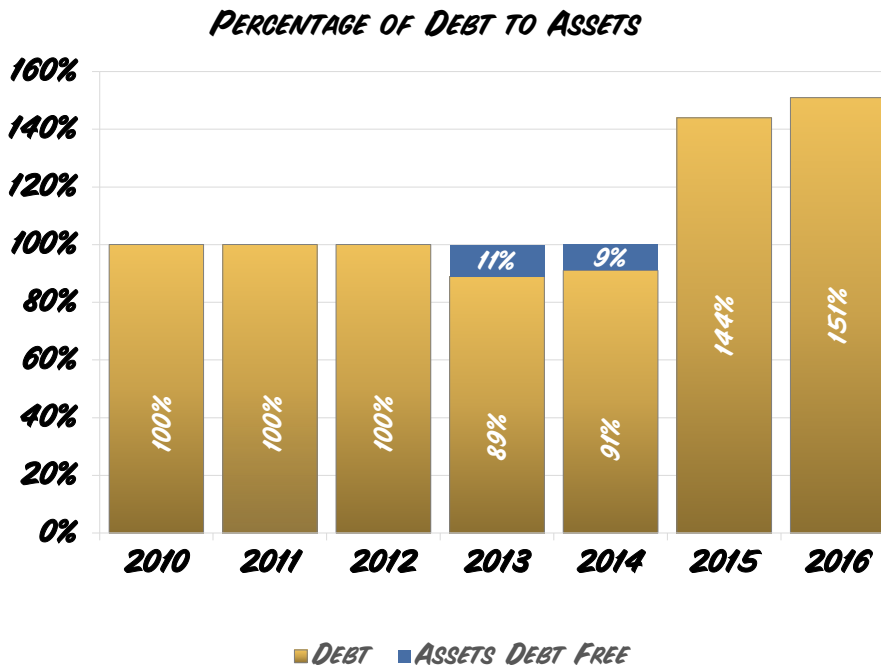
The pension funding ratio compares the Pension Trust Fund's Net Position to the Total Pension Liability for pension benefits. A percentage less than 100% indicates the plan is under-funded at the valuation date.

At September 30, 2016 (based upon the most recent actuarial information), the Government of Guam's pension plan net position was 53% of the total pension liability, indicating the plan decreased its funded ratio from the prior valuation. Although the plan remains significantly underfunded, the government has taken significant steps to improve the funded status of the plan. However, investment returns still significantly affect the outcome of the plan's funded status. Currently, this plan is closed to employees hired in the years after 1996.

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
54%	54%	45%	47%	45%	43%	47%	54%	57%	53%

DEBT TO ASSETS

WHO REALLY OWNS THE GOVERNMENT OF GUAM?



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

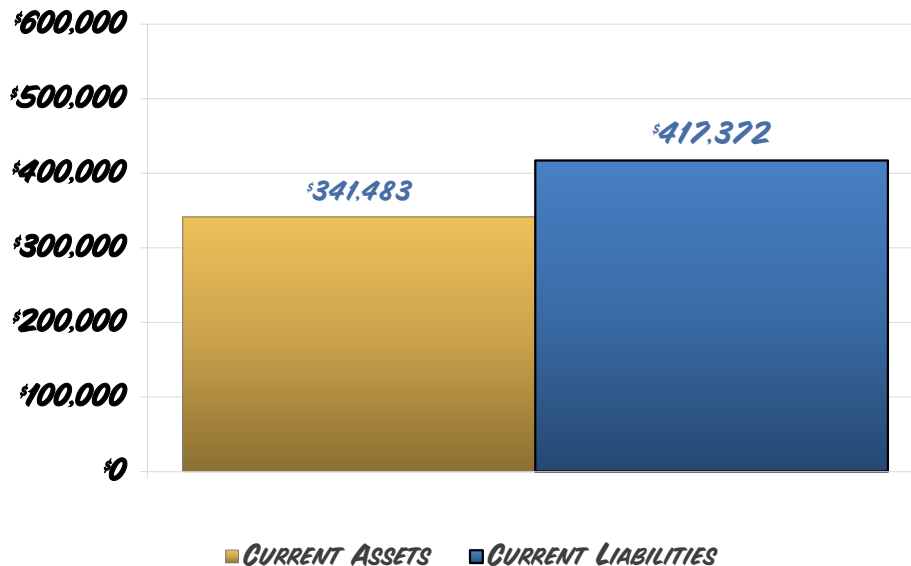
At September 30, 2016, 151% of the Government of Guam's \$1.84 billion of total assets were funded with debt or other obligations. This is an unfavorable financial indicator and indicates that for each dollar of assets the Government of Guam owns, it owes \$151 cents of that dollar to others. This represents a decrease in the ratio when compared to the prior year.

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
116.4%	121.3%	112.9%	119.7%	113.3%	113.3%	89%	90.7%	143.8%	151%

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 the Government of Guam’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 the Government of Guam.

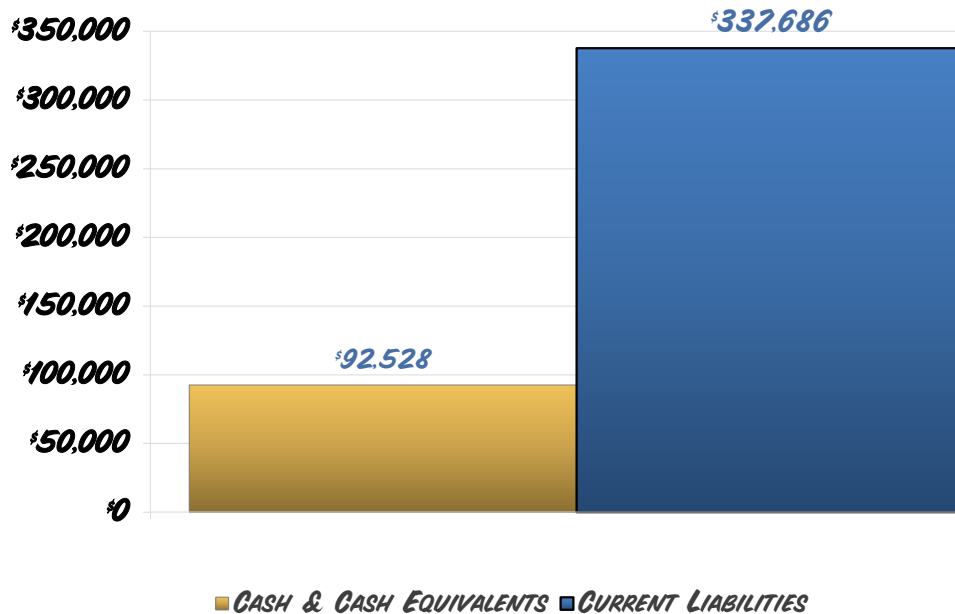
At September 30, 2016, the Government of Guam’s General Fund had a ratio of current assets to current liabilities of 0.82 to 1. This indicates that the Government of Guam has 82 cents of current assets to pay for every \$1.00 of current liabilities and is considered an unfavorable indicator of liquidity, and represents an increase when compared to the current ratio of the prior year.

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
0.17	0.28	0.44	0.36	0.48	1.10	1.01	0.79	0.63	0.82

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 the Government of Guam’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 the Government of Guam’s General Fund, the primary operating fund.

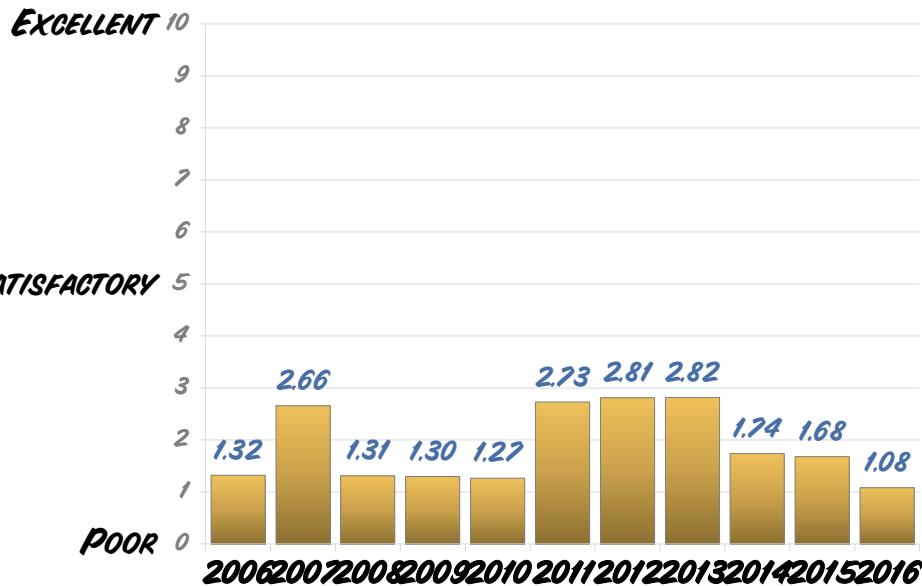
At September 30, 2016, the Government of Guam’s General Fund had a ratio of cash and cash equivalents to current liabilities of 0.27 cents to \$1.00. This indicates that the Government of Guam had 27 cents in cash and short-term investments available to pay every \$1 of current liabilities, and is a possible indicator of short-term cash flow difficulties. However, it represents an increase when compared to the quick ratio of the prior year.

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
0.05	0.08	0.05	0.04	0.03	0.34	0.27	0.23	0.07	0.27

PERFORMETER® READING

HOW WAS OUR OVERALL FINANCIAL PERFORMANCE?

OVERALL READING



The 2016 reading of 1.08. indicates the evaluator's opinion that the Government of Guam's overall financial health and performance declined 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 General Fund unassigned fund balance deficit, worsening tax and debt per capita numbers, and a higher debt-to-asset ratio are the primary causes for the decline in the overall rating.

FY 16 OVERALL PERFORMETER® READING: 1.08

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.



	2009	2010	2011	2012	2013	2014	2015	2016
Number of F.S. Opinion Qualifications/Exceptions	0	0	0	0	0	0	0	0
Number of Major Federal Program Qualifications/Exceptions	9	6	5	5	4	7	4	4
Number of F.S. Findings								
A. Internal Control and Compliance	0	0	0	0	0	0	0	0
B. Internal Control Only	0	3	6	4	3	3	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	0	3	6	4	3	3	1	0
Percentage of Findings Repeated	0%	0%	0%	100%	100%	33%	0%	0%
Number of A-133 Findings								
A. Internal Control and Compliance	10	6	3	3	5	6	8	9
B. Internal Control Only	0	0	0	0	0	1	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	10	6	3	3	5	7	8	9
Percentage of A-133 Findings Repeated	10%	16.7%	33.3%	0%	0%	14%	12.5%	33%
Number of months after Y/E the F.S. were Released	9	9	9	9	9	9	9	8
Number of Qualifications/Exceptions Related to C.U.	0	0	0	0	0	0	0	0
\$ of Questioned Costs-Current Year	\$0	\$3,734	\$41,790	\$35,293	\$18,178	\$46,293	\$348	\$432,056
\$ of Questioned Costs- Cumulative	\$4,616,404	\$2,313,561	\$1,428,837	\$45,370	\$53,471	\$99,764	\$14,798	\$432,404
\$ of Questioned Costs Resolved – Current Year	\$3,222,315	\$2,306,577	\$926,514	\$1,418,760	\$10,077	\$0	\$85,314	\$14,450

THANK YOU!

- We would like to commend and thank the Government of Guam's management, the U.S. Department of the Interior and the Graduate School USA for allowing us to present this financial analysis. We hope it serves as a useful and understandable compliment to the Government of Guam's annual financial report.
- This report is available online at <http://www.pitiviti.org>.
- Visit our website at <http://www.crawfordcpas.com> for other useful tools for governments.