



**POHNPEI**  
**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 Pohnpei 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 Pohnpei'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 Pohnpei as a whole
- Use the comparisons to prior years to monitor trends in financial indicators

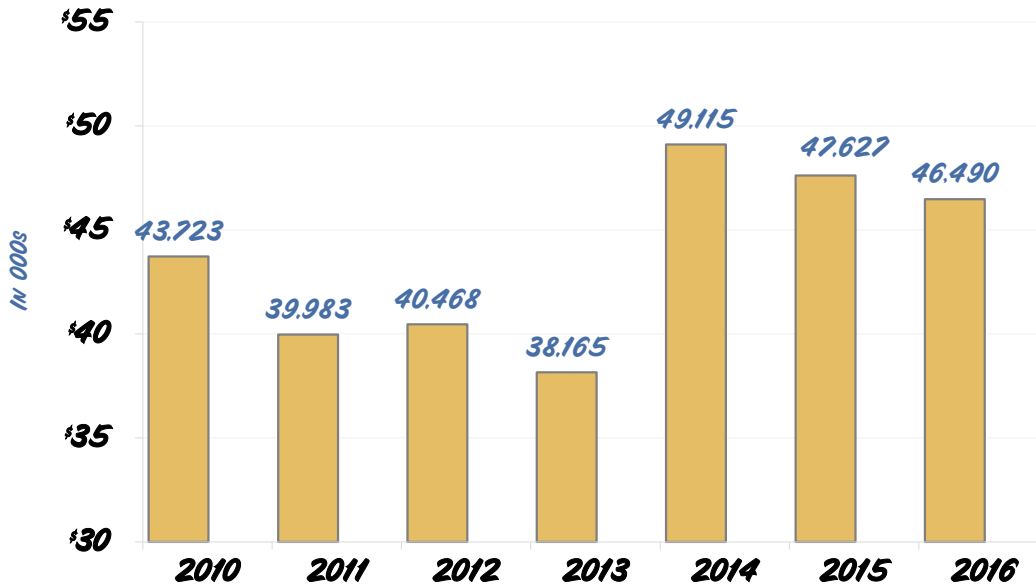
# ***LIMITATIONS OF THE PERFORMETER®***

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



Net position includes all assets of Pohnpei, excluding discretely presented component units. 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.

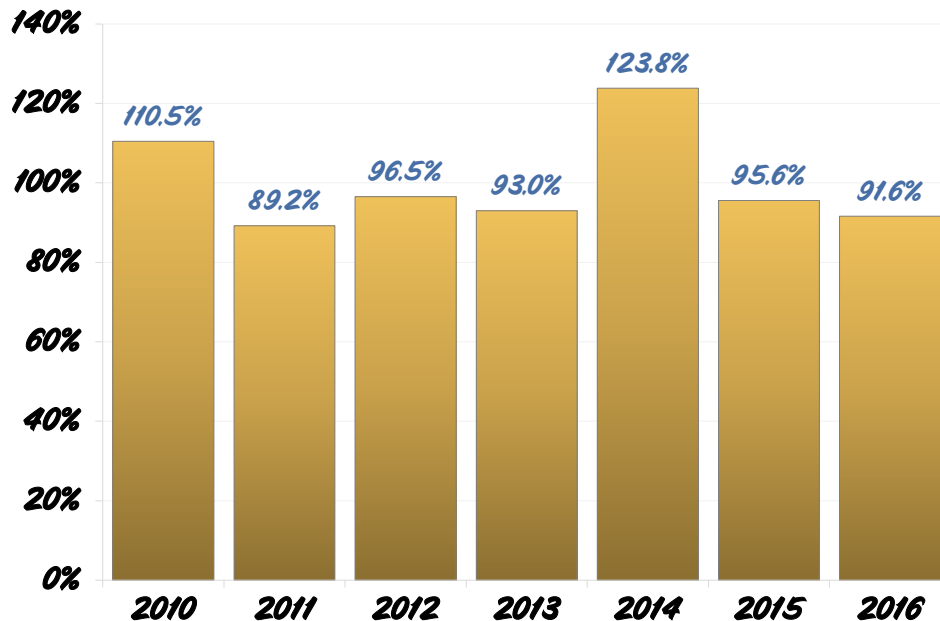
For the year ended September 30 2016, total net position decreased by \$1.7 million or 3.5% from the prior year. This represents a slight decrease when compared to previous year.

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
-7.1%	-18.4%	-3.5%	9.1%	-8.6%	1.2%	-5.7%	23.7%	-3.0%	-3.5%

# 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.

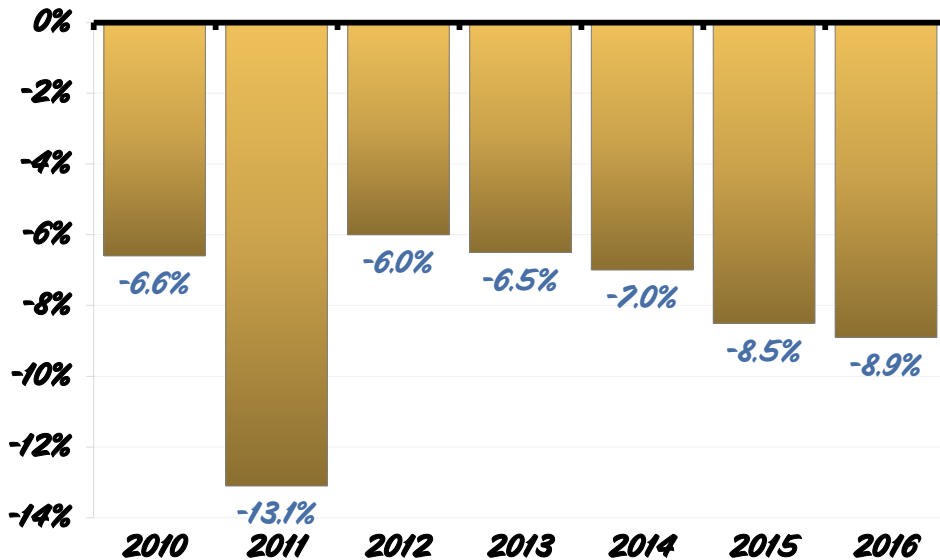
For the year ended September 30, 2016, Pohnpei funded 91.6% of their expenses with current year revenues. Although this is considered a satisfactory ratio, it does represent a decline when compared to the ratio of the prior year.

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
98.6%	72.3%	95.6%	110.5%	89.2%	96.5%	93%	123.8%	95.6%	91.6%

# 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 (deficit) is an indication of the amount of unexpended and available resources Pohnpei has at a point in time to fund emergencies, shortfalls or other unexpected needs.

For the year ended September 30, 2016, Pohnpei's total unrestricted net position (deficit) approximated a deficit equal to 8.9% of annual total revenues.

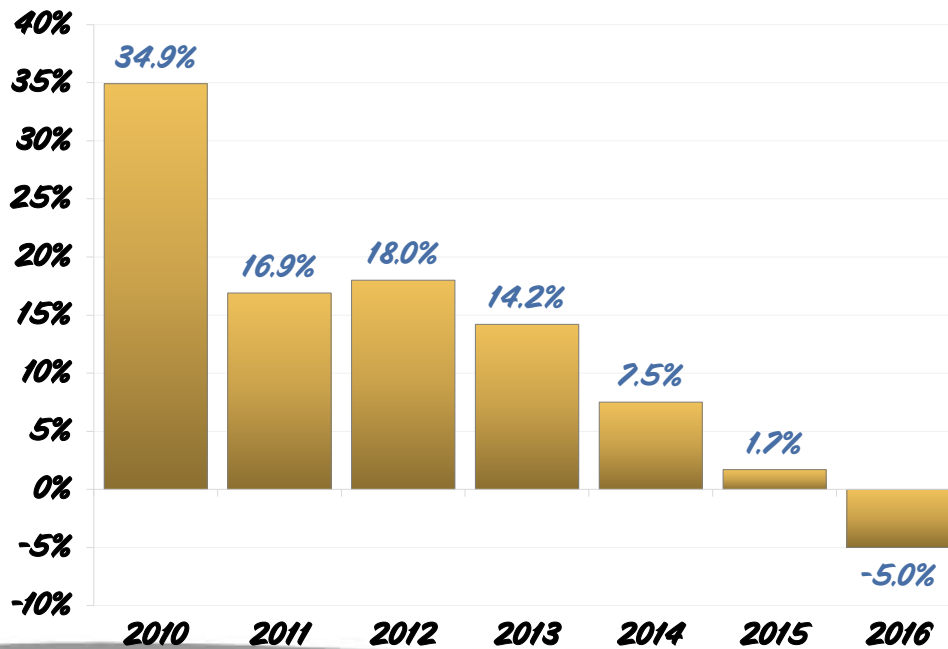
This ratio declined slightly over the prior year, and continues a deficit position for the unrestricted net position for the past nine periods.

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
11.3%	-5%	-6.5%	-6.6%	-13.1%	-6%	-6.5%	-7%	-8.5%	-8.9%

# LEVEL OF UNASSIGNED FUND BALANCE

HOW DOES OUR CARRYOVER LOOK?

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 Pohnpei 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, Pohnpei's unassigned fund balance (deficit) of the General Fund was approximately 5% of annual revenues. This represents a decline from the ratio of the prior period, and continues an overall downward trend that began in FY 2008.

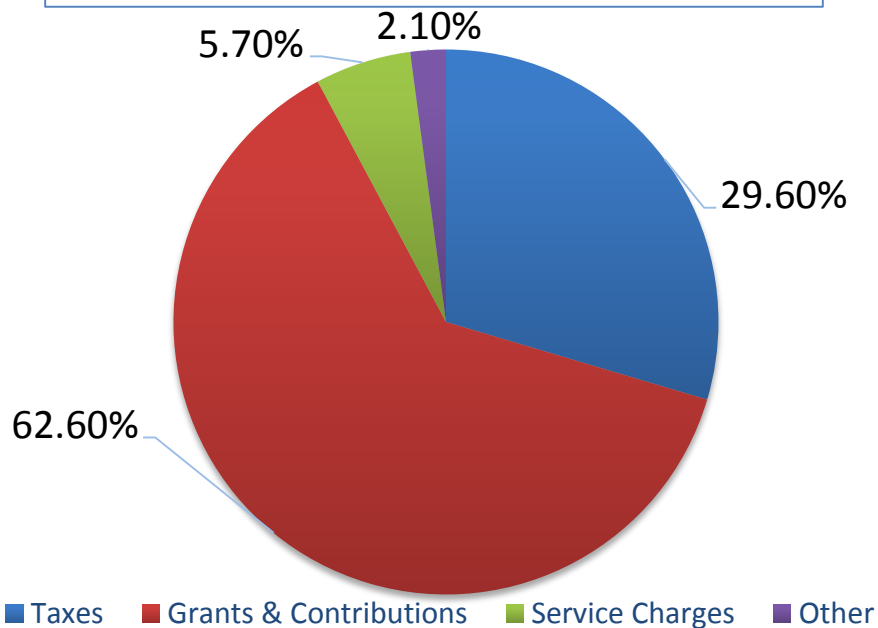
2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
92.2%	71.8%	39.8%	34.9%	16.9%	18%	14.2%	7.5%	1.7%	-5%



# 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 Pohnpei is on certain types of revenue. The more dependent Pohnpei is on revenue sources beyond its direct control, such as revenues from other governments such as grants, the less favorable the dispersion.

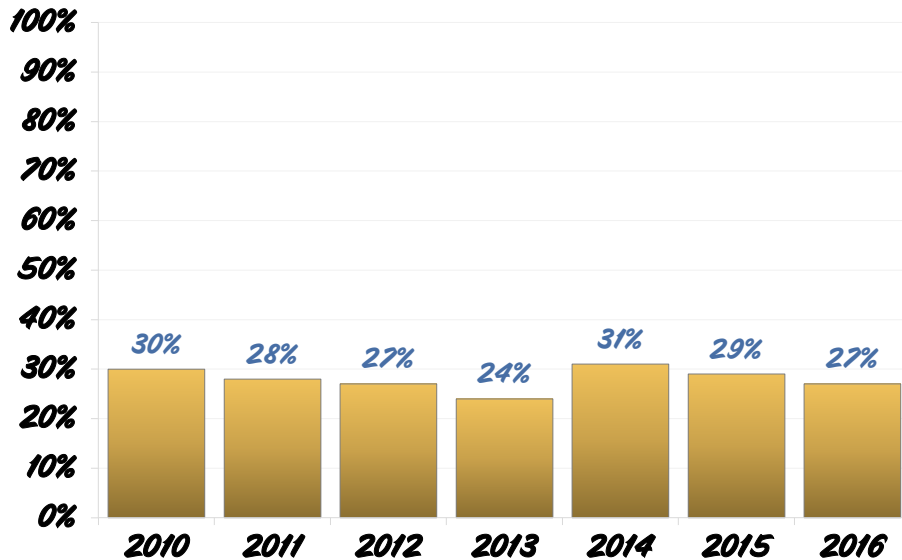
For the year ended September 30, 2016, Pohnpei had direct control over 14.8% of its revenues, including charges for services and some local taxes. This ratio indicates Pohnpei has exposure, as do most insular governments, to financial difficulties due to reliance (85.2%) on non-controlled revenues.

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
9.4%	13.7%	11.7%	11.1%	13.4%	11.6%	12.6%	9.3%	12.4%	14.8%

# 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.

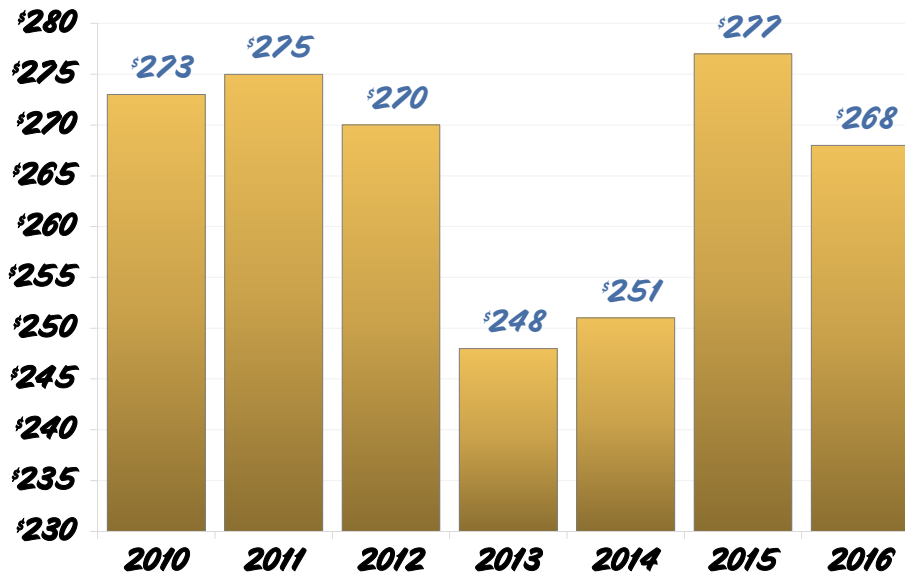
At September 30, 2016, Pohnpei's depreciable capital assets amounted to \$103.5 million while accumulated depreciation totaled \$75.7 million. This indicates that, on the average, Pohnpei's capital assets have 27% of their useful lives remaining, which is a below satisfactory ratio, and represents a slight decline when compared to the ratio of the prior period.

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
41%	38%	29%	30%	28%	27%	24%	31%	29%	27%

# 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 Pohnpei's tax burden on its citizens and other taxpayers. The ratio includes all taxes, including gross receipts, income and other taxes.

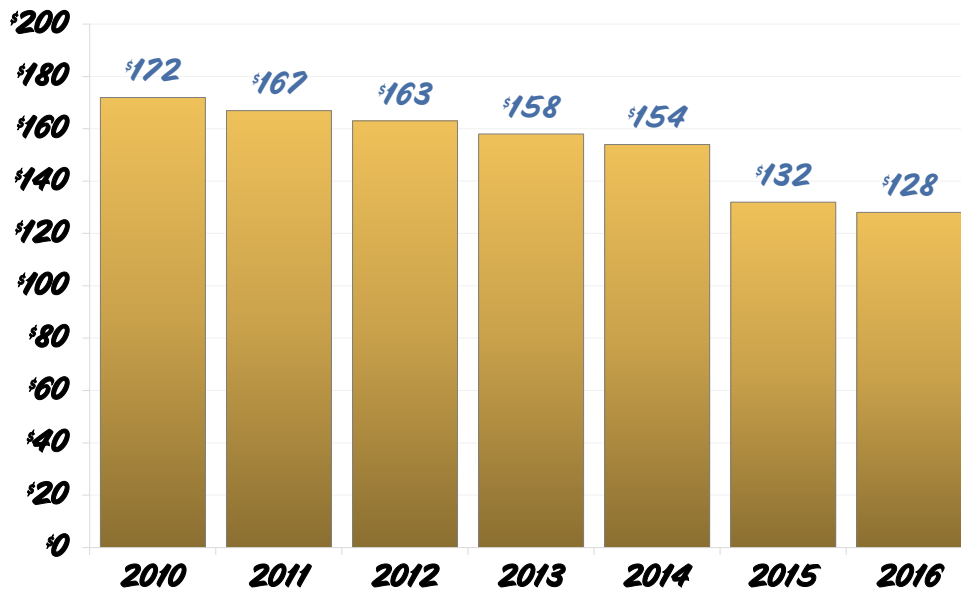
For the year ended September 30, 2016, total taxes amounted to \$9.7 million or \$268 per capita. This indicates a very favorable tax burden when compared with other insular governments, and is relatively consistent with prior year amounts.

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
\$224	\$222	\$265	\$273	\$275	\$270	\$248	\$251	\$277	\$268

# 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 Pohnpei's debt burden on its citizens and other taxpayers.

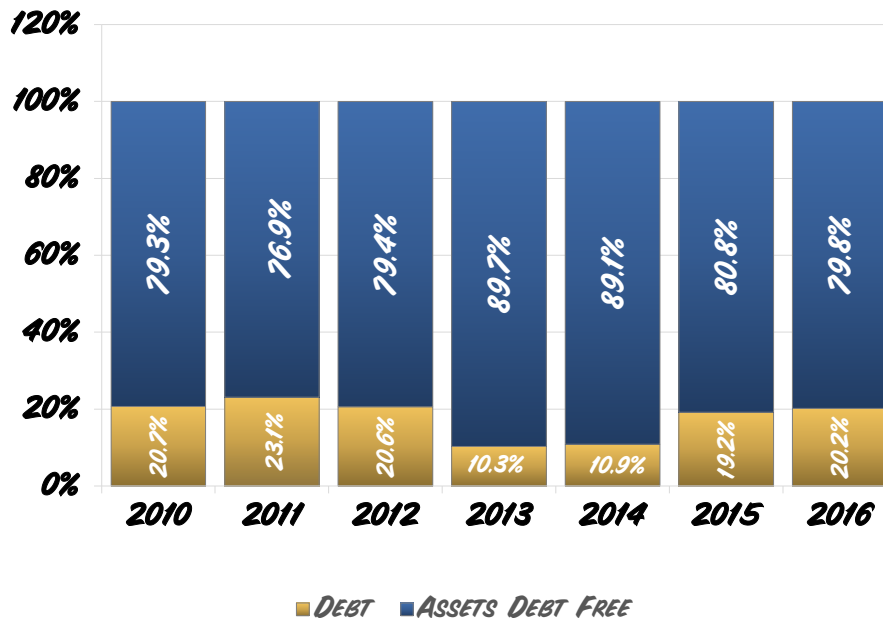
For the year ended September 30, 2016, Pohnpei had \$4.6 million in long-term debt, or \$128 per capita which is considered a low debt burden on its citizens when compared to other insular governments, with the ratio improving when compared with that of prior periods.

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
\$173	\$164	\$161	\$172	\$167	\$163	\$158	\$154	\$132	\$128

# DEBT TO ASSETS

## WHO REALLY OWNS POHNPEI?

PERCENTAGE OF DEBT TO ASSETS - 2016



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

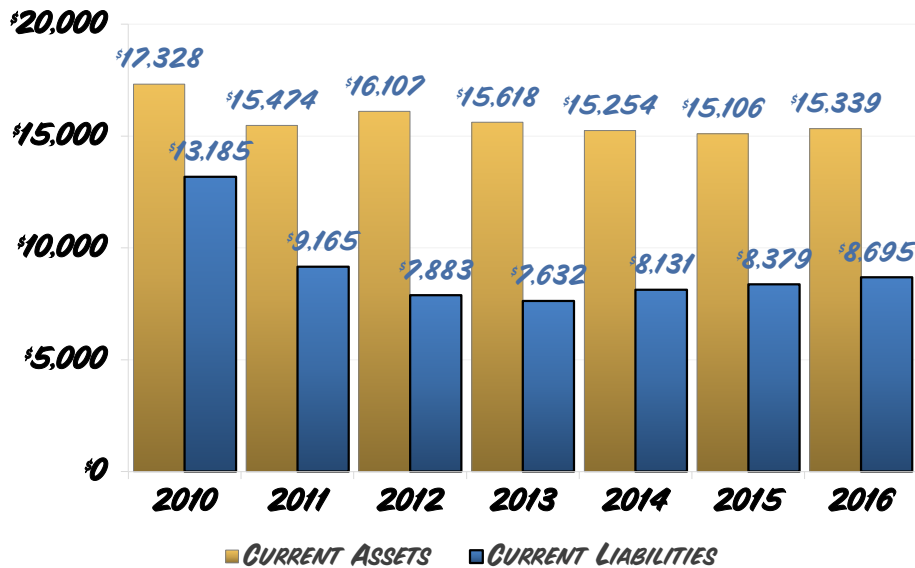
At September 30, 2016, 20.2% of Pohnpei's \$58 million of total assets were funded with debt or other obligations. This is a favorable financial indicator and indicates that for each dollar of assets Pohnpei owns, it owes 20.2 cents of that dollar to others. This ratio is a slight decline with compared with the ratio of the previous period.

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
15.9%	18.3%	20.1%	20.7%	23.1%	20.6%	10.3%	10.9%	19.2%	20.2%

# 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 Pohnpei’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 analysis uses only the General Fund, the primary operating fund of Pohnpei.

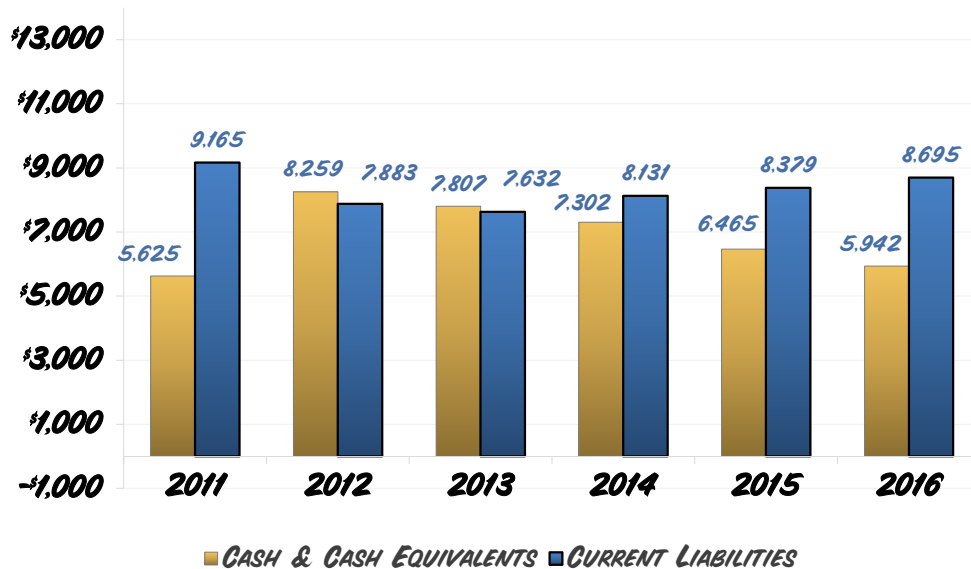
At September 30, 2016, Pohnpei had a General Fund ratio of current assets to current liabilities of 1.76 to 1. This indicates that Pohnpei had almost 2 times the amount of current assets to pay current liabilities. This is considered to be a relatively satisfactory indicator of liquidity but a decrease compared with the ratios of the last few prior periods.

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
2.62	1.63	1.51	1.31	1.69	2.04	2.05	1.88	1.80	1.76

# 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 Pohnpei'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 analysis uses only the General Fund, the primary operating fund of Pohnpei.

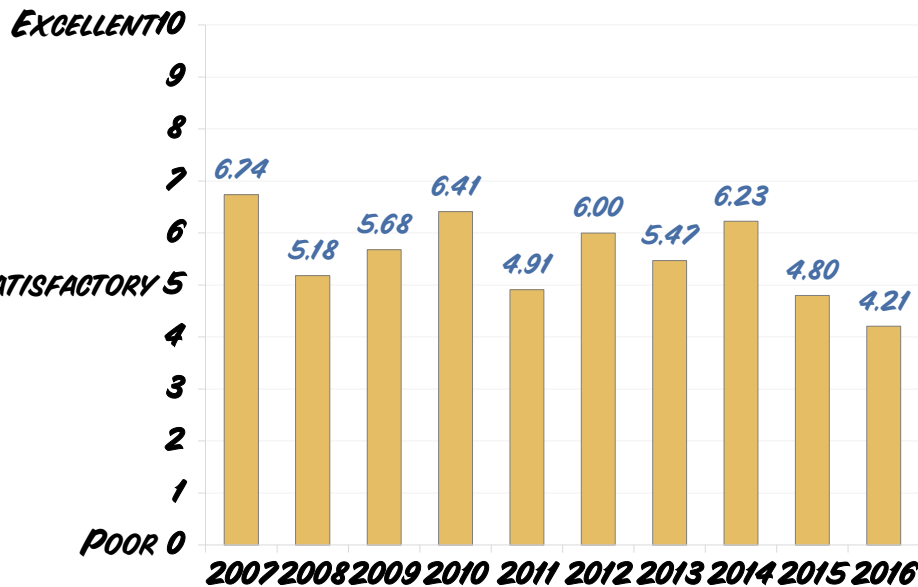
At September 30, 2016, Pohnpei had a General Fund ratio of cash and cash equivalents to current liabilities of 0.68 to 1. This indicates that Pohnpei had 68 cents of cash and cash equivalents available to pay each \$1 of current liabilities, which is considered a less than satisfactory financial liquidity ratio, and a decrease from the previous period.

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1.26	0.70	0.76	0.45	0.61	1.05	1.02	0.90	0.77	0.68

# PERFORMETER® READING

## HOW WAS OUR OVERALL FINANCIAL PERFORMANCE?

OVERALL READING



The 2016 reading of 4.21 indicates the evaluator's opinion that Pohnpei's overall financial health and performance has declined when compared to the prior period and is slightly below satisfactory rate.

Although still considered near satisfactory, Pohnpei's overall financial health declined during the 2016 fiscal year due to declines in the amount of unassigned fund balance and unrestricted net position, and also declines in the current and quick ratios. However, the low tax and debt burdens per capita, and its low debt to assets ratio are the more significant positive ratings, and the primary reasons for the relatively near satisfactory reading.

**FY 16 OVERALL PERFORMETER® READING: 4.21**



# ***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	1
Number of Major Federal Program Qualifications/Exceptions	0	0	0	0	1	1	1	0
Number of F.S. Findings								
A. Internal Control and Compliance	0	0	0	0	0	0	0	0
B. Internal Control Only	0	0	0	0	1	1	1	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>	<u>0</u>
TOTAL	0	0	0	0	1	1	1	2
Percentage of Findings Repeated	0%	0%	0%	0%	0%	0%	0%	0%
Number of A-133 Findings								
A. Internal Control and Compliance	1	1	1	1	3	4	4	0
B. Internal Control Only	0	0	0	0	1	0	0	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	1	1	1	1	4	4	4	1
Percentage of A-133 Findings Repeated	100%	100%	100%	100%	25%	25%	25%	100%
Number of months after 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	\$0	\$0	\$0	\$0	\$0	\$541,593	\$368,539	\$0
\$ of Questioned Costs- Cumulative	\$0	\$0	\$0	\$0	\$121,682	\$663,275	\$911,132	\$911,132
\$ of Questioned Costs Resolved – Current Year	\$0	\$0	\$0	\$0	\$121,682	\$0	\$0	\$0

# THANK YOU!

- We would like to commend and thank Pohnpei'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 Pohnpei'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.